

**SUBSIDIZED FINANCING AND ASSET GROWTH OF WOMEN
GROUPS IN SIAYA COUNTY, KENYA**

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FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
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DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

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This research project has been submitted for Examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my husband Alfred and my children Lorraine, Elvis, Rhyan and Linus for their understanding, constant encouragement and support. God Bless You All.

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ABBREVIATIONS AND ACRONYMS

AIDs	:	Acquired Immune Deficiency Syndrome
CIDP	:	County Integrated Development Plan
HIV	:	Human Immunodeficiency Virus
SHG	:	Self Help Group
RoK	:	Republic of Kenya
WEF	:	Women Enterprise Fund
GoK	:	Government of Kenya
UNDP	:	United Nations Development Program me

ABSTRACT

The purpose of this study was to establish the effect of subsidized financing on asset growth of women groups of siaya county, Kenya. In specific terms the study reviewed asset growth from; gender based financing; government lending conditions and regulatory framework. This study also employed descriptive survey design since it was conducted to describe the present situation, what people currently believed, what people are doing at the moment and so forth. The study targeted 13,000 registered women groups in Siaya County. This study used Cluster, stratified and simple sampling techniques. Data was analyzed using Statistical Package for Social Sciences (SPSS) and results were presented in frequency tables and charts. The data was then analyzed in terms of descriptive statistics like frequencies and percentages. The findings indicated that the lending conditions does influence women groups in accessing subsidized finances, the result obtained in this study revealed that the chances of women groups accessing subsidized finances decreases with tough requirements of the government. Therefore lending condition is a significant factor and has a negative relationship with access to subsidized finances and asset growth. However, the findings recommended that women groups should design their time structure to allow them join groups which are registered so as to be exposed to the information on credit access and also receive some training on the available services on government funding. To deal with the different economic, social cultural and the legal administrative bottlenecks that women groups face, they should make lobbies together by forming entrepreneurs association and present their grievances via those in charge to the concerned authority. This study also suggest that further study especially a comparative study can be conducted by comparing the effect of subsidized financing and asset growth of women groups from different counties and provide suggestion for the same and more advanced multiple analysis model employed to show the exact effect and differences on the Asset growth.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Women have considerable potential to contribute to the development of the nation but face many challenges such as not controlling assets like land which relates to male counterparts other vulnerabilities to domestic violence, HIV and AIDS. Poverty due to discrimination in education, healthcare, employment and credit is another challenge which women face (UN Women, 2010). A study conducted in rural Bangladesh revealed that isolation of women constrains potential to generate income (Schuler and Hashemi, 1994). Mainstreaming women in the financial services sector is therefore one of the ways to boost the critical role they play in socio-economic development (MGCSD, 2011). Those who go into entrepreneurship are inadequately prepared due to limited capital and low financial matter (UN Women, 2010). The Ministry of Planning and Vision 2030, through the Poverty Eradication Council has put aside funds for women and youth groups through constituency and district development offices (Nation Correspondent, 2011).

The theory of the social capital in its present form and associated meaning was developed by (Bourdieu, 1977). Social capital refers to the institution, relationships and norms that shape the quality and quantity of the society's social interactions (Bourdieu, 1977). The impact of high social capital is heightened information flow that enables borrowers's self-selection process as a means to mitigate adverse selection in credit markets; this mitigates risk through information availability of other group members's projects. They sort themselves into homogeneous groups, through an assortative matching process.

1.1.1 The Concept of Subsidized Financing

Subsidized financing is a form of finance that a government provides directly or guarantees low income people, at a lower interest rate than the market rate, since the government does not need to make a profit and can better afford the risk of loss (Harvey, 2012). Government intervention in the pricing and allocation of credit remains an enduring feature of both developed and developing countries. Although considerable world-wide progress has been achieved in recent years toward financial liberalization and open capital markets, governments continue to deploy credit instruments to address a variety of social, political, and economic problems (Saldana, 2010).

According to Lerner (2002), financing subsidies are often targeted at particular demographics or industrial sectors such as subsidies for low-income housing, farmers, students or small business. When providing a financing subsidy, a government generally establishes a fund to provide credit to recipients with lower interest rates than the prevailing market rate. Such schemes have been quite common globally and are frequently applied by governments to target particular social groups or industries, often as a means of transfer to disadvantaged groups (Beck, Klapper and Mendoza, 2010).

1.1.2 The Concept of Asset Growth

Growth can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. (Freel and Robson, 2004). It can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers (Freel and Robson, 2004). Asset growth of an entity is a vital indicator of a flourishing enterprise. There are many factors like characteristics of the entrepreneur, access to resources like finance, and manpower which affect the

growth of the enterprise and differentiate it from a non-growing enterprise (Freel and Robson, 2004). Gilbert et al. (2006) argued that asset growth can be identified from the resource-based perspective. This focuses on the enterprises' resources like expansion of business activities, financial resources and educated staff.

Financial constraints have been suggested to be one of the most important barriers to growth (Storey, 1994). Carpenter and Petersen (2002) observe that there is a positive relationship between cost of financing and growth of firm assets. Oliviera and Fortunato (2006) examined whether liquidity constraints faced by business firms affect firm growth. Their findings revealed that smaller and younger firms have higher growth-cash flow sensitivities than larger and more mature firms. Besides, firms that were small and young at the beginning of the sample period exhibited more persistent growth than those that were large and old. Heshmati (2001) also proved the relationship between the growth, size and age of firms as very sensitive.

1.1.3 Subsidized Financing and Asset Growth

Cook (2001) asserts that the capacity of start-ups and small firms to fulfill their wealth-creation potential depends on availability and sustainability of investment finances. Access to credit is especially important due to inherent firms' inability to finance their economic activities through retained earnings or equity financing (Whincop, 2001). Meza (2002), however, indicated that the small business credit markets do not function according to the competitive ideals. Further, Beck and Demirguc-Kunt (2006) assert that credit markets may not function ideally among small firms that are information ally opaque.

Inadequate access to appropriate financial resources and the disadvantageous credit terms and conditional ties constitute a major impediment to the performance, growth

and development of small businesses (Beck, Klapper and Mendoza, 2010). According to Saldana (2010), the main disincentives to lending small businesses include high administrative costs, asymmetric information, lack of credit history, dearth of proper financial records, and lack of viable collateral. These restrictions in accessing institutional credit put small businesses at a competitive disadvantage and eventually impair their investment capabilities (Tunahan and Dizkirici, 2012). Further, Saldana (2010) recognized direct and preferential lending programs as essential tools towards inducing entrepreneurial interest. This is supported by Li (2002) who discussed that subsidized credit facilities promote investment orientation by those who received them and that they are effective if they target entrepreneurs who lack internal capital.

1.1.4 Women Groups in Siaya County

Siaya County is situated in Western Kenya. It is bordered by Busia County to the North, Vihiga and Kakamega Counties to the North-East, Kisumu County to the South-East and Homabay County across the Winam Gulf to the South. It lies between Latitude $0^{\circ}26'$ South to $0^{\circ}18'$ North and from Longitude $33^{\circ}58'$ East to $34^{\circ}33'$ East. The main development challenges in Siaya County, also affecting women, are poor infrastructure, inadequate water supply, erratic electricity supply, high level of illiteracy, high prevalence of HIV/AIDs and high unemployment rates. These factors have greatly impacted negatively on development in the County. As a result about 40% of the total population in the County is living below the poverty line (Siaya County Integrated Development Plan [CIDP], 2013-2017).

There are 13,000 registered women groups within the County respectively from different sub counties within Siaya like; Alego Usonga, Gem, Bondo, Rarieda, Ugunja and Ugenya. (Statistics office, Siaya County, 2015). The women groups

engage in crop farming, handicraft basketry, mats and pottery, table banking, small enterprises/tendering for schools and county offices and tree nursery. The main problems facing the women groups are poor project identification, lack of enough training on management of resources, poor record keeping, and low levels of education, poor leadership, conflicts and inadequate resources (CIDP, 2013-17). Majority of women groups in the County are direct beneficiaries of the Uwezo Fund, District Poverty Eradication Fund, County Funding, Njaa Marufuko and the Women Enterprise Fund (WEF) which advance financing facilities at highly subsidized rates. (Statistics office, Siaya County, 2015). In the financial Year 2014/15, for instance, 12,134 women groups borrowed from Uwezo Fund an amount close to Ksh.54 million while the WEF disbursed a gross of Ksh.9 million as per the groups application forms whereby the groups only pays administration fees of 5% rate of return (WEF, 2015). Women groups play major roles within our economy by eradicating poverty through farming activities hence food security, creation employment opportunities within themselves and training the community against the effect of HIV, (CIDP, 2013-17).

1.2 Research Problem

Credit subsidies have been the standard policy for addressing market imperfections in most economies, notwithstanding questions about adverse allocation and other effects (Rapisarda and Patacchini, 2003). The subsidies could be a potentially effective tool to address market imperfections during a bust. Despite the apparent success and popularity of subsidized financing from Uwezo Fund, District Poverty Eradication Fund, County Funding, Njaa Marufuko and the Women Enterprise Fund (WEF), there is no clear evidence that subsidized financing have positive effects on assets growth on women groups (De Aghion and Morduch, 2010). There has been an argument

examining effects of subsidized financing which are inconclusive (UN Women, 2010). One group argued that subsidized financing provides a basis to help the poor due to the lower interest rates and improved access to loan. The costs of these small loans are very high hence the poor need help to cover these costs otherwise they will have to pay unacceptably high interest rates. At the heart of the discussion lie the question, how much do the women groups actually benefit from government subsidized funds and whether or not the poorer households benefit more than others. As long as the majority of the women groups use subsidies in one form or another, one has to compare costs and benefits of supporting government programs to alternative ways of development aid. As long as the effect has not been assessed, the discussion about the use of subsidies has to remain inconclusive.

The Government of Kenya has implemented women-specific financial policies involving the subsidized WEF and Uwezo Fund. This is because, Kenya has 48 percent of women business owners, yet they have only 7 percent of formal credit and own just 1 percent of land. Majority of women groups in Kenya and Siaya County in particular are direct beneficiaries of the Uwezo Fund, District Poverty Eradication Fund, County Funding, Njaa Marufuko and the Women Enterprise Fund (WEF) which were established was August 2007 but subsequently launched in May 2009, however the funds advance financing facilities at highly subsidized rates. In the financial Year 2014/15, for instance, 12,134 women groups borrowed from Uwezo Fund an amount close to Ksh.54 million while the WEF disbursed a gross of Ksh.9 million as per the groups application where they only pays administration fees of 5% rate of return (WEF, 2015). Although a growing number of policies and programs are arising to address the needs of the growing number of women business owners and their enterprises in the county, the women groups still find a challenge to access to

finance and those challenges include, lack of collateral, time frame, lack of information on the existence of the government funds, long procedures to access the funds, illiteracy levels is still the biggest obstacle facing women groups members in the county.

Notably, however, there have not been previous studies to establish how the subsidized financing programs impact on the welfare of small entrepreneurs such as women in the rural contexts. Mwobobia,(2012) study on women access to government institution in relation to illiteracy which gives rise to poor managerial skills and lack of training, poor regulatory framework that support women, and the lending conditions by the financial providers which are harsh. This study therefore investigated the level of access to credit facility in government institutions by women groups in Siaya County as a proxy to help in understanding the level of inclusion of women in access to financial services by focusing specifically on rural women. Kenyan studies have used survey analysis with a large sample.

Punitha et al (2007) examined the problems and constraints faced by women entrepreneurs in the Pondicherry region. The major problems faced by rural women entrepreneurs are competition from better quality products and marketing problems. The problems for urban entrepreneurs are, apart from the competition from better quality products, is the difficulty in getting loans. Bliss and Garratt (2010) has examined the working of organization for women in Poland. The paper has examined the various activities performed by these associations to promote women entrepreneurs. Although micro-enterprise support programmes do raise incomes of the poor, only individuals who are at or near the poverty line are positioned to benefit from them. Based on the above studies it can be noted that the researcher has not come across any study on subsidized financing and asset growth thus, what is the

influence of subsidized financing on asset growth of women groups of Siaya County, Kenya?

1.3 Research Objectives

The study sought to establish the effect of subsidized financing and asset growth of women groups in Siaya County, Kenya.

1.4 Value of the Study

Government facility accelerates economic growth by injecting funds into domestic savings and increasing the quantity and quality of investment. They positively influence economic growth by encouraging savings through investment amongst individuals and providing for firm financing (GEM, 2004). Therefore, the findings of the research is great for policy use. The study of the effect of subsidized financing and asset growth of women groups in the study area is important to the:

Financial sector in providing vital information that will enable to take effective measures by lending and policy makers to improve access to credit.

Institutional sector, the outcome of the study is useful in identifying innovative options and institutional arrangements that will serve as an input for policy makers in formulating credit policy, tailoring new training programs for women and developing relationships with business associations.

Academicians, the study provides a door to new research by academicians who want to explore more on the topic, since more is not written in this area, it is also a contribution on the existing literature on women access to credit.

Women groups will understand the available information on the menu of subsidized loans.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewed both the theoretical and empirical literature relevant to the study focus and a summary and knowledge gaps.

2.2 Theoretical Review

This study is either built in the following theories, which includes; Social Capital Theory, Austrian Theory of the Business Cycle and the Rational Theory.

2.2.1 Social Capital Theory

The theory of the social capital in its present form and associated meaning was developed by (Bourdieu, 1977). Social capital refers to the institution, relationships and norms that shape the quality and quantity of the society's social interactions (Bourdieu, 1977). The impact of high social capital is heightened information flow that enables borrowers's self-selection process as a means to mitigate adverse selection in credit markets; this mitigates risk through information availability of other group members's projects. They sort themselves into homogeneous groups, through an assortative matching process.

Broadly, social capital can be seen in terms of five dimensions: first, networks-literal associations that vary in density and size, and occur in both individuals and groups; second, reciprocity-expectation that in short or long term, kindness and services will be returned; third, trust-willingness to take initiatives(or risk) in a social context based on assumption that others will respond as expected; fourth, social norms-the unwritten shared values that direct behavior and interactions; and fifth, personal and collective efficacy-the active and wiling engagement of the citizens within participative community (Bourdieu, 1977). These five dimensions manifest

themselves in various combinations and shape the interaction amongst the members of a group, organization, community, society or simply network and can be studied through various perspectives.

For women groups, the theory goes, participation yields not only an economic pay off in increased access to financial services, but also an empowerment payoff in new forms of bridging and linking social capital that emerge from participation in networks of borrowers' groups (Servon, 1998). Hamze (2000) describes in his study of the Grameen bank in Bangladesh, borrowers' interaction at 'centre meetings' (during which borrowers' groups convene to repay their loans) facilitates their ability to establish and strengthen networks outside their kinship groups and living quarters. Donors thus consider microfinance to be a 'win-win' approach to the development because investors can mobilize bonding social capital to enhance the financial viability of the banking with women groups and the poor.

2.2.2 Austrian Theory of the Business Cycle

The Austrian theory of the business cycle emerges straight forwardly from a simple comparison of a savings induced boom (Fletschner, 2008). An increase in savings by households and credit expansion orchestrated by the central bank sought into motion market processes whose initial allocation effects on the economy's capital structure are similar but whose ultimate consequences are sharply different. The general argument of the theory though not the full argument can be stated in terms of the conventional macro-economic aggregates of savings and investments (Fletschner, 2008). The levels of investment are determined by the supply and demand for loanable funds. Supply reflects the willingness of households to save at various rates of interest; demand reflects the willingness of business to borrow in order to finance

investment projects. The savings of women groups in Siaya County was the great determinant factor of their qualification for the next loan offer.

2.2.3 The Rational Choice Theory

Homans states that this theory models social and economic behavior, and a paradigm in micro-economics. In rational choice theories, individuals are seen as motivated by the wants or goals that express their preferences (Homans 1976). Rational theories hold that individuals must anticipate the outcomes of alternative courses of action and calculate that which is best for them. Rational individuals choose the alternative that is likely to give them the greatest satisfaction (Homans 1976, Carling 1992; and Coleman, 1973). Women in Siaya make rational choices by forming groups with the main aim of not only socializing but accessing micro-credit which they utilize in improving their livelihoods. The promise of reward according to Homans motivates people to strive in order to receive reward like inducement in the conditioning of human behavior like business enterprises, women groups, political parties etc.

2.3 Subsidized Financing

Subsidized financing is a form of finance that a government provides directly or guarantees low income people, at a lower interest rate than the market rate, since the government does not need to make a profit and can better afford the risk of loss (Harvey, 2012).

Ebersberger (2004) argued that subsidies should be used only to correct market failures or inefficiencies. The financing constraints of firms with growth potential may be justified by providing public funding for them. It may be particularly difficult for small and medium sized firms, recently established companies, or firms developing new technologies to raise funding from the private markets as, from the

point of view of the private investors, the expected returns of a firm's activities may not fully cover the financing risks. Another justification for business subsidies are externalities. It seems justified to provide support for R&D projects in which benefits might spill over to other companies. In this case, though it would not be profitable for an individual firm to undertake the project without public support, the social benefits of the project exceed its costs (Ebersberger, 2004).

2.3.1 Gender Based Financing

Many women groups have been impacted positively by gender based financing towards their own growth and development worldwide. For example, the Government of India has provided for SHGs so that proper attention should be given to their economic independence through self-employment, entrepreneurial development and wellbeing that ultimately leads to its contribution. Women groups have been emerged as a powerful instrument in order to alleviate poverty and for the empowerment of women in the rural economy.

Gender Responsive budgeting by the Kenyan Government and the establishment of the WEF and Uwezo Fund has also had a positive impact on women SHGs. This is in line with the Doha Declaration on Financing for Development (2008) where it is said that "Gender equality and women's empowerment are essential to achieve equitable and effective development and to foster a vibrant economy. We reaffirm our commitment to eliminate gender-based discrimination in all its forms, including in the labor and financial markets, as well as, inter alia, in the ownership of assets and property rights. (GoK, 2005).

Women enterprises aid in grass root economic development of a country and women entrepreneurs contribute to the economic development of their families.

However women entrepreneurs lack adequate physical capital such as credit which forces them into quest for micro-financial assistance (Kuzilwa, 2005). Inability to access credit for business is occasioned by factors such as lack of asset as collateral, societal discrimination, poverty and unemployment among others (Ekuman, 2011).

However, the women groups have greatly benefited through gender based financing. For example the WEF provides them with access to credit and capacity building opportunities. The women enterprise fund (WEF) was established in August 2007 and launched in May 2009 as part of the government's commitment to one of the millennium development goals on gender equality and women empowerment (KIPPRA,2010). It is a flagship project under the social pillar in vision 2030. The fund provides accessible and affordable credits to support women expand or start new businesses for wealth and employment creation. The fund also provides business support services such as capacity building, marketing, promotion of linkages and infrastructure support. Women Enterprise Fund loans reach the target beneficiaries through partner financial intermediaries and directly through Constituency Women Enterprise Scheme (C-WES) (RoK, 2008).

Uwezo fund in Kenya, which was launched in 2013, it is a government of Kenya project initiated to empower women in Kenya and empower youths in Kenya. It is a means of availing capital for business enterprise growth in Kenya. The finance objectives of Uwezo fund include: increasing finance to Kenyan public through grants in Kenya and credits in Kenya-hence promoting women businesses in Kenya and youth businesses in Kenya at the County level. The Uwezo Loan in Kenya also aim at boosting entrepreneurial spirit in Kenya especially among women and youths in Kenya, and to form a substitute funding base in Kenya for the whole community in general (RoK, 2008)

Due to increased access to funds these women groups have been able to initiate small enterprises mainly in agriculture and value addition leading to women empowerment and the growth of such groups. Many countries around the world have used the model of women groups as a development tool and encouraged gender based financing to such groups in turn realizing more groups (UNDP, 2005). Availability of timely and adequate credit is essential for them in their enterprises rather than subsidies. Earlier government efforts through various poverty alleviation schemes for self-employment by providing credit and subsidy received little success. Since most of them were target based involving various government agencies and banks (Ghadoliya, 2011).

2.3.2 Government Lending Conditions

Access to finance is critical for private sector growth, and yet it remains a key constraint for SMEs in developing countries. According to the World Bank more than half of private firms emerging markets have no access to credit with up to 80% of firms in the Middle East and Sub Saharan Africa unable to access credit. In Uganda, for example, women contribute 50% of GDP and own 39% of registered business with premises; they only receive 9% of available credit (Gowe, 2005).

East Africa has many female small entrepreneurs, women are underrepresented in the civil service and other forms of steady employment, married women do not have property in their name and so cannot provide collateral and in several countries they cannot mortgage property without the consent of their husbands. (USAID, 2009). The above regional challenge to women access to credit is a true reflection in the Kenyan context. KWFT as one of the institutions providing credit is constrained by socio cultural and other institutional policy issues such as right to own property, own land and conduct business (Siringi, 2011).

Women's access to finance especially at the small and medium enterprise level is a major constraint to start and expand businesses. (Atieno, 2011) agrees with the above assertion and further demonstrates that the major reasons for not seeking credit is lack of information about credit and lack of required security.

Nnamdi & Nkamnebe (2010) in their work believed that there are three main constraints including policy induced as the key moderating influences on women petty traders ability access to Micro credit. They pointed out that no matter how accessible any credit might be to the poor entrepreneurs, if the operating environment is not conducive for micro enterprise to flourish, the women micro entrepreneurs may be reluctant to access it. It was further suggested that policy adjustment that would foster greater sensitization of the women, market oriented approach by MFIs.

A study carried out by Fletschner & Lisa K.(2011) on rural women's access to financial services argued that rural women access to financial resources is limited and biased by lending practices that emerge when financial institutions in the area consider them smaller, less experienced and therefore less attractive clients or when institutions lack knowledge to offer products tailored to women's preferences and constraints. The extent to which institutions reach out to women and conditions under which they vary noticeably, but women are at a disadvantage when an institution does not fund the type of activities typically run by women, when it does not accept female guarantors, loans to women are smaller than those granted to men for similar activities. Combining these elements and knowledge that compare them with men, women tend to have more limited control over resources that can be accepted as collateral, less access to information, to be

more risk and face a different set of activity regulating social norms and family rights.

2.3.3 Regulatory Framework

The regulatory framework in this study was the element of the development apparatus that support a well-functioning market it may include formal constraints such as constitutions, laws and rules and informal constraints such as conventions, customs and norms of behavior. The regulatory framework sets the parameters within which production and distribution must take place IFC (2011). Thus with a proper regulatory framework, property rights are well defined, information asymmetry is minimized, social justice is ensured and productivity is set to the optimum (ILO, 2005).

A study by Athanne (2011), found that women entrepreneurs face many challenges in Kenya by the city council which has proved to be a big challenge, the licenses are too many and the cost too much. Being a woman seems to exaggerate that fact since most women are harassed by city council officials when they come to inspect the business premises. Women may be less likely to meet and negotiate bribes with the predominantly male council officials, business licensing is an issue for many women entrepreneurs who perceive the process as lengthy and complex.

Thus, by developing laws and regulations that govern property rights, the deed assets the poor already own are turned into productive assets. The new assets can then be used as collateral for sourcing more finance for production. Finance becomes limited, when there is no appropriate regulatory framework to guide and guard the ownership use and disposal of property. Some commentators have argued that third world

countries are lagging behind in growth because of the absence of property rights to capital that they already own but which is legally not recognized.

2.4 Empirical Review

The empirical literature that was relevant to the issues we examined in this study relates to determinant factor to access credit. Access to formal credit can be affected by household characteristics, The empirical research by Lutz, Brixiova & Ndikumana (2007), on credit constraint and Productive entrepreneurship in Africa showed that the quality of legal rights has a positive impact on its business, the estimated coefficients suggested a turning point of the index of the quality of legal rights in the range of 6-6.9. The evidence showed strong evidence of credit constraints and their impact on investment and use of technology.

Arora, Reader & Meenu (2014) conducted an empirical study on women empowerment through Microfinance, the study showed that there is a significant difference among the satisfaction level of the formal and informal sources of Micro credit with respect to loan amount, rate of interest, loan utilization check, recognition and the respect from the providers, availability of suitable products, complaints/ problem solving of the providers.

Bruder, Neuberger & Doppner, (2011), by use of previous studies and use of data from survey of ethnic and native entrepreneurship in Germany, the hypotheses tested using univariate analysis and multivariate regression models to identify the causes of constraints in start up financing, data provided evidence that entrepreneur with an immigration background are significantly more likely to be denied credit or to be awarded smaller loans requested than are native entrepreneurs. It was recommended

that better communication between financial institutions and ethnic minority business may help to reduce financing gap visa native entrepreneurs.

2.5 Conceptual framework

The study was based on conceptual framework as shown below:

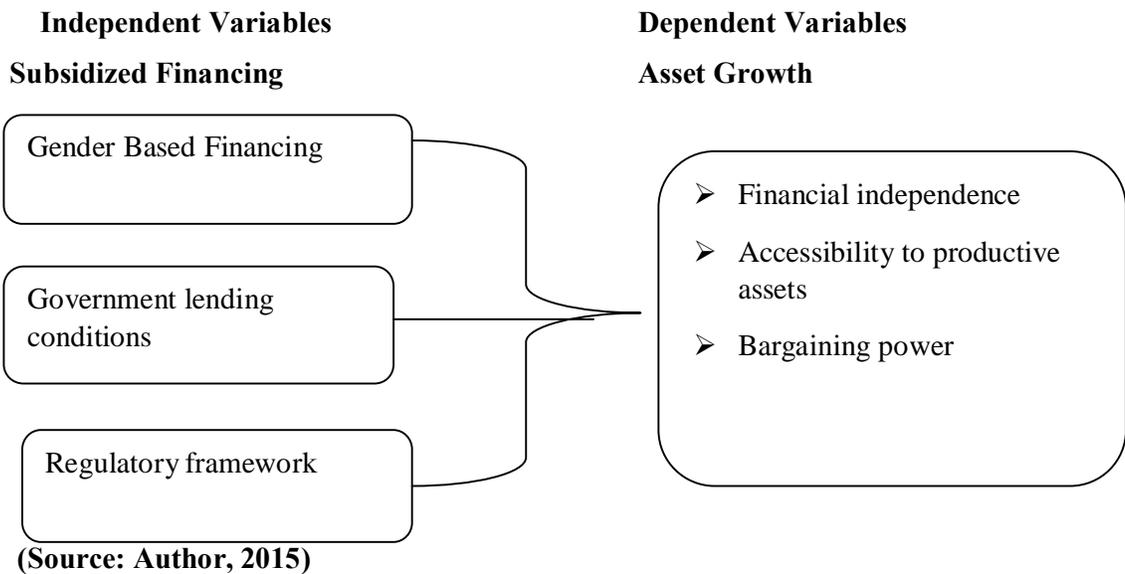


Fig 2.1 Conceptual Framework

2.6 Summary of the Gap

Financing subsidies and related policies are commonly applied by governments around the world. These programs, however, are often targeted at particular demographics or industrial sectors such as subsidies for low-income housing, farmers, students or small business. In spite of the importance assigned to subsidies by policy-makers, they have received little attention from researchers. Despite the small number of studies, a large range of empirical methods have been applied to test the impact of financing subsidies, which have included quantitative simulation of the effects of credit policies based on the predictions of a formal model. These rigorous studies have demonstrated that loan subsidy programs can have positive effects, but, when

not carefully supervised, can have significant negative consequences, including investment in non-productive assets and rent-seeking behavior. In Kenya, the women form a major cluster of beneficiaries from subsidy programs such as Women Enterprise Fund and Uwezo fund. However, there have not been specific empirical interests to establish how the funds have influenced asset accumulation and diversification. This lack of information constitutes a knowledge gaps that this study has sought to fill.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter covered research design, population sample size, sampling design and data collection instruments and analysis.

3.2 Research Design

The study adopted a cross-sectional survey research design. According to Polit and Beck (2010), this design necessitates a more economical collection of data at one point in time and is fundamental in objective analysis due to timing similarity. Further justification for its adoption is based on Oso and Onen (2005) that the design provides a quick, efficient and accurate means of accessing information about the population and it is more appropriate where there is a gap of secondary data. In this case, secondary data on subsidized financing and asset growth are not publicly available since the women groups are not mandatorily required to publish them. Thus, conducting a survey to gain such information was necessary.

3.3 Target Population

The study targeted 13,000 registered women groups in Siaya County, (Statistics office, Siaya County, 2015). The choice of this region for the study was desirable because it is an identifiable segment of the effect of subsidized financing and asset growth of women groups.

3.4 Sampling Design

This study used Cluster, stratified and simple sampling techniques. Cluster sampling promotes representation of marginalized groups and it caters for all groups in the study (Strauss, 2002). Proportionate sampling method was then used to select a

representative sample from these women groups since they comprise of different population sizes. Simple random sampling was then used to select two eligible respondent within the groups who were administered the questionnaire. Since the population of all the women groups which are eligible for subsidize financing from government within Siaya County are 13,000. The sample size was calculated using the Yamane Model (2004) at 92.5% level of confidence ($\alpha = 7.5\%$).

Thus,

$$n = \frac{N}{[1 + N(\alpha^2)]}$$

Where n is the required sample size

N is the target population size

α is the sample significance level. Given that N = 13,000 and $\alpha = 7.5\%$

$$n = 13,000 / [1 + 13,000(0.075^2)]$$

Therefore sample size = 175 groups

3.5 Data Collection

To ensure comprehensive examination and data comparison, primary sources of data was adopted. Primary data was gathered by use of a semi-structured and self-administered questionnaire and were used for clarifications on study issues not well documented. According to Dillman (2005), the greatest use of questionnaires is made to accomplish a wide range of feedbacks because each respondent is asked to respond to the same set of questions and it provides an efficient way of collecting responses from a large sample prior to quantitative analysis. Instrument validity and reliability

was gained by inclusion of suggestions from financial experts and pretesting of the questionnaire.

3.6 Data Analysis

The raw data obtained from the field was first coded, scrutinized and then organized into categories, edited to enhance accuracy and then analysed using SPSS, The data were grouped into frequency distribution to indicate variable values and number of occurrences in terms of frequency. Frequency distribution tables were informative to summarize the data from respondents, percentages and other diagrams such as charts, graphs and grouped frequency distributions were used during the analysis where statistical parameters was determined for descriptive statistics. To test the relationship between variables, the study employed linear regression model as an analytical tool to run a regression to be able to investigate the effects of independent variables on dependent variables. SPSS was used to run a regression. Multiple regression was used to determine whether the specific variables together can predict a given research gap.

The model for the study was presented in the equation below.

$$Y = + {}_1X_1 + {}_2X_2 + {}_3X_3 +$$

Y = Asset Growth

= constant

1-3 = Regression Coefficient

X₁ = Gender Based Financing

X₂ = Government lending conditions

X₃ = Regulatory framework

= error term

The model was estimated using adjusted R-square to assess the overall strength and reliability of the model and to evaluate the significance of individual coefficients. It was evaluated at significance level 0.05.

CHAPTER FOUR : DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discussed the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 175 respondents groups from which 146 filled in and returned the questionnaires making a response rate 83.4%. This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

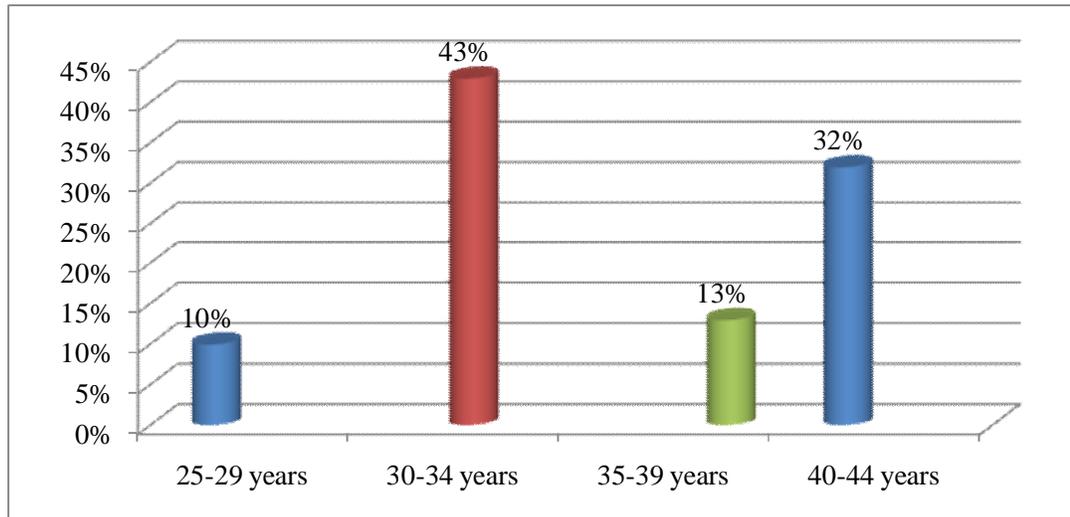
This section present the research finding on the effect of subsidized financing and asset growth of women groups in Siaya County. Descriptive analysis and regression analysis were used to analyze data.

4.2 Demographic Characteristics of Respondents

The demographic features of the respondents were vital to this study. They provide a base for further analysis of the specific research objectives and their findings using descriptive statistics, tables, frequency and percentages. Demographic analysis is crucial since demographical factors affect respondents' social, economic, political behaviors hence they are useful tools in analysis of research objectives.

4.2.1 Age Bracket

The researcher found it important to collect data on the age of the respondents since age plays a critical role in understanding influence of subsidized financing and asset growth of women groups. Data on the findings were presented below:



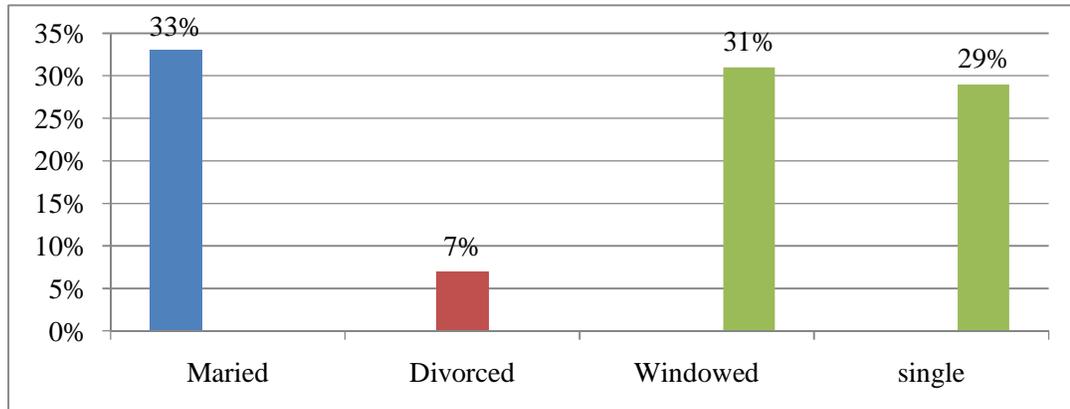
Source: Research Findings

Fig 4.1 Age of the Respondents

The magnitude of effect on asset growth to a large extent depends on the age of the individual (Hunt and Kasynathan, 2001). As shown in the figure 4.1 below on the age of the respondents, 43% of the respondents were aged between 30-34 years, 32% between 40-44 years while 13% between 35-39 years, 10% were aged between 25-29 years, and 2% over 44 years. This shows that the sample used by the study was well distributed in terms of age and could therefore give reliable information on effect of subsidized financing and asset growth of women groups in Siaya County as different generations are affected by the various factors differently.

4.2.2 Marital Status

The respondents were asked to state their marital status and the findings are as shown in figure 4.2. On the marital status of the respondents, the study found that most of the respondents (33%) were married, 29% were single, while 31% were widowed. Only a small proportion of the respondents (7%) were divorced.



Source: Research Findings

Fig 4.2: Marital Status

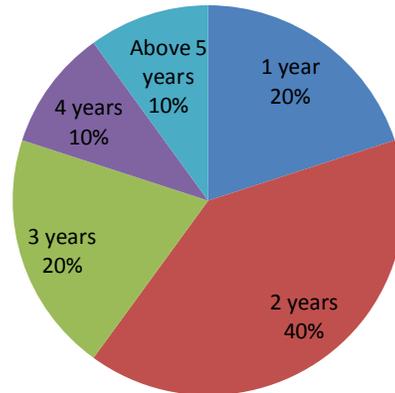
4.2.3 Years in Operation

The study established that majority of the groups had been in operation for two years. Information acquired from the group chairpersons and secretaries, showed that 20% of the groups had been in operation for one year, while 40% had been in operation for two years. Groups that had been in operation for three years as indicated by the group secretaries and confirmed by the chairpersons were 20%, while 10% and 10% accounted for the groups which had been in operation for four and five years and above respectively.

The study also ascertained that groups that have been in existent for long have been able to set up long term projects and have greater investment, while those that had

been in existence for a few years had low capital base even in terms of savings and other asset.

working experience of respondents



Source: Research Findings

Fig 4.3: Years in Operation

4.3 Gender Based Financing

The first research objective sought to establish the effect of gender based financing on asset growth among the women groups. This was because many women groups have been impacted positively by gender based financing towards their own growth and development worldwide. More so, Women groups have been emerged as a powerful instrument in order to alleviate poverty and for the empowerment of women in the rural economy. The results are summarized in Tables below.

4.3.1 Utilization of the Amount Borrowed

The study requested the respondent to indicate the manner in which the borrowed amount was utilized. Data on the findings were presented in Table 4.1.

Table 4.1 Utilization of the Amount Borrowed

Use	SA	A	U	D	SD	Variance	Std Dev
	F (%)	F (%)	F (%)	F (%)	F (%)		
To start a business	91 (62.33)	36 (24.66)	11 (7.53)	3 (2.05)	5 (3.42)	1.742	1.320
To pay school fees for the children	15 (10)	21 (14.67)	15 (10)	63 (43.33)	32 (22)	1.924	1.387
To boost the business	85 (58.22)	48 (32.88)	6 (4.11)	5 (3.43)	2 (1.37)	2.024	1.423
To meet household expenses	60 (41.10)	55 (37.67)	6 (4.11)	6 (4.11)	19 (13.01)	1.200	1.095

Source: Research Findings

Table 4.1 shows the distribution of respondents in regard to the manner in which the borrowed amount was utilized by group members in the women groups. From table 4.1, it is evident that majority of the respondents used to start a business. 91 (62.33%) strongly agreed while 36 (24.66%) agreed. On the other hand few respondents were of the opinion that they don't use to start the business. 3 (2.05%) and 5 (3.42%) disagreed and strongly disagreed respectively while 11 (7.53%) were uncertain.

When asked if they use to pay school fees for the children, minority indicated that they use while majority were of the contrary opinion. 15 (10.00%) and 21(14.67%)

strongly agreed and agreed respectively that it will interfere with their job security whereas 63 (43.33%) and 32 (22.00%) disagreed and strongly disagreed respectively. 15(10.00%) were still uncertain.

When asked whether it was used to boost the business, majority felt that it will improve as evidenced by 85 (58.22%) and 48(32.88%) of the respondents who strongly agreed and agreed respectively whereas 5 (3.43%) and 2(1.37%) disagreed and strongly disagreed and 6(4.11%) were uncertain.

The respondent were asked if it was used to meet household expenses, 60 (41.10%) and 55 (37.67%) strongly agreed and agreed respectively whereas 19 (13.01%) and 6(4.11%) disagreed and strongly disagreed respectively while 6(4.11%) were uncertain

4.3.2 Number of Times the Group Obtained a Loan

The sought to establish the number of times the group borrowed loan in a year.

Data was presented below:

Table 4.2 Number of Times the Group Obtained a Loan

Number of times	Frequency	Percentage
Once	73	50
Between two to four times	55	37.5
Between five to seven times	18	12.5
More than seven times	-	-
Total	146	100

Source: Research Findings

From the study findings, 50% of the respondent indicated that the group had borrowed funds once in a year, 37.5% of the respondent indicated that the group borrowed funds two to four times in a year, whereas 12.5% of the respondent indicated that the group borrowed funds five to seven times in a year.

4.3.3 Amount Borrow

The study requested the respondent to indicate the amount of loan which the group had obtained. Data on the findings were presented below:

Table 4.3 Amount Borrowed

Amount	Frequency	Percent
Below Ksh 50,000	12	8.2
Between Ksh 50,000-100,000	92	63
Between Ksh 100,000-150,000	42	28.8
Total	146	100

Source: Research Findings

From the research findings, 8.2 % of the respondents indicated that the groups had obtained an amount less than Kshs 50,000 whereas 63% of the respondents indicated that their group had borrowed Ksh 50,000-Ksh 100,000 and 28.8% had obtained amount between Ksh 100,000-150,000. This implies that most of the groups had obtained an amount not exceeding Kshs 150,000.

4.3.4 Amount of Interest Rate Charged on Loans

The study requested the respondents to indicate the amount of interest rate charged on the borrowed amount. Data was presented on table 4.4:

Table 4.4 Amount of Interest Rate Charged on Loans

Interest rate	SA	A	U	D	SD	Variance	Std Dev
Between 1%-5%	62 (42.67)	55 (38)	7 (4.67)	10 (6.67)	12 (8)	7.364	2.714
Between 6%-10%	8 (5.48)	19 (13.01)	19 (13.01)	70 (47.95)	30 (20.55)	1.718	1.311
Between 11%-15%	7 (4.8)	13 (8.9)	8 (5.48)	82 (56.16)	36 (24.66)	1.112	1.055
Above 16%	15 (10.00)	23 (16.00)	34 (23.33)	63 (43.33)	11 (7.33)	1.125	1.061

Source: Research Findings

Table 4.4, shows the Amount of interest rate charged on loans. Majority of the respondents indicated it was between 1%-5% with 62(42.67%) strongly agreed and 55 (38.00%) agreed whereas 10 (6.67%) and 12 (8.0%) disagreed and strongly disagreed respectively while 7(4.67%) were uncertain. From the table it is evident that interest rate of between 6%-10%. When asked so, 8 (5.48%) and 19 (13.01%) strongly agreed and agreed respectively whereas 70 (47.95%) and 30 (20.55%) disagreed and strongly disagreed respectively while 19 (13.01%) were uncertain.

From the Table 4.4, interest rate between 11%-15% it is evident that majority of the respondent indicated. 36 (24.66%) and 82 (56.16%) strongly disagreed and disagreed

respectively. Minority 13(8.9%) agreed and 7(4.8%) strongly agreed respectively on the stated interest rate. A small proportion of respondents 8 (5.48%) were uncertain.

When asked whether the interest rate was above 16%, 15 (10.0%) strongly agreed while 23 (16.0%) agreed. 63 (43.33%) disagreed and 11 (7.33%) strongly disagreed. 34 (23.33%) of the respondents were uncertain.

4.4 Lending Condition

The second research objective sought to establish the effect of Lending condition on asset growth among the women groups. This is because, access to finance is critical for asset growth, among women groups and yet it remains a key constraint. Majority of women do not have property in their name and so cannot provide collateral and in several countries they cannot mortgage property without the consent of their husbands. The findings were summarized below:

4.4.1 Constraints and Difficulties to Access Subsidized Financing

The sought to find out the level of agreement on the constraints and difficulties to access subsidize financing from government. Data on the findings were presented below:

Table 4.5 Constraints an Difficulties to Access Subsidized Financing

	SA	A	U	D	SD	Variance	Std Dev
	F (%)						
Time of credit availability is short	37 (25.34)	82 (56.16)	8 (5.48)	13 (8.90)	6 (4.11)	1.112	1.055
Repayment period is short	15 (10.00)	23 (16.00)	34 (23.33)	63 (43.33)	11 (7.33)	1.125	1.061
Lack of opportunity to take second loan	36 (24.66)	67 (45.89)	13 (8.9)	14 (9.59)	16 (10.96)	0.59	0.768
Working time of the institution is long	61 (41.78)	55 (37.67)	10 (6.85)	9 (6.16)	11 (7.53)	0.783	0.885
Too long procedure	19 (13.00)	24 (16.44)	27 (18.5)	49 (33.56)	27 (18.5)	1.742	1.320
Minimum requirement is low	12 (8.47)	6 (4.11)	4 (2.74)	64 (43.84)	55 (37.67)	1.924	1.387
Interest rate is fair	7 (4.5)	45 (30.8)	38 (26.3)	44 (30.1)	12 (8)	1.112	1.055
Service delivery is good	13 (8.9)	18 (12.3)	43 (29.45)	61 (41.78)	11 (7.13)	1.125	1.061
Average time in filling credit procedure is short	7 (4.8)	37 (25.34)	79 (54.11)	20 (13.70)	3 (2.05)	0.59	0.768

Source: Research Findings

Table 4.5, shows the distribution of respondents in regards to constraints and difficulties to access subsidize financing from government. From the table, it is evident that majority of the respondent believed that Time of credit availability is short 37 (25.34%) and 82 (56.16%) strongly agreed and agreed respectively. Minority 13 (8.9%) and 6 (4.11%) disagreed and strongly disagreed respectively that time of credit availability is short. A small proportion of respondents 8 (5.48%) were uncertain. From the findings, it is evident that time of credit availability is indeed short.

When asked whether the repayment period is short, 15 (10.0%) strongly agreed while 23 (16.0%) agreed. 63 (43.33%) disagreed and 11 (7.33%) strongly disagreed while 34 (23.33%) of the respondents were uncertain. From the findings, it is evident that Repayment period is sufficient. When asked whether there is lack of opportunity to take second loan, 67 (45.89%) agreed while 36 (24.66%) strongly agreed. On the other hand 14 (9.59%) and 16 (10.96%) disagreed and strongly disagreed respectively while 13 (8.9%) were uncertain. 61 (41.78%) and 55 (37.67%) strongly agreed and agreed respectively on the fact that working time of the government institution is long whereas 9 (6.16%) and 11 (7.53%) disagreed and strongly disagreed respectively while 10 (6.85%) were uncertain. This is a clear indication that the working time of the institution is long.

When asked on whether there is a Too long procedure to obtain the loan from the government, 49 (34.56%) and 27 (18.5%) disagreed and strongly disagreed respectively while 27 (18.5%) were uncertain 19(13%) and 24 (16.44) strongly agreed and agreed. It is evident that there isn't too long procedure to obtain the subsidized

finances. 64 (43.84%) and 55 (37.67%) disagreed and strongly disagreed when asked if the minimum requirement is low to obtain the funds whereas 12 (8.4%) and 6(4.11%) strongly agreed and agreed respectively while minority at 4(2.74%) were uncertain. Most of the respondents therefore do not agree that the minimum requirement is low.

On the statement that Interest rate is fair 12 (8%) of the respondent strongly disagreed with it, 44 (30.1%) were in disagreement with the same, 38 (26.3%) were uncertain, 45 (30.8%) agreement and 7 (4.5%) strongly agree with the statement. Service delivery is good strongly disagreed by 12 (8.4%) of the respondents, 61 (41.78%) disagreed with the same, 43 (29.45%) remained uncertain, 18 (12.3%) were in agreement and 13 (8.9%) strongly agreed with the statement.

Average time in filling credit procedure is short the study indicated that 3 (2.05%) said strongly disagree, 20 (13.7%) said they disagree, 79 (54.11%) stated uncertain, 37 (25.34%) said they agree and 7 (4.8%) said they strongly agree.

The factors above on the Likert scale shows that the group members experience constraints and difficulties in accessing subsidized finances as shown in the rating scale, factors such as time of credit availability, repayment period, interest rate, procedures, service delivery, minimum requirement, loan size and the average time for filling the credit procedures are rated at 50% and above indicating that it is difficult to access credit, while those that agreed are less than 50%.

4.5 Supportive Regulatory Framework

The third research objective sought to establish the Supportive Regulatory framework the respondents get from the government. This is because, element of the development apparatus that support a well-functioning market may include formal constraints such

as constitutions, laws and rules and informal constraints such as conventions, customs and norms of behavior. The regulatory framework sets the parameters within which production and distribution must take place. Thus with a proper regulatory framework, property rights are well defined, information asymmetry is minimized, social justice is ensured and productivity is set to the optimum. Data on the findings are summarized below:

4.5.1 Support by Government

The study sought to find out the factors that needs greater support by the government.

Data on the findings were presented below in Table 4.6:

Table 4.6 Support by Government

Use	SA	A	U	D	SD	Variance	Std Dev
	F (%)	F (%)	F (%)	F (%)	F (%)		
Market	91 (61.64)	36 (24.66)	10 (6.85)	3 (2.06)	6 (4.11)	1.742	1.320
Finance	32 (22)	63 (43.33)	15 (10)	21 (14.67)	15 (10)	1.924	1.387
Technology	85 (58.22)	48 (32.88)	6 (4.11)	5 (3.42)	2 (1.37)	2.024	1.423
Infrastructure	59 (40.41)	54 (36.99)	7 (4.8)	7 (4.8)	19 (13.01)	1.200	1.095
Training	62 (42.67)	55 (38)	7 (4.67)	10 (6.67)	12 (8)	7.364	2.714
Network	8 (5.48)	19 (13.01)	19 (13.01)	71 (48.63)	29 (19.86)	1.718	1.311

Source: Research Findings

Table 4.6 shows the distribution of respondents in regard to the factors that needs greater support by the government. From table 4.6, it is evident that majority of the respondents want support on their market. 91 (61.64%) strongly agreed while 36 (24.66%) agreed. On the other hand few respondents were of the opinion that they want market as a factor. 3 (2.06%) and 6 (4.11%) disagreed and strongly disagreed respectively while 10 (6.85%) were uncertain.

When asked if they want extra finances, minority indicated that they don't want while majority were of the contrary opinion. 15 (10.00%) and 21(14.67%) strongly disagreed and disagreed respectively that it will interfere with their job security whereas 63 (43.33%) and 32 (22.00%) agreed and strongly agreed respectively. 15(10.00%) were still uncertain.

When asked if they want improved technology majority felt that it was a good factor as evidenced by 85 (58.22%) and 48(32.88%) of the respondents strongly agreed and agreed respectively whereas 5 (3.42%) and 2(1.37%) disagreed and strongly disagreed and 6(4.11%) were uncertain.

The respondent were asked if infrastructure affected them and they want support from government, 59 (40.41%) and 54 (36.99%) strongly agreed and agreed respectively whereas 19 (13.01%) and 7 (4.8%) disagreed and strongly disagreed respectively while 7(4.8%) were uncertain. Majority of the respondents were of the opinion that they need support from the government on training. 62(42.67%) strongly agreed and 55 (38.00%) agreed whereas 10 (6.67%) and 12 (8.0%) disagreed and strongly disagreed respectively while 7 (4.67%) were uncertain. From the table it is evident that respondents were of the opinion that they need support from the government on training. When asked so, 8 (5.48%) and 19 (13.01%) strongly agreed and agreed

respectively on business Networks whereas 71 (48.63%) and 29 (19.86%) disagreed and strongly disagreed respectively while 19 (13.01%) were uncertain.

4.5.2 The Response of the Respondents on Supportive Regulatory Framework.

Table 4.7 Response of the Respondents on Supportive Regulatory Framework

	SA (%)	A (%)	N (%)	D (%)	SD (%)
I have supporters from government.	2	10	12	45	31
I have network with different administration bodies	6	6	10	47	31
I have access to policy makers.	2	10	8	39	41
I have no legal institutional and policy constraints.	8	25	8	41	18
I can borrow without title assets as collateral.	10	2	18	39	31
Interest rate is reasonable.	10	10	16	39	25
I have never encountered bureaucracies and red tape	6	3	29	27	35
I am a beneficiary of government incentives	12	8	6	37	37
Unfavorable legal and regulatory environments.	6	10	16	33	35
The tax levied on my business is reasonable.	4	22	20	27	27
The cost to secure licenses is fair.	4	12	41	29	14
Administrative cost is fair.	4	10	25	45	16
The number of procedures to be filled is few	16	4	27	45	8

Source: Research Findings

The responses on supportive regulatory framework was designed to assess the support given by the government and regulating bodies towards access to finance by women groups, 45% and 31% of the respondents disagreed and strongly disagree that they have support from the government while 2% and 10% of them strongly agreed and agreed, 12% uncertain again 47% and 31% of the respondents disagreed and strongly disagree that they have network from different administration bodies while 12% strongly agreed and agreed. 80% of the respondents strongly disagreed and disagreed that they have access to policy makers while 12% agreed. 59% of the respondents strongly disagreed and disagreed that they have no legal institutional and policy constraints while 33% strongly agreed and agreed. 12% of the respondents agreed that they can borrow without collateral while 70% disagreed, 64% of the respondents disagreed that interest rate charged by the microfinance institution is fair while 20% agreed. 62% of women groups disagreed that they have never encountered bureaucracies and red tapes in their daily operation of the business while 9% agreed. 74% of the respondents disagreed that they are the beneficiaries of government incentives in promoting women access to credit while 30% agreed. 68% of the respondents disagreed that they have never faced unfavorable legal and regulatory framework while 16% agreed. 54% of the respondents disagreed that the tax levied to their business is reasonable while 26% agreed, 43% of the respondents disagreed that the cost to secure license to run their business is fair while 16% agreed. 61% of women groups disagreed that administrative cost is fair while 14% agreed. 53% of the respondents disagreed that the number of procedures to be filled are few while 20% agreed.

This shows that supportive regulatory framework has an impact on women groups access to subsidized funding hence asset growth as given in the responses on the

factors given in the Likert rating scale, majority of the women groups disagreed that they have support from government bodies, have access to policy makers, are beneficiary of government incentives, the tax levied to their business is fair, they can borrow money without title deeds, they have no legal institutional and policy constraints, cost to secure license is fair, and the number of procedures to be filled are few, the highest percentage of those who disagreed in these factors is more than 50% while those that agreed are less than 50%.

4.6 Asset Growth

The study sought opinion on the respondent on the effect of subsidized finances and Asset growth. This is because inadequate access to appropriate financial resources and the disadvantageous credit terms and conditional ties constitute a major impediment to the performance, growth and development of any group or establishment.

On an ascending scale of 1-5 points (Strongly disagree; Disagree; Uncertain; Agree; Strongly Agree), respondents were asked to rate the effect of subsidized financing and asset growth interest. The various effects were found as presented in Table 4.8:

Table 4.8 Effect of Subsidized Financing on Asset Growth

Effect	SD	D	U	A	SA	Variance	Std Dev
	F (%)	F (%)	F (%)	F (%)	F (%)		
It has led to revenue generation	29 (19.86)	46 (31.51)	17 (11.64)	27 (18.49)	27 (18.49)	2.024	1.423
Value addition	17 (11.64)	49 (33.56)	22 (15.07)	32 (21.92)	26 (17.8)	1.742	1.320
Expansion in terms of volume of the business	37 (25.34)	35 (24.97)	17 (11.64)	41 (28.08)	16 (10.96)	1.924	1.387
Access to resources	-	82 (56%)	-	-	64 (44%)	.255	.50469
Market position	132 (90.7%)	-	-	14 (9.3%)	-	.086	.29258
Goodwill of the customers	-	16 (11.1%)	62 (42.6%)	14 (9.3%)	54 (37%)	1.186	1.0889

Source: Research Findings

On the statement that it has led to revenue generation 27 (18.49%) of the respondent strongly agreed with it, 27 (18.49%) were in agreement with the same, 17 (11.64%) were Uncertain, 46 (31.51%) disagreed and 29 (19.86%) strongly disagree with the statement.

Based on findings on that it has led to Value addition 26 (17.8%) of the respondent strongly agreed with it, 32 (21.92%) were in agreement with the same, 22 (15.07%) were uncertain, 49 (33.56%) disagreed and 17 (11.64%) strongly disagree with the statement.

Based on findings on that it has led to expansion in terms of volume of the business 16 (10.96%) of the respondent strongly agreed with it, 41 (28.08%) were in agreement with the same, 17 (11.64%) were neutral, 35 (23.97%) disagreed and 37 (25.34%) strongly disagree with the statement. On the point that it has led to access to resources; 82 (56%) and 64 (44%) strongly disagreed, while none disagreed or were uncertain with the effect. Basing on the findings on it leads to Market position 132 (90.7%) agreed with the statement, 14 (9.3%) disagree with the statement while none agreed or were uncertain. On the statement that it has it has led to goodwill of the customers 16 (11.1%) disagreed, 62 (42.6%) were uncertain while 14 (9.3%) agreed and 54 (37%) strongly agreed with the statement.

4.7 Regression Analysis

The effect of the dependent variable which was Asset Growth and independent variables which was subsidized financing through Gender Based Financing; Government lending conditions and Regulatory framework was tested and found to be linear.

This analysis was meant to achieve the study general objective which was to establish the effect of subsidized financing and asset growth of women groups. Analysis of the variables was done using multiple regression analysis with the help of SPSS. The results of the findings are presented below:

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.839	0.703	0.681	.32561

Source: Research Findings

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table 4.9 the value of adjusted R squared was 0.681 an indication that there was variation of 68.1 percent on the effect of subsidized financing and asset growth of women groups in Siaya County, Kenya due to changes in gender based financing, lending conditions and supportive regulatory framework at 95 percent confidence interval . This shows that 68.1 percent changes in subsidized financing and asset growth could be accounted to gender based financing, lending conditions and supportive regulatory framework. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table above is notable that there exists strong positive effect between the study variables as shown by 0.839.

Table 4.10: Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.708	4	.427	2.083	.002b
Residual	1.025	5	.205		
Total	2.733	9			

Source: Research Findings

Critical value =1.997

From the ANOVA statics, the study established the regression model had a significance level of 0.2% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value ($2.083 > 1.997$) an indication that gender based financing, lending conditions and supportive regulatory framework all affects the effect of subsidized financing and asset growth of women groups in Siaya County. The significance value was less than 0.05 indicating that the model was significant.

Table 4.11: Coefficients^a

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	Constant)	1.638	.371		4.415	.002
	Gender Based Financing	.314	.128	.293	2.453	.001
	lending conditions	.446	.141	.316	3.163	.001
	Regulatory framework	.356	.139	.305	2.561	.002

Source: Research Findings

From the data in the above table the established regression equation was

$$Y = 1.638 + 0.314 X_1 + 0.446 X_2 + 0.356 X_3$$

From the above regression equation it was revealed that holding gender based financing; government lending conditions and regulatory framework to a constant zero, the asset growth of women groups in Siaya county would be at 1.638, a unit increase in gender based financing would lead to increase asset growth of women groups in Siaya county by a factors of 0.314, a unit favorable lending conditions would lead to increase asset growth of women groups in Siaya county by factors of 0.446, a unit increase in government regulatory framework would lead to increase in asset growth of women groups in Siaya county by a factor of 0.356. All the variables were significant as their significant value was less than ($p < 0.05$).

4.8 Interpretation of the Findings

The study was guided by three specific objectives, geared towards finding out the effect of subsidized financing on asset growth of women groups of siaya county, Kenya. The objectives were; to determine the effects of Gender Based Financing on asset growth among women groups, to determine the influence of government lending conditions on asset growth among women groups and to analyze the impact of government supportive regulatory framework on asset growth among women groups.

4.8.1 Effects of Gender Based Financing on Asset Growth Among Women Groups

From the finding it was revealed that most of the women groups had obtained subsidized loans, considerable number of women groups usually borrowed funds once in a year, most of the groups had borrowed less than Kshs 50,000, which they used to start up business, or to boost their business, all the loans carried an interest rate of between 6%-10 percent , 1%-5% or 11%-15%. The study further revealed that most of women faced some challenges in repaying the borrowed amount, when the group failed to repay their premiums in time, the loaning organization used the groups’ savings to cover the premium, in some other times the loaning organization extended the repayment grace period to the group and failure to meet the repayment deadline the group stood a chance of losing its collaterals.

4.8.2 Lending Condition and Asset Growth Among Women Groups

Lending conditions as per the coefficient 4.11 table contributes 44.6% of women access to subsidized funds, implying that harsh lending conditions decreases women access to the allocated funds. The results obtained in this study revealed that the chances of women groups access to the subsidized funds decreases with tough

requirements of the government, as such this decreases the number of women accessing the subsidized funds. The negative relationship between lending conditions and access to subsidized finances shows that lending conditions are disincentive to access to subsidized funds among the women groups in this study.

The results are consistent with the findings of (Akudugu, Egyir and Bonsu, 2009), (Umoh, 2006), (Kinyanjui, 2006), (Ekumah and Essel, 2001) in a similar study, access to subsidized finances under Ghana's Financial sector reforms, (peer review paper, 2009) that there is a negative relationship between lending conditions including the interest rate and access to credit in Southern Nigeria. Hence, lending condition is not a significant factor that influences access to subsidized finances as revealed in the results at 5% significance level.

4.8.3 Government Regulatory Framework and Asset Growth

Government regulatory framework contributes 0.356 of women access to subsidized finances implying that it contributes 35.6% towards women groups access to subsidized finances, as revealed by the results government regulatory framework is a significant factor that influences women groups access to subsidized finances at 5% significance level, there is a positive relationship between government regulatory framework and women groups access to subsidized finances, in that the government and financial regulating authorities contribute a lot in terms of setting laws that favor women groups access to subsidized finances, when the regulatory environment is poor, thus with proper regulatory framework property rights are well defined, information asymmetry is minimized, social justice is ensured and productivity is set to the optimal, it is not surprising that the number of women accessing credit will go up, the findings is in line with (Athane, 2011), (Bindra, 2006), (Abor and

Quatey, 2010), (ILO, 2005) and (Omorodion, 2007) that costly regulatory environment burdens access to finances.

The findings suggest that government regulatory framework accounts for a larger proportion of variability in access to subsidized finances than the two variables, being a good predictor variable in this study. The adjusted R² value of 56.2% reveals that there are other variables that could be explored in future research to make the model more useful.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. The study sought to establish the effect of subsidized financing and asset growth of women groups in Siaya County, Kenya

5.2 Summary

The study sought to establish the effect of subsidized financing and asset growth of women groups in Siaya County, Kenya. From the finding it revealed that most of the women groups had obtained loans from financing institutions, considerable number of women groups usually borrowed funds once in a year, most of the groups had borrowed less than Kshs 50,000, which they used to start up business, or to boost their business, all the loans carried an interest rate of between 6%-10 percent , 1%-5% or 11%-15%.

Lending conditions as per the Table 4.11, contributes 44.6% of women access to subsidized funds, implying that harsh lending conditions decreases women access to the allocated funds. The results obtained in this study revealed that the chances of women groups access to the subsidized funds decreases with tough requirements of the government, as such this decreases the number of women accessing the subsidized funds.

Government regulatory framework contributes 0.356 of women access to subsidized finances implying that it contributes 35.6% towards women groups access

to subsidized finances, as revealed by the results government regulatory framework is a significant factor that influences women groups access to subsidized finances at 5% significance level, there is a positive relationship between government regulatory framework and women groups access to subsidized finances, in that the government and financial regulating authorities contribute a lot in terms of setting laws that favor women groups access to subsidized finances, when the regulatory environment is poor, thus with proper regulatory framework property rights are well defined, information asymmetry is minimized, social justice is ensured and productivity is set to the optimal, it is not surprising that the number of women accessing credit will go up.

5.3 Conclusion

The results on effects of gender based financing on asset growth among women groups indicated that most of women groups in Siaya County are facing challenges in repaying the borrowed amount, all the groups had witnessed some drops outs by some members due to member relocation or failure to meet targets set by the group and that Considerable number of the women groups had not received financial literacy training in the past

The results in this study revealed that the lending conditions does influence women groups in accessing subsidized finances, the result obtained in this study revealed that the chances of women groups accessing subsidized finances decreases with tough requirements of the government. Therefore lending condition is not a significant factor and has a negative relationship with access to subsidized finances and asset growth.

The results in this study showed that supportive regulatory framework has an impact on women group access to subsidized finances, when the government and financial regulating authorities set laws that favor women groups access to subsidized finances, information asymmetry is minimized and social justice is ensured raising the number of women borrowers. Accounting for larger variability in this study, government regulatory framework is a significant factor and has a positive relationship with women access to subsidized finances.

5.4 Recommendations

Women ability to take full advantage of economic opportunities and to influence their families resource allocation hinge on women's direct ability to meet their financial needs. The suite of services women prefer and their constraints they face are likely to differ from those of men from similar economic and cultural strata. A broadly based rural development strategy must therefore give high priority to enhancing women's access to financial services and recognize the need for a multi prolonged approach that combines corrective measures to remove obstacles that constrain women's participation with deliberate interventions to ensure that rural policies and programs are planned, designed, implemented, monitored and evaluated, based on the findings of this study, the recommendations are;

Government facility to accelerates economic growth by injecting funds into domestic savings and increasing the quantity and quality of investment. They positively influence economic growth by encouraging savings through investment amongst individuals and providing for firm financing (GEM, 2004). Therefore, the findings of the research is great for policy use. The study of the effect of subsidized financing and asset growth of women groups in the study area is important also to the:

Financial sector in providing vital information that will enable them to take effective measures by lending and policy makers to improve access to credit.

Institutional sector, the outcome of the study is useful in identifying innovative options and institutional arrangements that will serve as an input for policy makers in formulating credit policy, tailoring new training programs for women and developing relationships with business associations.

Academicians, the study provides a door to new research by academicians who want to explore more on the topic, since more is not written in this area, it is also a contribution on the existing literature on women access to credit. Women groups will understand the available information on the menu of subsidized loans.

5.4.1 Government Intervention

Introduce efforts to develop rural women's basic literacy skills and beyond that their basic information skills in accessing, processing and using the information available to them. Promote and assist the creation of groups in which women can find a space to experiment with new projects, technologies or economic activities and the support of which women can leverage in their interactions with their families and their communities as well as with financial institutions, input providers and potential buyers.

Enhance women's ability to access input and output markets, this can be done by investing in infrastructure and transportation services that enable women to travel safely, in a reasonably priced and culturally appropriate way, by carrying out promotional campaigns aimed at reducing the impact of cultural norms that discourage women from engaging in entrepreneurial activities by offering basic

trainings designed to boost women's self esteem and assertiveness as well as sharpen their negotiating skills and by facilitating women's participation in associations or cooperatives.

Improve the availability of information targeted to rural women by supporting efforts to create affordable sources of information and media to develop information content that is culturally appropriate and relevant to the needs of women and train to mentor female extension and financial agent. Ensure that these efforts take into account women's restricted mobility and their time constraints by locating sources of information in the communities scheduling informational meetings or radio programs at times that do not conflict with women's domestic responsibilities.

It is important for the attention of the government and development partners to be drawn to make more meaningful interventions to mitigate the effects of high interest rates on microfinance services for rural women.

The government should assess and modify laws as needed to ensure women equal protection under the law and ability to enforce these rights, this is particularly relevant when it comes to rights that affect women's access, control, use and ownership of natural and physical assets that are used as collateral in accessing government finances or credit.

Improvement in transport infrastructure in the country, such as roads to remote villages and the provisions of internet facilities to facilitate market information, are all intervention of overwhelming importance to improve the risk of profile of business run by the women.

5.4.2 Financial Sector Intervention

Develop materials and training that effectively communicate to everybody in an organization that female clients are creditworthy and to be treated accordingly like their male clients, which can be done with an in-house analysis of the organization portfolio.

Promote a women friendly and empowering culture throughout an organization that deals with institutional constraints and clearly communicates to female staff and clients that they are welcomed participants (World Bank, 2008). Consult women and include them in discussions, decision making, planning and provisions of services. Ensure that marketing strategies, promotion and service delivery are gender sensitive.

Engage in market research to understand the financial needs of current and potential female clients as well as the type of products they prefer.

Design products that are flexible and meet women's needs (Matin et al, 2002). Some women may need long term housing loans; others may be interested in consumption loans to meet more immediate needs. Other women may be interested in products that require compulsory savings as a strategy that ensures they save, others may be afraid or unable to make that commitment. Some may want their savings to be publicly known to gain status quo in their families or communities, others may prefer this information to be kept private so that they retain control over funds.

Design products that are convenient and accessible, Locate services close to where women are and in places they can easily frequent, disseminate information and promotion materials in places or through channels women can access and simplify procedures, make application requirements appropriate for women's literacy and numeracy level.

The financial sector to review and revise regulations in the financial sector to support microfinance institution ability to reach rural women with products that are easy to understand and financially safe , that is, restrictions to mobilize savings and accept deposits limit and organizations outreach and that interest rate ceilings often lead to the creation of new and clear fees.

5.4.3 Institutional Intervention

A comprehensive capacity building strategy and service for government funds needed to meet the needs of the many self employed women in the area of study and the whole country as a whole by enabling them to grow beyond women groups.

Offer financial literacy training to ensure women can compare products and make decisions based on a clear understanding of the characteristics and conditions of the products available.

Consider ways in which branchless banking and IT developments can be leveraged to lower transaction costs and to address some of the obstacles women face due to constraints in their mobility or in their social interactions (World Bank, 2008a).

It is equally essential for the MFIs themselves to have strong skills and capacity in their areas of work to help reduce their risk appraisal.

Review a government's current requirements to borrow. Consider expanding the menu of acceptable collateral to also include social collateral and the type of physical assets women are more likely to own or control. Offer incremental loans based on individual repayment behavior to reach out to women who might not be able to provide collateral.

Ensure women can apply for loans without their husbands or other male approval.

Review an organization's current requirement to save. Consider whether the existing charges and fees combined with any minimum initial deposit requirements are set at a level that poor women can afford. Review the borrowing procedures by reducing the burden of loan application procedures by simplifying them.

Offer a menu of loans that takes into account the diversity of women's needs and constraints, change the practice of group lending system since members in a group cannot have the same thinking level, commitment and attitude as there are personal, allow individual lending system. Some women will be interested in loan conditions that match seasonal or annual crop cycle, others will demand loans with a long term horizon so that they can invest in physical assets yet others may want short term funds to purchase business supplies or address temporary consumption needs or health emergencies.

Design loan packages that support women's engagement in more profitable, but nontraditional economic activities by bundling credit with additional services or by helping women connect with agencies or groups where they can obtain support.

Offer menu of savings programs that take into account the diversity of women's needs and constraints. Some women may prefer programs that makes savings compulsory where the amounts of saved and the timing of deposits are known and agreed. Others probably want more flexible packages that allow them to adjust the timing and amount of their savings to their consumption needs and investment opportunities.

5.4.4 To the Women Groups

To design their time structure to allow them join groups which are registered so as to be exposed to the information on credit access and also receive some training on the available services on government funding.

To deal with the different economic, social cultural and the legal administrative bottlenecks that women groups face, they should make lobbies together by forming entrepreneurs association and present their grievances via those in charge to the concerned authority.

5.5 Limitations of the Study

The study was faced by numerous challenges which did not hinder the achievement of the study objectives but only called for approaches to counter them. First, the data used in this study was self reported and subjective in nature. Self-reported measures are often criticized in the literature on adults, mainly with the argument that some people are unable to report their performance accurately due to poor introspection.

Secondly, data collection and administering the questionnaires took a lot of time. This was mainly because the sample size was big and not located in the same area. The researcher had to develop ways of getting data faster like hiring data collection assistants since lots of translation for each questioner has to be done in vernacular being most clients were not literate enough to read by their own, to ensure that the study was completed within the required time. In addition, some respondents did not want to give the information since it was sensitive information. A lot of assurance on confidentiality of use of the information had to be given.

The study was also limited in selection of the sample whereby, it was hard to ensure objectivity in sample selection since a list of all women groups in Siaya County could

not be obtained. Even where the list was obtained from the Statistics office, Siaya County, 2015 in a certain locality, getting the specific persons to respond was challenging.

5.6 Suggestions for Further Studies

There is need to conduct a study on empowerment levels amongst group members as low level of courage amongst group members were perceived to affect group performance.

It is also recommended that future study can be done on the effect of women groups and joining of saving unions on Asset growth. This was found to be the most dominant arrangement in rural areas and hence determining the relationship will be important for policy recommendations.

This study also suggest that further study especially a comparative study can be conducted by comparing the effect of subsidized financing and asset growth of women groups from different counties and provide suggestion for the same and more advanced multiple analysis model employed to show the exact relationship and differences on the Asset growth.

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APPENDICES

Appendix I: Introduction Letter



UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

KISUMU CAMPUS

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Kisumu, Kenya

Date: 26th September, 2015.

TO WHOM IT MAY CONCERN

The bearer of this letter Elizabeth Atieno Otieno

REGISTRATION NO: D61/71932/2014

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, she is expected to carry out a study on **"subsidized financial and asset growth of women group in Siaya County, Kenya."**

She has identified your organization for that purpose. This is to kindly request your assistance to enable her complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

Sincerely,

MR. CHARLES DEYA
ADMINISTRATOR, SOB, KISUMU CAMPUS



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Appendix II: Questionnaire

I am a student at University of Nairobi undertaking a Master degree of business administration.. I am carrying out a research on: **SUBSIDIZED FINANCING AND ASSET GROWTH OF WOMEN GROUPS IN SIAYA COUNTY, KENYA.** I will be grateful if you provide the information sought by the questionnaire provided. The response you give will be treated with utmost confidentiality and will be only for the purpose of this study

INSTRUCTIONS

- a. Please answer all questions (if possible).
- b. Where questions require written answers make them brief.

Section A: Background information

1. Indicate your age bracket (with a tick)

Between 20-24 years	Between 25-29 years	Between 30-34 years	Between 35-39 years	Between 40-44 years	Between 45-49 years	Between 50-54 years	55 years and above

2. Marital status.

Married

Divorced

Windowed

Single

3. How long has the group been in existence?

1 year

2 years

3 years

4 years

Five years and above.

SECTION B: GENDER BASED FINANCING

4. On a scale of 1-5, indicate your level of agreement or disagreement with the following statements with regard to use of the loan that you borrowed. (Please tick appropriately)

	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
To start a business					
To boost the business					
To pay school fees for the children					
To meet household expenses					

5. How many times within the last one year have you borrowed a loan?

Once

Between two to four times

Between five to seven times

More than seven times

6. How much was the loan?

Below Kshs 50,000

Between Ksh 50,000-Ksh 100,000

Between Ksh 100,000-150,000

7. On a scale of 1-5, indicate your level of agreement or disagreement with the following statements with regard to interest do you repay the loan with (Please tick appropriately)

	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
Between 1%-5%					
Between 6%-10%					
Between 11%-15%					
Above 16%					

SECTION C: LENDING CONDITION

8 a) Circle or tick the statement below which is close to your opinion based on the Likert rating scale below, the lending conditions that influences access to subsidize financing from government **5=Strongly agree 4=Agree 3= Neither agree nor disagree 2= Disagree 1= Strongly disagree**

b) What is your view on the constraints and difficulties to access subsidize financing from government?

Variables	Ratings				
	5	4	3	2	1
Time of credit availability is short					
Repayment period is short					
Lack of opportunity to take second loan			-		
Working time of the institution is long					
Too long procedure					
Minimum requirement is low					
Interest rate is fair					
Service delivery is good					
Average time in filling credit procedure is short					

c) Do you have any suggestions/recommendation in order to improve your accessibility to subsidize financing in your group?

.....

SECTION D: SUPPORTIVE REGULATORY FRAMEWORK

9 On a scale of 1-5, indicate your level of agreement or disagreement with the following statements with regard to needs greater support by the government. (Please tick appropriately)

5=Strongly agree 4=Agree 3= Neither agree nor disagree 2= Disagree 1= Strongly disagree

Variables	Ratings				
	5	4	3	2	1
Market					
Finance					
Technology					
Infrastructure					
Training					
Network					

b) Circle the statement below which is close to your opinion based on the Likert Rating scale below use

5=Strongly agree 4=Agree 3= Neither agree nor disagree 2= Disagree 1= Strongly disagree

Variables	Ratings				
	5	4	3	2	1
I have supporters from government.					
I have network with different administration bodies					
I have access to policy makers.			-		
I have no legal institutional and policy constraints.					
I can borrow without title assets as collateral.					
Interest rate is reasonable.					
I have never encountered bureaucracies and red tape					
I am a beneficiary of government incentives					
Unfavorable legal and regulatory environments.					
The tax levied on my business is reasonable.					
The cost to secure licenses is fair.					
Administrative cost is fair.					
The number of procedures to be filled is few					

SECTION E: ASSET GROWTH

10. On a scale of 1-5, indicate your level of agreement or disagreement with the following statements with regard to effect of subsidized financing and asset growth interest (Please tick appropriately)

	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
It has led to revenue generation					
Value addition					
Expansion in terms of volume of the business					
Access to resources					
Market position					
Goodwill of the customers					

Thanks !!!!!