

**THE EFFECT OF MICROFINANCE INSTITUTIONS SERVICES ON  
PERFORMANCE OF WOMEN GROUPS IN MACHAKOS COUNTY**

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## DECLARATION

This research project is my original work and has never been presented to any other institution of higher learning for an award of a degree.

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

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## **DEDICATION**

This research project is dedicated to my Lord, Jesus Christ for his grace and sufficient provision throughout the entire programme. To my family and friends and a special feeling of gratitude to my loving parents, whose words of encouragement and push for tenacity ring in my ears. I also dedicate my project to my supervisor, Dr. Kennedy Okiro for helping me develop research skills. Thank you all for being the best cheer leaders.

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## ABSTRACT

The purpose of this study was to establish the effect of microfinance institutions services on performance of women groups in Machakos County. The study objectives were to determine the effect of credit facilities, training programmes and savings and loans on performance of women groups on Machakos County. This study adopted a descriptive research design. The target population were the 10,000 respondents drawn from the registered women groups in Machakos County. From each of the group, the researcher chose on 5 women through purposive sampling technique. This brought the actual sample size to 2500 women/respondents. Primary data was collected from the women groups using questionnaires. The study concluded that the women groups have access to very flexible credit facilities, without collaterals except the members' contributions. The loans are easily processed which has enabled them to improve on their business activities and experience more profits. Further the women have been empowered with entrepreneurial and management skills, have been able to attend various training programmes offered by the MFIs and others have managed to further their level of education. This has given them the chance to maximize on their profits and deal with the challenges facing them effectively. At the same time, the MFIs act as a form of insurance for the businesses run by the women groups and therefore they feel safe to work with the MFIs. Further the members' saving has given the women self-confidence in running their businesses because they are able to guarantee one another loans for business startup and expansion. The skills acquired during training have also enabled the women to venture into business opportunities they initially thought were beyond their capabilities. Overall the study found that credit facilities, training programmes and savings and loaning services by MFIs, has a significant effect on performance of women groups in Machakos County. Specifically, training programmes has the greatest effect, followed by savings and loans at while credit facilities had the least effect. This implies that human capital is very important in every aspect of entrepreneurship as other factors impinge of the entrepreneur's skills and knowledge. From the findings the study recommends that more resources should be directed towards women empowerment programmes as the ripple effect is always reflected in the economic power. The Government should ensure that all the parts of the country have the MFIs within the women's reach so as to enable them maximize their opportunities in financial growth. Further the study recommends that the MFIs invest more on entrepreneurship to enable the women to effectively manage the funds they receive from the MFIs. At the same time, other mainstream financial institutions should assess the performance of the MFIs and seize the opportunity by investing on products that are friendly to the low cadre population in the society since they are the majority. Finally the women should encourage their friends who are not members to any of the groups to join them in their financial journey. This will reduce on cases of poverty by a very significant margin in the end

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## **ABBREVIATIONS**

<b>IBRD</b>	International Bank for Reconstruction and Development
<b>KEFAT</b>	Kenya Federation for Alternative Trade
<b>MCU</b>	Machakos Cooperative Union
<b>MFI</b>	Microfinance Institutions
<b>SL</b>	Sustainable livelihood
<b>SME</b>	Small and Medium Enterprises
<b>WIEGO</b>	Women in Informal Employment; Globalizing and Organizing
<b>NBFC</b>	Non-Banking Financial Companies
<b>NGOs</b>	Non-governmental Organizations
<b>MFI</b>	Microfinance Institution
<b>CAMCCUL</b>	Cameroon Cooperative Credit Union League
<b>GDP</b>	Growth Domestic Production
<b>FSD</b>	Financial Sector Deepening
<b>SGs</b>	Savings Groups
<b>DFAP</b>	Development Food Aid Program
<b>CRS</b>	Catholic Relief Services
<b>FGDs</b>	Focus Group Discussions
<b>ROI</b>	Measured by Return on Investment

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Low income individuals can get access to finance or capital through organizations, these organizations are called microfinance institutions. Some of them offer insurance among other credit services (Ubom, 2003). These institutions take into consideration all the strata of population ranging from the poor to the rich except for the poorest (Ledgerwood, 2007). In the recent times, poverty has been said to be reduced thanks to such institutions. This is because it plays a fundamental function in gap bridging between financial firms and the poor in the rural. The main source of the financial resources is gotten from the banks according to Villain, 2003 and this help provide financial services to the poor.

MFIs, being the core overseas firms are concerned with making individual credit where straight loans to villagers, women who are impoverished, poor families and micro-entrepreneurs. Like a small bank, an overseas MFI contain similar issues and cash desires which ought to be confronted through any expansion of small ventures, however, the advantage is offering service to population that are economically marginalized. A majority of MFIs are worthy of credit and smoothly run with a demonstrated success record and other self-sufficient operations (Ledgerwood, 2007).

Commercial banks, non-governmental organizations, government sectors and even the commercial banks are such institutions that offer microfinance, there has also been an emergence of profit making microfinance institutions like in India, these institutions chose to work upcountry where such financial services are not found (Ubom, 2003).

Non governmental institutions or non profit institution can choose to legally change to profit making ones due to obvious reasons , this is called commercialization or simply transformation of microfinance institutions. Performance and capital accuracy standards and supervision by regulatory authorities in most cases the central bank of that country are some of the differences between the two types of institutions (Vilain, 2003). Equity investors can also be attracted by MFI that is transformed, since the investors aim at ensuring the maintenance/enhancement of investment values and visionary elect board members for the new for-profit firm. There are a variety of groups of firm exits that are regulated. The strictest is the thrift banks and the rural banks and then the non-bank institution of finance (Mwangi, 2011).

The consistent focus of microfinance systems is to understand the poor's needs and coming up with greater methods of service delivery that coincides with set requirement and the development of efficient and effective techniques for finance delivery to the poor. Operation automation is becoming a consistent effort for efficiency improvement among the MFIs. With automated systems growth rate of microfinance sector is accelerated (Nelson, 2010).

Savings and credit, insurance and sometimes payment services are majorly the inclusions of the financial services offered. In some instances too, some institutions act like intermediators that is socially to help individuals form groups, develop self-confidence and provide literacy training to the customers. This implies that in the definition of microfinance one can't miss to touch on the financial and social intermediations. Clients to the microfinance institutions are typically the self-employed, the ones with low income

earnings found in both urban and rural settings. These may include hawkers, vendors small scale farmers. These clients activities solely provide stable source of income majorly from more than one income activity. Despite being poor, they are hardly considered as the poorest of poor (Ledgerwood, 2007).

Microfinance services are supported by various theories. The theory of empowerment indicates that out of 19.3 million poorest people in the world, 74% are women who benefit from the services of these institution. Apart from carrying out their own operations, women in such environments have direct access to credit services which enable them to invest. A good number of them have ability to keep clean records in terms of payment despite their daily hardship, Cheston and Kuhn (2002). Grameen lending model of microfinance creates the basis for which microfinance theory operates. Peer pressure plays a vital role in the success for the group. If a group of 4 or 6 is given a loan, its their collective responsibility to raise back the loan. This will mean accessing subsequent loan which is dependent on the current one contributed back by all the members (Ledgewood, 1999).

It was until in the 1980s when microfinance started in Kenya. Majority of Kenyans population had been excluded from the financial lending institutions which majorly comprised of banks. The major reason behind the growth of the institution was to reduce if not fill the gaps by providing readily access to credit. Individuals, small scale farmers and enterprises therefore had an avenue to access the credit (Ogindo, 2006). In the early 1990s with the opening up of political space and ensuing economic disturbances, the need for credit by individuals, micro, small and medium enterprises increased and this led to the recognition of micro-finance institutions in Kenya. In Kenya, a number of institutions

are MFI pioneer are Equity Building Society (currently Equity Bank), Family Building Society (currently Family Bank), Faulu Kenya and KRep (Mwangi, 2011).

### **1.1.1 Micro-Finance Institution Services**

Its evident that the banks left a financial gap, therefore the major reason why the institutions came up was to provide individuals, small business with access to funds to run their enterprises and earn a living. The micro finance practice existed as early as the 1700 with the Irish Loan Fund system which offered the rural poor with small loans lacking in collateral. As years went by, the micro-finance concept stretched to Latin America, Asia and lastly to Africa. In the contemporary society, expression microfinance usage emanated in the 1970s, where organizations like Grameen Bank of Bangladesh pioneered by Mohammad Yunus were beginning and shaped the micro financing industries of the modern society (Mwangi, 2011).

In essence the activities involved in the microfinance business are among others, loan provisions capital for small business, approval of borrowers informally, creation of compulsory savings scheme, giving access to bigger loans which is determined by the payment performance, to streamline the disbursement of loans as well as monitoring and securing of saving product.

Four different categories can be found when it comes to the services provided by these institutions. Product and services financing, like credit, insurance which do not require an ongoing subsidized short term loans, firstly approved for working capital with weekly or monthly payment are offered. Disbursement of the same is always also swiftly. The

collective guarantee system in which all members carry equal burden in loan repayment replaced the physical collateral traditional lenders requirement (Khan, 2008).

Improvement of the poor people's life, to be more productive in the system and be self-sustainable, mobilization of resources so that the poor especially the women can get access to the financial support to generate income through the small business enterprises. This reduces the level of poverty and create employment opportunities to them and to create self-employment opportunities for the deprived and training of the poor in the rural simple techniques and enabling them to make use of the resources available, contributing to employment and generation of income in rural areas are the major micro finance goals.

### **Savings**

In many developing countries, its estimated that only a small percentage of the population have an active account there are no suitable options for savings in such scenarios. Due to insecurity also, large sums of cash cannot be kept home. Most people therefore chose an alternative to save their money in terms of assets like land and livestock. This makes the versatility and divisibility of the money value to be lost. The difference with bank account therefore is that money can be easily be accessed, its safe and in suitable form

### **Small Loans**

For individuals to be self employed, small loans are vital, through this their income will be improved, and this makes the loans important. An individual's new perspective can be opened by simply accessing the loans. The difference between the traditional banks and current which offer microfinance is that their rates were so high and very low profit. Today developed instruments have been put into place to allow for granting of the small



loans. Generally, the reason for the tremendously high repayment rate is because institutions of microfinance often are the sole option for the individuals so as to receive a loan, doing all they can to use the opportunity.

### **Training Services Provided by MFIs**

Financial literacy among small businesses and groups managers and owners is essential for making sure that the minor businesses and groups are growing into large firms. The Financial Sector Deeping 209, reported that small businesses and groups finance capability is a fundamental element of their finance expansion.

According to report, a few of the MFIs were involved in the enhancement of capacity for small businesses and groups through financial literacy training (King and McGrath, 2002). However, it was established that the FSD report attempted to build the capacity and the level of institutions whose probability of being sustainable and certain for an approach that is expensive was low. Therefore, even though there is a willingness by MFIS to offer small business and groups the capability to tackle finance, a majority was constrained by associated costs and the possibility of overtaking these costs to the final customer, reducing the offer for affordable financing of the original concept.

### **Development of Management Skills**

A possible intervention for group management for institution of finance pose the expectation of solving their inadequacy challenges. Armyx (2005) noted that with the unique challenges facing the group, growth and profitability would also be affected, diminishing their effective contribution to sustainable development. Wanjohi (2007) also added the inadequacy of training and experience of the managerial.

There is the process of trial and error where an individual or group owner of a small business creates management approach of their own. The managerial style in this approach is intuitive rather than analytical, focusing more on daily activities other than issues in the long term, utilizing a concept rather than being strategic, it is opportunistic (Hill, 2007). The approach may appear relevant only during the stage of startups due to the application of creativity and can be problematic as decision making become more complex.

Managerial ability that is poor can lead to consequences to owners of businesses, who are less prepared to tackle changes in the world of business and for appropriate planning of changes. Most people, running the groups often lack educational background and thus not well established to conduct their entity's managerial routines (King and McGrath, 2002). Mugure (2008) established that some institutions of education have attempted to incorporate managerial training in groups. Such skills have enabled the members to run successful business ventures with sustainable long term goals and objectives.

### **Microfinance institution on development of SMEs**

A comprehensive study was carried out to find out the impact of the MFIs on the population in Cameroon. Through the Cameroon cooperative credit Union, it was concluded that the institutions played a vital role in the livelihoods of the poor people. Consequently another study was done to determine how these microfinance institutions impacted on the Kenyan communities. According to Cooper 2012, the study which targeted 50 SME in Nairobi established that these institutions impacted a lot of significant growth and development. In the study self-developed questionnaire was the major instrument of data collection whereas analysis was done quantitatively.

There also has been growth from small to medium SMEs. This is because there has been increase in sales levels and their advanced status which has prompted them to seek for more micro credit for their business. However these SMEs are not excluded from the tight requirement for loan application and acquisition. Some of the challenges also are associated with poor training, and no demand for micro insurance. The Nairobi study also came into conclusion that SMEs benefit greatly and grow fast due to the presence of the loaning institutions and solely rely on these institutions for financial growth.

### **Microfinance**

Entrepreneurs are able to focus fully on their businesses reducing drastically the poverty levels in their communities; this is thanks to the micro insurance companies. They are at piece with property destruction and healthy working because they are covered. Health, disability and property insurance are some of the insurance services offered; this is according to Bran and Woll 2010. Each company individually determines the expansion rate of their insurance sphere which keeps increasing constantly.

The growth of small businesses and groups in Kenya has been attributed to the availability of micro credit and micro insurance opportunities in the country. Microfinance services have made it possible for the poor to start small and medium enterprises. Micro insurance too has enabled poor people to afford business related insurance payments as well as health micro insurance. The studies reviewed are a clear indication that the micro finance and micro insurance concepts are rapidly gaining popularity not only in Kenya but also in most developing countries where majority of the population is believed to have no access to main stream banking and insurance services due to strict requirements (Mugure, 2008).

A person's savings account can take in the little setbacks and the financial needs that are not long lasting. This however varies from different countries which vary from developed to developing countries. Example disease effects will be felt more in developing countries than in developed countries. Malnutrition, poor water sanitation and low hygiene levels are associated with certain countries unlike others. Safety, accidents and regulations are also on the lowest in developing countries. These factors affect the growth of the SMEs in these countries.

### **MFI on poverty reduction**

In the recent past, there have been a number of studies on the subject matter. According to Copstake 2000 on a study in Zambia he urges that the study was not only meant for the poor in the society but also targeted the lowest on the food chain that covered a third of the recipients that benefit from the loans. If these beneficiaries SMEs we compared with the other similar business operators, they were said to have developed, especially if they had taken the subsequent loan. They had more gains in terms of household income. Business diversification was also witnessed in a very huge way. Those who left the programs after receiving only the first loan were found to be worse off.

### **MFI as a Tool for Economic Empowerment**

In India, a study by Bran and Woller in 2010 was done to establish the impacts of microfinance. Psychological, social and economic empowerments were the main derivations from this study. Self-confidence, feeling worthy, courageous and skill development were also put as the resultant effects of these microfinance institutions in India. Others included improvement in individual's managerial skills, ability to make decisions and improved savings.

## **MFI on Entrepreneurship**

In Nigeria questionnaire were used to collect data to investigate the impacts of entrepreneurial development and microfinance on the enterprises of the small scale businessmen. It was found that despite the stiff economy in the country, entrepreneurs still yearned to grow and sour higher. Despite the few challenges that faced the microfinance, like simple operations, new regulations by the central Bank, their impacts were vital in helping the SMEs develop economic ally

## **Funds transfer**

Cash transfers we're introduced to avoid carrying of cash by customers for transactions during buying and selling of goods and services. This reduced the need to carry cash which is always dangerous and requires one to physically move from one location to another to make payments.

### **1.1.2 Performance of Women Groups**

To get a good reflection of how the concept of performance works, repeated research has to be done to get the trend. This is because development is an important entity of economic growth. For any organization to meet its set targets and goals, there are must be individuals willing to work tirelessly to make that a reality. The specific expertise they have given them an advantage in the market playground. Individually they end up being satisfied by themselves, their ego, and pride. The opposite is equally worse since they will feel that they are failures. But on the flip side, having good performances in an organization will attract good doings like monetary benefits besides the respect and adorations from the coworkers (Ngehnevu, 2010). Although it's a great experience and requirement, development is not the only thing that guarantees economic growth, the

labour market plays a vital role too. The two determines how faster a person climbs the career ladder in an organization despite the exceptions in the same (Nelson, 2010). Development can be defined or be attributed both Theoretical and in practice. Competitiveness is the practice ones in the field associated with development, how profitable, how productive and the rate of growth are the practicalities of development with time and steadily then performance is used in the economic sphere. (Vilain 2003) just like any other concept, development will be defined differently by the user in the field in regards with what the user believes and the information available at that moment in the field. Example investors take investments as development; the company's overall performance is the manager's idea of development, whereas how profitable and stable one is the employee's idea of development.

In other instances to accumulate wealth and value in an organization is referred to as development. If you compare the cost put into a venture and the outcome obtained in an organization, one will determine the development based on the he results (Lorino 2001). In the modern management organizations, two concepts dominate, value and performance. A performance measure is to assess the value and by knowing the causes that generate value we can performance.

### **1.1.3 The Concept of Women Groups in Machakos County**

According to Elaine and Sally (2012), in the income generating ventures, it's believed that men are in a better position to benefit more unlike women who are limited by both social and economic hardships imposed by culture eventually only access and access fewer opportunities. However in the informal sector, and community based organizations, women are advantaged. Particularly in Kenya, there are an increasing number of

community based organizations that have access to the loans are mostly women oriented. The Machakos Co-operative Union Ltd (MCU) is one of the major Women's groups in Machakos and was established in the 1960s in Kenya. Its original aim was to market coffee for producers. Today, MCU is an umbrella organization for 179 affiliated primary organizations serving over 10,000 individuals in Machakos County. It supports workers through the production, processing and global marketing of their diverse, high quality agricultural and handicraft products. These include coffee, cotton, dairy, horticulture, and sisal handicrafts. MCU also provides a range of services and helps leverage partner support on behalf of its members.

Among MCU's affiliates are over 500 women's groups that produce stylish sisal baskets (as well as sisal plates, tablemats, hats, floor mats, etc.), which MCU markets internationally. Primary cooperatives benefit from the union's links to international networks such as the World Fair Trade Organization, which enforces adherence to a code of practice that includes fair payment for products, accountability and transparency, care for the environment, and no use of child labour. MCU is also a member of World Fair Trade in Africa and the Kenya Federation for Alternative Trade (KEFAT). The latter organization was a partner in WIEGO's Women Organizing for Fair Trade project (Mwangi, 2011).

## **1.2 Research Problem**

Microfinance organizations give financial services to their clients like savings and credit services to finance the informal sector in developing countries. They make it possible for them to access to capital thus making the poor people productive in the development of the economy thus contributing to the development in low income population strata. Micro

finance institutions also provide social intermediation services such as formation of groups, development of self-confidence and the training of members on financial literacy and management.

Cooper (2012) carried out research on the impact of micro-finance services on the growth of small and medium enterprises in Kenya. The study targeted 50 small and medium enterprises in Nairobi. Questionnaires which are self-administered were used by the researcher to collect data, which was later analyzed quantitatively. It was established that that small and medium enterprises largely depend on micro financing for growth. A large percentage of small and medium enterprises had access to, and did seek micro credit for their businesses. Additionally services from the microfinance institutions enabled change to their businesses evidently by growing to medium scale enterprise from the small scale. Though small and medium enterprises have easy access to micro finance services, the study indicated that they have no exemption from strict requirements when applying for loans. The study also established that most small and medium enterprises in Nairobi do not demand for micro-insurance services and that microfinance institutions offer minimal training to small and medium enterprises, (Cooper, 2012),

Mutuku (2010) studied on how microfinance institutions impacts the small and medium scale enterprises in Kenya, improved employment chances, poverty reduction are among the conclusion that came cleared . Mbugua (2010) examined the impact of the micro credit on financial performance of SMEs medium enterprises in Kenya and found that micro finance services enhance financial performances of small and medium enterprises. Kemei (2011), did a study on micro credit services impacts on empowerment of women , which resulted into the conclusion that it has expanded thee way women have to choose ,



Kimoro (2011), in a study on the impact of microfinance services on women empowerment found that microfinance has led to expansion of freedom of choice of women. Therefore from the above studies, it is clear that very little has been done on the effect of microfinance institutions services on the performance of women groups. Hence it is on the basis of this gap that the current study seeks to answer this concern; what is the effect of microfinance institutions services on performance of women groups in Machakos County?

### **1.3 Objective of the Study**

To find out the effect of microfinance institutions services on women's performance in Machakos County.

### **1.4 Value of the Study**

Importance of the findings of this study therefore would be to help formulate reasonable and sustainable policies which would legally permit smooth work of women to influence development and economic growth in Kenya. Further the study would enable policy makers obtain knowledge of microfinance institution services to promote performance and consequently obtain guidance from this study in designing appropriate policies that will regulate the women groups.

The research work would help the non-profit making microfinance institutions to analyze and carry-out effective control activities for sustainable performance of women groups. Further the study would be of benefit more especially as it concerns the meaning of microfinance services, microfinance institutions and how it benefits women groups in general.

To the academicians, study would enable them in conducting additional research in this area as it would add to the existing literature on microfinance institutions services and performance. Finally these research findings would enable other scholars who would wish to carry out further studies on microfinance services and performance of various organizations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter the theory and literature of the study will be studied .The chapter reviews the literature on microfinance impacts on institutions services on the performance of women groups.

#### **2.2 Empirical Literature**

##### **2.2.1 Performance of Women Groups from the Services Offered by MFIs**

If a given task is done, and its accuracy, how complete it is, how much it has costed and the speed used measure and they certify a set standard, then the task is said to have been performed. The act is called performance in such cases the performer is fulfilled. Performance measurement is a vital concern for any organization and determines how essential practices in an institution are identified and expanded, processes are benchmarked against the performance of outside organizations, resources are used efficiently and effectively and strategic activities are aligned to the strategic plan, (Reh, nd).Goals and objective of an organization are better understood by the top management in an organization including the senior management and those staff members of the organization who understand the companies long term agenda , they are responsible for the critical decision making. Each organization must have a set of perfect guidelines to follow, but due to them being new, they have to follow the stated set of rules to guide them as they advance concrete ones will be set. Decision making in any organization,

particularly using the analyzed information collected from the research from the same organization is often the hardest part of all. Therefore an important aspect of measurement is education. If one has the knowledge to know what to measure and how to do it, will end up linking the organizations goals with the found information. This is very important in ensuring the success of the company.

MFIs have widely been recognized as the major source of employment for many households in developing countries. With effort to explain how small micro enterprises have managed to upgrade their performances, analysis on their aspects and their attributes had to be carried out. Their potential to reduce poverty levels by causing a significant impact to the growth of economies is achieved only if they expand Sonobe et al. (2012). Over time, in attempt to explain the dynamics of entrepreneurship behavior in reference to entrepreneurial theories, an entrepreneur has been concluded as a person determined to increase their investments where they venture although an entrepreneur is also defined as a person quickens growth of enterprises by inventing new strategies.

Many women from all levels of income are becoming entrepreneurs and many of them are even venturing into setting up micro enterprises. This has led to fewer men in the micro enterprise sector despite them being the majority over the past because studies show that these women operated their enterprises so well that they were able to provide job opportunities for the members of the society and maximize their income at the same time. Weber (1930) states in the theory of labor attributes that the excluded from the conventional economy often opt to venture into entrepreneurship for the satisfaction of the socio-economic needs that those who are excluded from the mainstream economy always tend to venture into entrepreneurial activities to fulfill their social economic

needs. Attempt to help improve Micro Financial institutions that are women owned in the third world nations has been put to place. Apparently, Gikonyo et al. (2006) explains that women owned enterprises can only be successful if the entrepreneurs get entrepreneurial training on management of enterprises, affordable loans availability and support from their family members. Expansion and growth of the enterprises were hindered due to access to affordable credit which is the critical determinant (Marti and Mair, 2009). It is also important to note that the World Bank (2009) faced this as one of their challenges that affected their performance.

There has been a rise in women getting involved in entrepreneurship of late due to increase programs that focus on empowerment of women propagated by both government and non-governmental organizations (Eyben et al. 2008). This has led to a great reduction in poverty levels in most developing countries as a report by the world bank (2009) indicated that women entrepreneurs as main facilitators of community micro economic development. This has also displayed a significant growth in not only their household income but also in their growth domestic production (ILO 2008; Ghosh 2009).

In sub-Saharan Africa, a review was done on the features of entities where it was shown that a number of micro firms that are small operated via the informal sector (Stevenson and Stonge, 2005) for women there was a preference for hair making, food vending, garment tailoring and merchandise running in wholesale and retail. This is because it does not require a lot of capital and special skills involved according to Fuchs and Berg 2013

### **2.2.2 Effect on Credit Facilities by MFIs on Performance of women group**

As it was noticed that the major challenge faced by women owned Micro finance institutions is to provide affordable credit and that it would help develop rural areas. However, providing them is a big challenge even to the policy makers due to the rising number of micro entrepreneurs in both rural and urban areas.

Being the most popular model, the approach advocates for a strategy that is effective and credits that are affordable in the third world nations (Rugimbana and spring, 2009). Case studies have been carried out to try and establish how efficient (MFI's) are in providing affordable credit services to the poor who showed good reports especially in Asian countries unlike sub Saharan Africa which has shown a small percentage of the small firms providing access to the affordable credit facilities. Restrictive situation associated with loan application are the major causality (Karim, 2008).

With the poor's (women and entrepreneurs) credit needs are unmet by the specialized institutions of finance, the informal banking group popularity has improved in most third world countries (Marti and Mair 2009). This is reflected in the studies carried out in the informal finance sector that the most probable group to seek credit from the informal banking sector rather than formal are the poor especially the women compared to men.

Evidences from literature show that entrepreneurship performance is aides by adequate credit. (Ojo 2009). This is usually evident in how household income has improved, improved investment, employment and welfare of the entrepreneurs (Lakwo, 2007). In Kenya for example, credit had a positive impact to women growth and in Uganda,

women enjoy a wellbeing life derived from the income. There is also been witnessed a positive impact in performance in Nigeria due to the credits and the saving. Kuzwilwa (2005) noted that performance by women entrepreneurs was positively affected by credit and training. Since business women lacked physical collateral, savings acted as credit insurance (Mkpado and Arene, 2007). In Nigeria, a company's productivity was positively affected by savings (Ojo, 2009). Generally, there was a positive impact of credit, savings and training on business women's income and well-being in Kenya, Haiti, Nigeria and Malawi (UNCDF/UNDP, 2003).

In Europe too, women also had a good run for their lives, through access to the credit and savings, the women entrepreneurs in countries like Indonesia and Bangladesh are some of these examples, in Africa too Ghanaian women entrepreneurs and their Mexican counterparts were also positively impacted (Vonderlack and Schreiner, 2001). Credit, saving and training should go together for the positive impacts to be achieved. Necessary skills should be impacted on the women on how to start up small business and run them successfully. The training should also cover managerial skills to cater for the increasing competition in the market and also assist in wise decision (Ibru, 2009, Ying, 2008). As such, training had positive impact on women entrepreneurship performance in Nigeria, Ghana, USA, Tanzania and Canada respectively (Ibru, 2009). Social connections should be enhanced especially in the third world countries so as to get the required access to the required information on credit and savings (Olomola, 2002), whereas social capital has been found to have positive impact on the performance of women entrepreneurs (Lawal et al., 2009).

35% of the Kenyan population on the credit market insinuates that that they are dependent on the credit of informal banks, whereas the % population that depends on the formal banks is 19, microfinance institutions covers for 8% dependent from the population (Financial Sector Deepening FSD 2009). 38% of the Kenyan population was also found to have no access to the credit facilities, services. Therefore the women who own the SMEs in Kenya still face challenges to accessing the credit services.

### **2.2.3 Training Programmes by MFI and Performance of Women groups**

Despite the efforts being put in place to increase access of women to credit and services, its evident that still their overall performance is way below bar compared to the men, this is despite their considerable output to their families and small businesses. Education, training are some of the factors that hinder these developments, saving is also a problem because the women are unable to save (Akanji, 2006); saving is an integral part of development since it is responsible for securing the income, it could also be pumped back into the business or it could be used to secure a loan.(Akanji, 2006; Mkpado and Arene, 2007), advised the need for savings for protection of income and at the same time important for loan securing and re-investment in business (Akanji, 2006). The developing country's business women lacked in training (IFC, 2007) and the process of entrepreneurship is an essential source of human capital developing and also imperative for opportunities in learning by individuals and groups for advancements of attitudes, abilities and skills (Brana, 2008).



Addressing the trainings of women entrepreneurs in the developing countries is still a challenge, according to the literature review and this greatly affects their performance. Taking into consideration the uncommon situations of most women in the third world countries who are stuck in poverty, low educational levels and other societal discriminations (Porter and Nagarajan, 2005); training is a critical element in the MFI where women be provided with adequate training and be exposed to get experience required for good (Akanji, 2006).

Lack of specialized expertise, inability to make good use of the microfinance factors have are some of the challenges the microfinance clients face according to this literature review (Karnani, 2007), therefor training is required. The women lack the experience to trade in the business as opposed to the males who have the experience from paid work or employment; this is particularly in the third world countries (Brana, 2008). The need for training is therefore emphasized and for the women. The study of the sector should be jointly being done with entrepreneurs training in the third world countries (Ibru, 2009).

Education plays also a vital role, as it's evident from the success of women in developed countries (Ibru, 2009). Education makes one skillful which is an important tool for the positive growth of the business and it's been found out that many women lack this which is a key determinant to exploitation of opportunities in the enterprenual world (Akanji, 2006).

A Catholic Relief Services (2014) study explored on how women's participated and led I savings groups in a Malawi facilitated by the USAID funding for five years from 2009-2014 . The purpose of the study was to give insights on how women take part in leadership roles, highlighting the positive and negative outcomes of their participation and leadership in groups supporting women's empowerment.

The catholic relief services facilitated a consortium of 9 members to find out the extend the long lasting solutions to women's savings group successful participation and empowerment through removal of power inequality. The research which had 259 WALA members from the targeted communities was done on November 2013 in two districts in Malawi. The study had 188 females and 71 males who included members and staff of these SG. The methods of data collection used included focuses group discussions, interviews and sensitive questionnaires. Analysis of results used primary and secondary sources and a gender and social relations lens.

The study found that changing gender norms, the ideals, and practices influence women's and men's self and collective identities, relationships, and household decision making power. Traditional patriarchal roles and women expectations to be home based and work within homesteads as opposed to men's space which mainly comprised of everywhere except the kitchen was the major reason given out that brought the difference in participation. Men and boys are regarded as heads while women and girls are required to be good at home making, respect their husbands, males, and be obedient and humble to the male authoritarian figures .men and women in a marriage however were taken to be equal and mutual respect, decision making and power relations were to be equally shared

within the household. Additionally there have been upcoming ideals where women have the right to choose what to do with their income without being influenced by their men. These varying norms and practices contribute to how women and men engage with and respond to women's participation in WALA-supported SGs.

This research was underpinned on the Entrepreneurship Theory of Shane (2003). The contents of this theory include the discovery, evaluation and decision of exploiting the opportunity. Self-employment, how to perform and operate a business among others. How to survive, how to grow, how to make profit and the experiencing of public offering are the four measures of operation of performance. While continuing with the activities of entrepreneurship is called survival, the increase in employment rate and sales in the venture is called growth. The new revenue got from surplus over the cost used is called profit. There is a difference in the ways entrepreneurs identify and use the opportunities presented by the environment and use them to better their business. It's dependent on the ability of accessing the information and how willingly they are to act on the same; this will with no doubt enhance their business and welfare. (North, 1990). Entrepreneurs' ability to identify and tap such opportunities differs between entrepreneurs. It also depends on their ability to access information and willingness to act upon the information in terms of risk; that is their attitude (Shane, 2003). Additionally Individually individual attributes will always affect how discoveries if entrepreneurship will be found. And it's made up of the following motives, attitude to risk, education and training, career experience, age and social status.

Gichuki, Mutuku, and Kinuthia (2014) did an investigation on the perceived selected factors and how they were thought to influence women-owned small micro enterprises in Kenya. Credit and dividends, experience of the entrepreneur and the amount of income the women were some of the factors that were studied. 225 women represented in the survey that focused on the cross cultural aspect of the community where there was this village that had a savings and credit association in Nakuru town, Kenya.

Secondary education was found to be a major level of education among a good percentage of this population at 43.6%. The current study however, although very similar with the above, will only focus on the influence of training programmes offered by MFIs on performance of women groups on Machakos County and will sample out 175 women from the registered 35 groups.

Mosioma,(2011) observes that growth of small and medium enterprises has been identified as one key component in empowering women to achieve the third millennium goal of gender equity. Entrepreneurship skills are needed to ensure growth of SMEs. Therefore in his study, Mosioma,(2011) did set to establish the influence of entrepreneurial skills in management on performance of women group projects of NyaribariChache Constituency, Kisii central district. He observed that like many entrepreneurs, Kenya's women entrepreneurs face challenges in management which limit performance and exploitation of their full potential. His study sought to establish the extent to which organizational management skills as an aspect of entrepreneurial skills influence performance of women group projects, determine the level to which financial management skills influence performance of women group, investigate how business

management skills influence performance of women group projects and examine the level to which interpersonal skills influences performance of women group projects in NyaribariChache constituency.

From a population of 2130 women in 213 women groups, a simple random sample of 327 was used based on the table of sampling given by Krejcie and Morgan (1970). Questionnaires were used to collect data specifically tailored for women group respondents. Data collected was analyzed by descriptive statistical methods. Information from the analyzed data was used to draw conclusions and generate recommendations. From this data, it was realized that women lacked simple entrepreneurial skills such as auditing, accounting, marketing, planning and public relations. These skills had a direct influence on their current situation. It was noted that more women had been trained on record keeping skills and communications as opposed to other skills under study. The study concluded that the need to train women on entrepreneurial skills surpasses the need to give them financial aid without the skills.

On the contrary the current study investigates how the training programmes offered to women groups by MFIs affects their performance. It will be carried out in Machakos County by sampling out 175 respondents from the target population of 700 members. Whereas the above study was carried out at a constituency level, the current one will cover the whole of Machakos County and therefore is expected to give a broad picture on the relationship between training programmes by MFIs and performance of women groups.

## **2.2.4 Savings and Loaning by MFIs and Performance of Women Groups**

In developing countries, there has been research carried out on the microfinance supply which aims to prove that it's not obvious that the supply will be overweight by the demand, according to Aryeetey et al. 1994. In contrast there are a number of limitations that will get into the way borrowing credit (Esperanca et al. 2003). In many of the African countries in the sub Saharan region, market systems lack efficiency in terms of the costs involved which are high when accessing a credit facility by the small scale business people in the area. Hansmann (1999) and Wilburn (2009) deducted that business people with low income tend to obtain more advantages from low interest credit rates and payment period that is flexible. Therefore, the reason for preference of informal banks by business women (Marti and Mair, 2009).

In the 1990s is when the village savings and credit association were believed to have started. Members of a group are known to contribute reasonable amount of funds toward supporting the group as it starts. Members are able to access loans which are disbursed when the lump sum amount of cash has accumulated in the group. The members are supposed to pay back the loans after a certain duration when they have agreed as they pay back the loans, they do so with interests which are accumulated until the end of a financial year. It's upon the members therefore to decide whether to start investment projects with their money or divide among themselves. Record keeping and running of such organization is not an easy task. As a result there is need to have a trained person to in financial management to run the venture. (Allen 2006)

Such groups in Africa have attracted women participation in great numbers due onto the informal banking of VSCAs to cater for both economic and social needs. This is according to Gugerty 2007 .members of a group will cater for their basic needs. Bills at households level and even paying school fees using the financial support derived from these informal banking groups. Natural calamities, diseases and other emergencies can also be taken care of from the monies gotten from the savings and credit associations. Small business enterprises can also be financed from the credit and savings account. (Wilburn 2009). According to Anderson and ball and 2000 women only participated in non-formal banking since it was the only option to acquire finances or resources of which their usage was solely their decision. In such ways their means to sustained livelihood would be improved.

In many developing countries recently, NGOs and some government institutions have targeted the poor so as to improve their lives through introduction of group credit programs. The poor have been limited by factors such as illegal regulations, inflation and even poor infrastructure. These organizations train the people on either mandatory or voluntary savings skills, and provide loans that have a short time range. This has made the women in both the urban and rural poor population the engine of economic growth. These empower the women and they are in good place and shape to take part in decision making, this is the best reason why the empowerment scheme is vital to women development.

Kimutai (2012) examined what the impacts of these lending credit groups owned by SMEs on the poverty reduction and how it was of assistance to the country in the creation and improvement of living standards. The main goal of the study was to find out at what

rate was the performance of the groups were they influenced by the interest lending groups and particularly the groups that were owned by women. In Kisumu district, the way the SMEs performed was influenced by the level of training the women had received. The same applied to the savings and credit schemes. A descriptive survey method was used and it targeted to make sure the perspectives of the respondents and their experience of the subjects was captured. 2000 women belonging to groups and some who owned these SMEs were used in this study. 322 SMEs were randomly selected for a sample in the Kisumu east district population. Essential facts were concluded thanks to the inferential and descriptive analysis of data. Conclusions drawn from the survey concerning the study were recommended. A number of factors came up on how SMEs in Kisumu were influenced positively. Interest on credit rate reduced, there was increased training on financial management, reduced time for loan acquisition. Profit and ability of the SMEs to grow in numbers rate was increased. There was also expansion in the business sizes. (Kimutai 2012)

## **2.3 Theoretical Framework**

This section discusses the theories that are attributed by other researchers, authors and scholars and guided this study. The theories include women empowerment, games of microfinance and uniting theories.

### **2.3.1 Women Empowerment Theory**

Empowerment theory was developed by Cheston and Kuhn in 2002. In this theory 74% of 19.3 million people are women who are among the poorest according to Cheston and Kuhn (2002) Operations of this business is by women who have accessed financial



assistance and invested in the same. These women have proved beyond doubt that poor women can make it through hardships to run the business and pay back their loans in time and have a very clean record. The main area of concern of MFI is to ensure that small scale business people run businesses which are self-sustaining and getting the starting capital from the microfinance institutions. Low interest costs will enable them to cover their costs, these by ensuring other inconveniences are dealt with, and separate accounts are run to favor separate saving. (Halberg, 2000). Gender lobbies argue that targeting women on grounds of high women repayment rate, it is believed that that increasing women access to microfinance services will automatically mean women will be socially and economically be empowered starting from individual level.

Poverty alleviation paradigm: to eradicate poverty, development of the communities wellbeing this could be achieved by giving out of small loans with low interest rates. In this way subsidy for programmers working with particular clients group or in particular context. Some programmes have developed effective methodologies for poverty targeting and or operating in remote areas. Gender lobbies in this context have argued for that targeting woman because of women's responsibility for household's well-being.

Empowering of women and alleviation of poverty are known to go hand in. it is believed that if women's access to finance to cater for their household income, will in turn reduce poverty levels in that household leading to a whole community developing if women in that community are exposed to microfinance facilities. A major concern for the feminists is to ensure there is equality between men and women. If women are given access to financial services, they stand a good chance to be empowered both socially and economically leading to somehow equality (Khan 2008).

### **2.3.2 Games Theory of Microfinance**

The idea that a group can lend financial income from the MFI is greatly supported by this theory. Groups of borrowers are able to monitor and evaluate the borrowed financial boost to enforce contracts.

A lending model called Girameen urges that group peer pressure ensures that every member contributes back the borrowed loan, they pay and borrow subsequent loans and also pay, this pressure ensures that the borrowing records are clean since repayment is done on time and in full since every member is committed to the group. A good example of such groups is the Girameen Bank (Bangladesh) that utilizes this model of microfinance. Increases social network, social benefits are as a result of the cultivated trust derived from the member's commitment to the group (Ledgewood, 1999). On the flip side some members would want to joyride and go scot free leading to some kind of inefficiencies and vulneralabitiy (Gruber, 2005)

### **2.3.3 Uniting Theory of Microfinance**

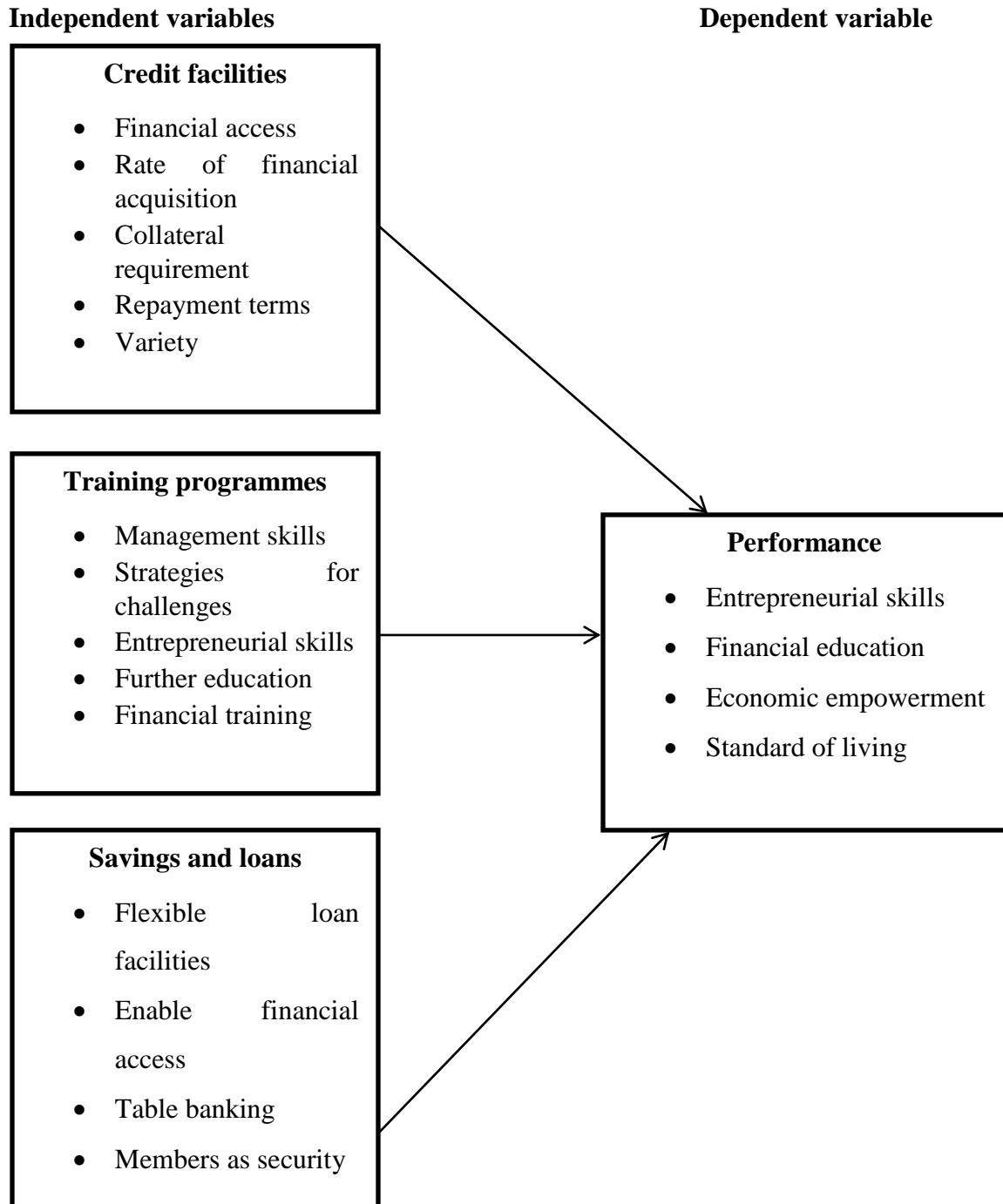
Having a joint liability is the only way to unite this theory. A study to find out how joint liability would help pay out loans and the rules and regulations governing the same was done by Ghatak and Guinnane (1999), they did find out that all the liability joining ventures can help repay back the loans, this joint ventures would help reduce the problems of every lender which include auditing, how to utilize local information and social capital that exists among borrowers under explicit joint liability, which insinuates that group members got a members back in case the member is unable to generate their repayments. Measures like punishment must be however be put in place to avoid future repeat, such measures may include denial of the subsequent loan to the members of a

defaulting group (Halberg, 2000). Second, the joint liability perception can be intrinsic meaning that borrowers think that failure of the group can impact on individual loans in future even without such a specificity.

## **2.4 Conceptual Framework**

In this study, credit facilities, training programmes and savings and loans are the independent variables while performance is the dependent variables. The conceptual framework below presents the relationship.

**Figure 2.1: Conceptual Framework**



## **2.5 Summary of Literature Review**

The literature above has presented what other scholars/researchers have written on performance and performance of women groups and the role of MFIs in women empowerment programmes in particular. It has presented literature on the role of MFIs on credit facilities, training programmes and savings and loaning facilities. The empirical literature also presents a write up on relevant studies on women empowerment programmes and the role of financial institutions and the existing gaps that the current study intended to fill. The chapter has also presented the theories of women empowerment theory, game theory and uniting theory demonstrating their relationship with women empowerment programmes.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research design, population of interest, data collection and analysis method.

#### **3.2 Research Design**

Descriptive type of research design system was used. This type of research design is relevant because it helps describe a specific group characteristic and proportionally estimates people's predictions and characteristics according to Schindler (2003). This design was adopted because according to Mugenda and Mugenda (2003) this design inquires through a systematic and empirical way in that the researcher cannot control the outcome as their manifestation has appeared already or because the independent variable cannot inherently be manipulated.

#### **3.3 Target Population**

Target population in statistics is that particular population entity about which information is desired. According to Ngechu (2004), a population in statistics is comprised of people to be exact, also entails services, elements, and events, group of things or households that are being researched about. According to the County register in Machakos, there are 500 registered women groups, with over 10,000 members (approximately 20 members per group). Therefore the target population for this study is the 10,000 respondents drawn from the registered women groups in Machakos County. Mugenda and Mugenda, (2003),

explain that the target population should have some observable characteristics to which the researcher intends to generalize the results of the study.

### **3.4 Sampling**

Instead of using the whole population to study, researchers pick randomly part of that population to use in their study. This selected population is called a sample and the process is called sampling. The large number of items or units of particular characteristic is called target population, (Schindler, 2003). From each of the groups, the researcher chose 5 women through purposive sampling technique. This brought the actual sample size to 2500 women/respondents. The technique was used purposely to ensure an equal number of women are picked from each of the groups. Then stratified sampling technique was employed during data analysis in grouping the respondents according to their groups and position in the groups.

### **3.5 Data Collection**

Ngechu (2004) puts across that there are numerous methods of data collection. The subjects attributes, topic under study, design, objectives and even the expected data output determines the method to be chosen. Primary data was collected from the women groups using questionnaires. Self-administered drop and pick questionnaires were distributed to group leaders or their equivalent currently working for the groups in Machakos County.

While the structured questions use was in a bid to save time and money and make data analysis easy, the unstructured offered an encouragement to respondents to provide an in-depth response with no holding back of any relevant information. Since each

questionnaire was coded, respondent's (women) information was only known to the primary researcher. The coding technique was used for the purpose of matching returned; completed surveys with those delivered to the women groups.

### **3.6 Data Analysis**

Freund (2001) underscores that the main objective of any statistical investigation is to determine relationships that make it feasible to predict one or more variables in terms of other variables. The obtained data was analyzed using various computer softwares and presented in tables to enable effective and efficient interpretation. Using this data, a regression analysis was done to establish the effect of microfinance services on performance of women groups in Machakos County.

Therefore the study applied the following regression model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Where Y = is the performance (measured by return on investment (ROI)).

$X_1$  = Credit Facilities (measured by the proportion of total loans received to net assets)

$X_2$  = Training programmes by MFIs (measured by types and number of training sessions offered to the groups)

$X_3$  = saving and loans (forms of savings, amount of money saved, types of loans and amount of money loaned to the members)

$\beta_1 - \beta_3$  are the regression co-efficient or change introduced in Y by each independent variable

$\mu$  -is the random error term accounting for all other variables that affect performance but not captured in the model.



## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION AND PRESENTATION

#### 4.1 Introduction

This chapter presents findings on the effect of Microfinance Institutions on performance of women groups in Machakos County. The chapter has been presented based on the demographic characteristics that were considered such as the name of the group, age, membership duration, academic qualification and positions held and the effect of credit facilities, training programmes, savings and loans on performance of the women groups. The study sampled out 2500 respondents. Out of these, 628 participated in the study giving a response rate of about 25% which is adequate for analysis of the data as asserted by Mugenda and Mugenda (2003) based on the large sample of the study.

#### 4.2 Demographic Characteristics

##### 4.2.1: Age of the Respondents

The study sought to establish the ages of the respondents. The response was presented in table 4.1.

**Table 4.1: Age of the Respondents**

<b>Years</b>	<b>Frequency</b>	<b>Percentage</b>
41-45	170	27
26-30	119	19
46-50	113	18
31-35	100	16
over 50	63	10
36-40	50	8
Under 25	13	2
<b>Total</b>	<b>628</b>	<b>100</b>

The table shows that most of the respondents were aged between 41-45 years at 27%, they were followed by those aged between 26-30 years at 19%. Then those aged between 46-50 years were found to be 18%. The respondents aged between 31-35 years were found to be 16%, the ones that were over 50 years were at 10%, while the ones who were between the age of 26-40 years were found to be at 8% which was lastly followed by the ones who were under 25 at 2%.

#### **4.2.2 Membership Duration**

The study sought to find out how long the respondents have been members of their respective women groups. The response was presented in table 4.2.

**Table 4.2: Duration of the Respondents**

<b>Years</b>	<b>Frequency</b>	<b>Percentage</b>
16-20 years	201	32
Above 21 years	176	28
11-15 years	126	20
6-10 years	94	15
1-5 years	31	5
<b>Totals</b>	<b>628</b>	<b>100</b>

The table above indicates that the longest membership duration was between 16-20 years at 32%, the membership duration above 21 years was at 28% which was followed by the membership duration between 11-15 years at 20%. Membership duration of 6-10 years was at 15% and lastly the lowest membership duration was between 1-5 years which was at 5%.

### 4.2.3 Academic Qualification

The aim of the study was to find out the academic qualifications of the respondents in the women groups. The response was presented in table 4.3.

**Table 4.3: Academic qualification of the respondents**

<b>Qualification</b>	<b>Frequency</b>	<b>Percentage</b>
Primary	220	35
Certificate	176	28
Diploma	138	22
Degree	94	15
	<b>628</b>	<b>100</b>

In the table above, the primary level of education was the highest amongst the respondents in the women groups at 35%, the next was the certificate level which was at 28% followed by diploma at 22% and finally degrees which was at 15%.

### 4.2.4: Positions in the Groups

Finally the respondents were asked to indicate the positions they held in their groups. The response was presented in table 4.4.

**Table 4.4: Positions in the Groups**

<b>Qualification</b>	<b>Frequency</b>	<b>Percentage</b>
Ordinary member	612	57.5
Management	16	42.5
<b>Total</b>	<b>628</b>	<b>100</b>

In the above table most of the respondents were ordinary members at 57.5% followed by the management which was at 42.5%.

### **4.3: Effect of Credit Facilities by MFIs on Performance of Women Groups**

The researcher identified credit facilities as some of the services offered by the MFIs for women groups in Machakos County. The respondent's agreement level was asked to indicate their level of agreement with the following statements. The response was presented in table 4.5.

**Table 4.5: Effect on Credit Facilities by MFIs on Performance of Women Groups**

<b>Credit facilities</b>	<b>Mean</b>	<b>StdDev</b>
The repayments terms are very friendly	2.88	1.318
Made financial acquisition faster	2.64	1.438
Reduced collateral when seeking for funding	2.64	2.087
They offer a variety of credit facilities which are favorable to all our members	2.49	3.673
Easy access to financial assistance	1.69	0.766

With the availability of credit facilities in Microfinance Institutions women groups in Machakos County have easy access to financial assistance at a means score of 1.69, they can also acquire finances faster with a means score of 2.64. There is a reduced collateral when seeking for funding at a means score of 2.64, the repayment terms are friendlier to them at a means score of 2.88 and finally they receive a variety of credit facilities that are favorable to all members at a means score of 2.49.

#### **4.4: The Effect of Training Programmes by MFI on Performance of Women groups**

Observing that financial training is one of the services offered by MFIs, the researcher identified statements denoting the effect on training programmes on performance of women groups in Machakos County. The response was presented in table 4.6.

**Table 4.6: The Effect of Training programmes by MFI on performance of Women Groups**

<b>Training programmes</b>	<b>Mean</b>	<b>StdDev</b>
We have been empowered with better entrepreneurial skills	1.46	0.100
We have acquired better management skills	1.23	0.842
Most of our members are able to further their education due to the training programmes offered to us	1.02	0.699
Most of businesses are SMEs and therefore the MFIs have helped us understand better how to maximize on our profits	0.79	0.541
We are able to deal with challenges effectively due to the skills acquired during training	6.7	0.459

With the assistance of the microfinance institutions on training programs women groups in Machakos County have better management skills at a means score of 1.23, they are now able to deal with challenges effectively due to the skills acquired during training at a means score of 6.7, furthermore women have been empowered with better entrepreneurial skills at a means score of 1.46, women are also able to further their education due to the training programmes at a means score of 1.02 and finally they are able to understand better how to maximize on their profits .

## **4.5: The Effect of Savings and Loaning by MFIs on Performance of Women Groups**

The final item sought to put in the respondents' agreement levels with the savings and loaning services provided. The results were presented in table 4.7.

**Table 4.7: Savings and Loaning effects of MFIs on Performance of Women Groups**

<b>Savings and Loans</b>	<b>Mean</b>	<b>StdDev</b>
The loans are very flexible as well as their repayment terms and interest	3.62	5.052
With our members contributions, we are loan among ourselves for expansion of our business	3.08	1.598
The savings we have with the MFIs has opened us to financial accessibility that we initially could not on our own	3.05	1.535
We are required to save just a small amount of money and that has given us the opportunity to acquire loans to start our business	2.92	1.580
The savings we contribute every month is a form of insurance for our businesses	2.77	1.403

Savings and loans are flexible as well as their repayment terms and interest for women groups at a means score of 3.62, the women groups are now able to access finances that they initially could not on their own at as means score of 3.05, women are able to give loans amongst themselves because of the contributions they make for expansion of their businesses for a means score of 3.08. Women groups have been able to acquire loans to start businesses at a means score of 2.92 and lastly their savings are their insurance at a means score of 2.77.

## 4.5 Regression Analysis

Multiple regression model was used to determine the effect of credit facilities, training programmes and savings and loans on performance of women groups in Machakos County. Further the model was used to find out the overall fit (variance explained) of the model and what it relatively contributes to each of the independent variables of the total variance explained. The model was given as,

$$\text{Where } Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + e$$

Where Y = performance of women groups

$b_0$  = constant

$x_3$  = Savings and Loans (SL)

$x_1$  = Credit facilities (CF)       $e$  = error term

$x_2$  = Training Programmes (TP)

The output tables were presented and interpreted as follows.

### Table 4.8: Model Summary: Determining How Well the Model Fits

The first table is the model summary table. This table provides the  $R$ ,  $R^2$ , adjusted  $R^2$ , and the standard error of the estimate, which is used to determine how well the regression model fits the data.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.758 <sup>a</sup>	.575	.562	.39768

a. Predictors: (Constant), CF, TP, SL.

$R$  is represented by the “R” column the *multiple correlation coefficients*. It can be considered to be one measure of the quality of the prediction of the dependent variable. A value of 0.758, indicates a good level of prediction. The "R Square" column represents the  $R^2$  value (also called the coefficient of determination), which is the proportion of variance in the dependent variable that can be explained by the independent variables (technically, it is the proportion of variation accounted for by the regression model above and beyond the mean model). From the value of 0.575 the independent variables explain 57.5% of the variability of the dependent variable i.e performance of women groups.

**Table 4.9: ANOVA: Significance Level**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.661	4	.16525	32.393	.000 <sup>b</sup>
Residual	.417	95	.0834		
Total	1.078	99			

a. Dependent Variable: Performance of women groups

b. Predictors: (Constant), CF, TP, SL

An ANOVA finding of P- value of 0.000 which is less than a 0.005 significance level in the table above shows that there was a strong significant relationship between the predictor variables and the dependent variable. The  $F$ -ratio tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable,  $F(4, 95) = 32.393, p < 0.0001$ . We therefore conclude that credit facilities, training programmes and savings and loans strongly affect performance of women groups in Machakos County.



**Table 4.10: Coefficients Distribution**

Co-efficient						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.251	.154		13.886	.462
	CF	.010	.028	.244	1.542	.003
	TP	.253	.003	.081	2.863	.004
	SL	.219	.029	.293	1.614	.001

a. Dependent Variable: Performance of women groups

From the regression model:

$$Y = \alpha_0 + \alpha_1 CF_1 + \alpha_2 TP_2 + \alpha_3 SL_3 + \varepsilon$$

The regression equation is presented below.

$$Y = 0.251 + 0.010CF + 0.253TP + 0.219SL + 0.0960$$

A constant of 0.251 indicates that without considering credit facilities, training programmes and savings and loans, other factors affect performance of women groups in Machakos County by 0.251. The regression coefficient for credit facilities is 0.010. This means that credit facilities affects performance of the women groups by 0.010. This then implies that when the MFIs have enough credit facilities, performance of the women groups would increase by 0.010. The regression coefficient for training programmes is 0.253 which means by offering training programmes for the women groups, the performance of the groups improves by 0.0251. The regression coefficient for savings and loans is 0.219. This means that the when MFIS offer savings and loans to the women groups, the performance of the groups improves by 0.219.

## **CHAPTER FIVE**

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

#### **5.1: Introduction**

This chapter presents the finding of the study. The purpose of this study was to determine the effect of Microfinance Institutions Services on performance of women groups in Machakos County. The study objectives were to determine the effect of credit facilities, to establish the effect of training programmes and the effect of savings and loans on performance of women groups on Machakos County. The study findings have been presented as follows.

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

##### **5.2.1 The Effect of Credit Facilities on Performance of Women Groups**

Among the credit related services offered by the MFIs, the fact that they have flexible repayment terms had the highest score. Further the respondents felt that the credit services were easily processed without so much restrictions and minimal collateral requirements. At the same time, the credit services were offered on various facets which are also very favorable to the women. This is an indication that unlike the traditional banks, the MFIs have developed financial products that are customer friendly and have tailor made the services to accommodate the specific abilities of their target customers. According to Ledgerwood (2007) many MFIs are creditworthy and well-run with proven records of success and many are operationally self-sufficient.

By making the loan processing flexible with minimal collateral requirements, the MFIs are ensuring that all the cadres of the population in the society are covered and given the opportunity to acquire the services for their financial growth strategy. This is supported by Ledgerwood (2007) when he says that microfinance is increasingly being considered as one of the most effective tools of reducing poverty. This is because it has a significant role in bridging the gap between the formal financial institutions and the rural poor. They access financial resources from the bigger banks and other mainstream financial institutions and use it to support the low income earners/poor in the society. It is particularly important for women because women have always been left out in the economic wealth creation model. They are considered inefficient by the society and therefore mainstream financial institutions do not easily consider them for financial support unlike the men.

Vilain (2003) adds that MFIs are fundamental overseas firms in every country that aims for the making of microcredit loan directly to micro-entrepreneur's, women who are impoverished, villagers and poor families. A study assessed contribution of microcredit the livelihood of the borrowers of two MFIs on the basis of human capital in Bangladesh. Bhuiyan (2013) revealed that for poor borrowers, microcredit was involved. A comparison between Islamic and Conventional microcredit contribution results on livelihood sustainability found that there was an increase in self-confidence among microcredit borrowers of Islam Bank when they used loans generated from their income activities and thus an improvement in living standards as compared to Grameen Bank microcredit borrowers. Moreover, there was an increase in self-capability of respondents to solve problems among Islami bank in comparison with Grameen bank respondents in

terms of improvement of livelihood. Generally, microcredit programs has huge influence on borrowers to be able to conduct businesses for generation of income purposes. Grameen Bank members did not utilize their borrowed credit as much as Islami bank (Bhuiyan, 2013).

### **5.2.2 The Effect of Training Programmes on Performnace of Women Groups in Machakos County**

Training is one of strategies that are employed in the development of human capital. The most essential asset of livelihood is the human capital that contains the members of household knowledge, skills, and ability to work. This enable for pursuing of diverse strategies of livelihood by people. It is among the main services that are provided by the MFIs. Porter and Nagarajan (2005) recommends that recognizing the unique situations of the third world country women in education levels that are low, discrimination by society, micro-finance training for business women as tools for technique and experience imperative for business. such skills were lacking in most women in the developing countries (Ibru, 2009). The ability to get exploited to opportunities is dependent on the entrepreneurs' education level, acquired skills or knowledge, credit and social network. Therefore, in third world countries there is need for training on micro-finance factors (Shane, 2003).

Therefore the study found that among the effect of training programmes by the MFIs to the women groups in Mackakos County, the women have been empowered with entrepreneurial skills, better management skills, they are able to further their studies from both from the financial training programmes offered by MFIs and also others have been able to go back to school for further studies. Further the respondents indicated that due to

the skills acquired through the financial training programmes offered by MFIs, they are able to make good profit from their business activities and also handle the challenges encountered effectively. The IFC (2007) observes that business women especially in the third world countries are lacking in training and also the process of entrepreneurship is imperative source of human capital development, playing an essential role in offering opportunities for learning for skills, attitude and abilities improvement (Brana, 2008).

Women entrepreneurs, despite their huge roles in the development of the economy, perform lower compared to men (Akanji, 2006); due to the normal factors that impact on performance such as education, training and social capital (Shane, 2003). The MFIs aims at strengthening the essence of training as a business women's factors. Again, women are given the chance to study credit jointly with training on entrepreneurship performance (Ibru, 2009). From this data, it was established that women acquired simple entrepreneurial skills such as auditing, accounting, marketing, planning and public relations through the training programmes organized by the MFIs. These skills had a direct influence on their current situation. It was noted that more women had been trained on record keeping skills and communication as opposed to other skills under study.

### **5.2.3 The Effect of Savings and Loaning on Performance of Women Groups in Machakos County**

In order to establish the type of saving schemes offered by the MFIs and the loan products that the respondents have access to, the researcher identified several attributes of savings and loaning facilities by the MFIs, the study found that the loans offered to the women groups are very flexible as well as their repayment terms and interests, the members monthly contributions (savings) acts as security for the loans and therefore no

collaterals are required by the MFIs when advancing loans to the women groups. In the same way, Dowla's in 2006 work examined the Grameen Bank in Bangladesh creation of social capital, a boon to growth that is explosive for Bangladesh microfinance or elsewhere. Based on Putnam's definition, he showed the creation of social capital by Grameen Bank, through the formation of horizontal and vertical network at the same time new norms are established and new levels are fostered for social trust for solving of the collective problems of action of capital access of the poor. Bhuiyan (2013) adds that there are strong implications in policy emanating from the fact that MFI creates social capital.

The study further found that the women have the opportunity to access bigger loans due to the group security system and therefore venture into bigger projects that have given them a sustainable means of survival. Sustainable livelihood infers to the capability of an individual's livelihood to handle and recover from external stress and shock while improving the ability to handle those of the future. In his study Kimutai (2012). Defined sustainable development as being able to satisfy present requirements and not be able to concede future needs satisfaction.

Sustainable livelihood (SL) can be perceived as the poverty elimination struggle. A total approach to SL tries to grasp and comprehend poverty causes by focusing on more than just one factor such as food insecurity and economic challenges at an operation level, SL makes use of prioritization that is effective to link various poverty aspects (Kimutai, 2012).

Finally the findings shows that through the savings by the women groups, they act as a form of insurance for their businesses since the group saving system gives them the insurance opportunity especially for financial support and bail out just in case any one of

them experiences a financial hitch in her business. with micro insurance, business individuals are able to priotize on their business helps to tremendously reduce risks associated with their health, property or working possibilities. The different types of insurance include; life insurance, property insurance, health insurance and disability insurance (Bran and Woller, 2010). The growth of small businesses and groups in Kenya has been attributed to the availability of micro credit and micro insurance opportunities in the country. Microfinance services have made it possible for the poor to start small and medium enterprises. Micro insurance too has enabled poor people to afford business related insurance payments as well as health micro insurance, (Mugure, 2008). This study and others reviewed are a clear indication that the micro finance and micro insurance concepts are rapidly gaining popularity not only in Kenya but also in most developing countries where majority of the population is believed to have no access to main stream banking and insurance services due to strict requirements.

### **5.3 Conclusion**

In microfinance, businesses are offered small credit with a security collateral, often free to corporate members whose probability of accessing capital was low or almost impossible. The practice has been great way of poverty alleviation especially among the rural poor for decades (Basher, 2010). According to literature reviewed, microfinance has been the most powerful instrument for poverty elevation and sustainability in the third world nations. Moreover, Morduch (2000) states that MFI pose a win-win proposition a principal that works best for poverty elevation.

Therefore, this study on the effect of MFIs on performance of women groups in Machakos County concludes that the women groups have access to very flexible credit facilities, without collaterals except the members' contributions. The loans are easily processed which has enabled them to improve on their business activities and experience more profits. Further the women have been empowered with entrepreneurial and management skills, have been able to attend various training programmes offered by the MFIs and others have managed to further their level of education. This has given them the chance to maximize on their profits and deal with the challenges facing them effectively. At the same time, the MFIs act as a form of insurance for the businesses run by the women groups and therefore they feel safe to work with the MFIs. Further the members' saving has given the women self-confidence in running their businesses because they are able to guarantee one another loans for business startup and expansion. The skills acquired during training have also enabled the women to venture into business opportunities they initially thought were beyond their capabilities.

Overall the study found that credit facilities, training programmes and savings and loaning services by MFIs, has a significant effect on performance of women groups in Machakos County which was measured at 57.5%. Specifically, training programmes has the greatest effect at 0.253, followed by savings and loans at 0.219 while credit facilities effect was measured at 0.010. This implies that human capital is very important in every aspect of entrepreneurship as other factors impinge of the entrepreneur's skills and knowledge. As Mosioma (2011) recommends the need to train women on entrepreneurial skills surpasses the need to give them financial aid without the skills.



## **5.4 Recommendations**

From the findings the study recommends that:

More resources should be directed towards women empowerment programmes as the ripple effect is always reflected in the economic power. The Government should ensure that all the parts of the country have the MFIs within the women's reach so as to enable the maximize their opportunities in financial growth.

Further the study recommends that the MFIs invest more on entrepreneurship to enable the women to effectively manage the funds they receive from the MFIs. At the same time, other mainstream financial institutions should assess the performance of the MFIs and the seize the opportunity by investing on products that are friendly to the low cadre population in the society since they are the majority. Finally the women should encourage their friends who are not members to any the groups to join them in their financial journey. This will reduce on cases of poverty by a very significant margin in the end.

## **5.5: Suggestions for Further Studies**

From the findings, the researcher recommends further studies to done on the following areas;

- i. A similar study to be carried out as a baseline study to establish the level at which the MFIs have been able to empower women across the whole county.
- ii. Another study to be done to compare performance of mainstream banks and MFIs on the basis of credit dispensation and the profit margins annually
- iii. A study to be carried out in Machakos County to assess the poverty level after the coming of the MFIs and before and see how the MFIs have impacted on poverty from a general perspective.

- iv. A study to examine the challenges affecting performance of MFIs and their implication on performance of the groups they support.

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## APPENDICES

### APPENDIX1: WOMEN GROUPS IN MACHAKOS COUNTY

Sub County	Group Name
<b>1. Kangundo North</b>	Witethye Women Group
	Kyani Self Help Group
	Mbukilye W.G
	UmiliaUamaniwone G
	KikanyoMikoikoni W/G
	Aka NdiwaKitwii W/G
	Ngukilye W.G
<b>2. Kangundo Central</b>	
	Genesis W.G
	Aka NdiwaMaiuni
	UkuluMaiuni Group
	IlolondoMasewani A.W
	JishindeUshinde W. Group
	Wasewani A.W.G
	SyaiisyaWone Women Group
<b>3. Kangundo East</b>	
	NthangathiWendano W.G
	Ngoita Women Group
	Mathathi Women Group

	Kiatineni Old Age S.H.G
	UmiisyoWa Aka Imilini
	Ngumutu W.G
<b>4. Kangundo West</b>	
	KathinzioniMavindu
	SyaiisyanuMwone
	KwaNthamba Y/G
	Aka Ndiwa W/G
	NgooNtheu W/G
	WikwatyoWaAkuu
	Ndwiikano S.H.G
<b>5. Mavoko Sub- county</b>	Narok W.G
	Komarock
	Royal WP
	Zebra W.G

**APPENDIX II: QUESTIONNAIRE**

**Part A: General Information**

Name of the women group.....

What is your age? (Please tick one)

Under 25	<input type="checkbox"/>	26-30	<input type="checkbox"/>	31-35	<input type="checkbox"/>	36-40	<input type="checkbox"/>	<input type="checkbox"/>
41-45	<input type="checkbox"/>	46-50	<input type="checkbox"/>	over 50	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How long have you been a member of this women group? (Please tick one)

1-5 years	<input type="checkbox"/>	6-10 years	<input type="checkbox"/>	11-15 years	<input type="checkbox"/>
16-20 years	<input type="checkbox"/>	above 21years	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What is your academic qualification?

Certificate	<input type="checkbox"/>	Diploma	<input type="checkbox"/>	Degree	<input type="checkbox"/>	None	<input type="checkbox"/>
Masters	<input type="checkbox"/>	Others (please specify).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Which position do you hold in your group, a member or an official?

.....

**Part B: Impact on Credit Facilities by MFIs on Performance of women group**

State your level of agreement with the following statements regarding the credit facilities offered by the MFIs and performance of your group

Credit facilities	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Easy access to financial assistance					
Made financial acquisition faster					
Reduced collateral when seeking for funding					
The repayments terms are very friendly					
They offer a variety of credit facilities which are favorable to all our members					

**Part C: Training programmes by MFI and performance of Women groups**

What is your level of agreement with the following statements on the influence of the training programmes by MFIs on performance of your group.

Training programmes	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
We have acquired better management skills					
We are able to deal with challenges effectively due to the skills acquired during training					
We have been empowered with better entrepreneurial skills					
Most of our members are able to further their education due to the training programmes offered to us					
Most of businesses are SMEs and therefore the MFIs have helped us understand better how to maximize on our profits					

**Part D: Savings and Loaning By MFIs and Performance of Women Groups**

To what extent do you agree with the following statements on the role of savings and loaning on performance of women groups

	To a very great extent	To a great extent	Moderate extent	To a small extent	To a very small extent
Savings and Loans					
The loans are very flexible as well as their repayment terms and interest					
The savings we have with the MFIs has opened us to financial accessibility that we initially could not on our own					
With our members contributions, we are loan among ourselves for expansion of our business					
We are required to save just a small amount of money and that has given us the opportunity to acquire loans to start our business					
The savings we contribute every month is a form of insurance for our businesses					

### APPENDIX III: PLAN OF ACTIVITIES

Activity	Time Frame in Months – 2016			
	January	February	March to	June
Designing Research proposal				
Proposal defense and Reviewing				
Data Collection				
Data Analysis and review of report				
Final report Writing, compiling and Submission				

**APPENDIX IV: BUDGET**

<b>Item</b>	<b>Units/Quantity</b>	<b>Unit Cost (Kshs.)</b>	<b>Total Cost (Kshs.)</b>
Research services (data collection and analysis)			20,000
Typing, printing and photocopying initial drafts	-	-	5,000
Transport		-	15,000
Communication (Internet and Telephone)	-	-	10,000
Typing, printing, photocopying and binding final report	6 Copies		5,000
Miscellaneous	-	-	10,000
<b>Total Cost</b>			<b>65,000</b>