

**FACTORS THAT AFFECT ACCESS TO CREDIT FINANCE BY
SMALL SCALE WOMEN ENTREPRENEURS IN GILGIL SUB
COUNTY, NAKURU COUNTY- KENYA**

BY

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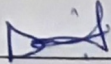
**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT
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OF ARTS IN PROJECT PLANNING AND MANAGEMENT OF THE
UNIVERSITY OF NAIROBI**

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DECLARATION

This research project is my original work and has not been presented for the award of any degree
• in any other University.

Signature



Date

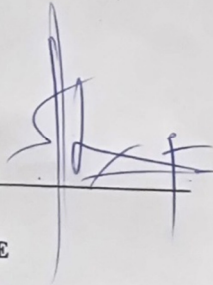
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DEDICATION

This research project report is dedicated to the Almighty God who gave me the physical and moral strength to undertake this activity. Special dedication to my wife, Florence for her moral support and understanding during my study period.

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ABBREVIATIONS AND ACRONYMS

GDP	-	Gross Domestic Product
GEM	-	Global Entrepreneurship Monitor
ILO	-	International Labour Organization
MENA	-	Middle East and North Africa
MFI s	-	Microfinance Institutions
OECD	-	Organization for Economic Co-operation and Development
PPMC	-	Pearson's Product Moment Correlation
SME s	-	Small and Medium Enterprises
SPSS	-	Statistical Package for Social Sciences
UN	-	United Nations

ABSTRACT

Women owned enterprises are a recent global phenomenon. This is due to the fact that a significant number of enterprises were owned by men. Majority of the women entrepreneurs tend to focus on small scale enterprises. One of the reasons why these enterprises tend not to grow beyond a certain threshold is access to credit finance. The purpose of this study was to investigate factors that affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County, Nakuru County - Kenya. The study was guided by four research objectives which were: To establish the extent to which demand for collateral, interest rate charged, level of literacy and business management skills affect accessibility to credit finance by small scale women entrepreneurs. Descriptive research design was used in this study which mainly relied on primary data. The target population for the study was small scale women entrepreneurs in Gilgil Sub County whose enterprises had been licensed by the County Government of Nakuru. A scientific sample of 49 small scale women entrepreneurs was utilized in the study. A self-administered questionnaire was used to gather data. The quantitative data collected was checked for completeness, coded and entered into the computer via the Statistical Package for Social Scientists (SPSS). The data was analyzed using descriptive statistics, notably frequency distributions which were used to describe the characteristics of the study populations and variations in responses to the questionnaire items. The effect of the independent variables on the access to credit was assessed using the Pearson's Product Moment Correlation. The findings were presented in tables and explanations and discussions provided in narrative prose under each table. The highest percentage of small scale women entrepreneurs (36%) had utilized credit facilities twice, 21.3% once, 18.7% three times and 17.3% more than three times. At least 6.7% had never utilized a credit facility in the period under review. The study established that demand for collateral negatively affects access to credit finance by small scale women entrepreneurs ($r = -0.186$; $p=0.002$; $n=49$), and that interest rates charged has a negative effect on access to credit finance by small scale women entrepreneurs ($r = -0.295$; $p = 0.015$; $n = 49$). On the other hand, access to credit finance by small scale women entrepreneurs is positively affected by the level of literacy ($r = 0.31$; $p = 0.001$; $n = 49$) and business management skills ($r = 0.39$, $p = 0.000$; $n=49$). Consequently, the study concluded that the interplay between demand for collateral and access to credit by the small scale women entrepreneurs is manifested in a negative relationship between these two factors, while the high costs of credit as a result of interest rates is prohibitive for the small scale women entrepreneurs. In addition, that study confirmed that level of literacy is a positive factor of accessibility to credit finance by small scale women entrepreneurs while business management skills gained through capacity building opportunities coupled with business management experience positively affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County. Thus, the study recommends that the requirement for non-collateral or credit worthiness should be applied for small scale women entrepreneurs, the interest charged on credit facilities reviewed downwards capacity building programmes for small scale women entrepreneurs enhanced for those with low education. Future research can test the conceptual framework of this study on an expanded scope and in a different geographical context to validate the findings herein.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The general purpose of this research study was to determine the factors that affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County, Nakuru County, Kenya. The chapter presented the background to the study, statement of the problem, objectives of the study and the research questions. The significance of the study, assumptions, limitations and the scope of the study was also highlighted.

Since the 1980s, entrepreneurship has emerged as a topic of growing interest among management scholars and social scientists. The subject has grown in legitimacy, particularly in business schools (Cooper, 1989). Joseph Schumpeter argues that the essence of entrepreneurial activity lay in the creation of 'new combinations' that disrupt the competitive equilibrium of existing markets, products, processes and organizations (Schumpeter, 1947). Entrepreneurship therefore in its totality contributes to wealth creation owing to creation of new markets, new industries and new jobs. It is of importance to note that a majority of successful enterprises are owned by men (ILO, 2006). Most of the developing countries have witnessed an influx in the number of women in the field of entrepreneurship in recent years. This significant development is due to the fact that governments and NGOs have initiated women empowerment programmes. A research by World Bank (2009) clearly shows that women entrepreneurs comprise about a half of human resources in developing economies. It also alludes to the fact that women entrepreneurs are key agents of micro-economic development in their communities.

In spite of the various inspiring stories on the rise of women entrepreneurship globally, it has been noted that women owned enterprises are not as competitive as those that are owned by men. This has been attributed to factors such as lack of credit, financial illiteracy and lack of significant collateral to use when sourcing for funds in financial institutions. In India, women entrepreneurship is largely skewed towards smaller sized

firms as almost 98 percent of women owned enterprises are microenterprises. Women entrepreneurs are predominantly in the service sector while the majority of credit extended by banks has historically been to manufacturing based enterprises (IFC, 2014).

The overreliance by banks on collateral so as to give credit is a major hurdle to women enterprises. This is due to the fact that parental immovable property (land, building, house and business) is taken over by the male child. In addition, women entrepreneurs often have to take loans in the names of their husbands, fathers or brothers and consequently by default involve them in business (Shah, 2013). In a national survey on Women's Access to Financing in Sierra Leone (World Bank, 2005) commercial banks in Sierra Leone target everyone irrespective of gender with set rules for accessing loans. The research further pointed out that women experience challenges in accessing loans from these banks as they mostly operate microenterprises. Their income source is irregular and usually they do not have concrete collateral to apply for larger size loans that could deliver their businesses from subsistence enterprise to capital intensive investment. In a study of socio-economic determinants of performance of small and medium enterprises in Gilgil Sub County, Nakuru County, only 25% of SMEs proprietors had received some form of training in business management. The research further revealed that most small scale entrepreneurs have KCSE as their highest level of education (Mwangi, 2012). World Bank's (2007) report shows that ignoring gender inequalities comes at a great cost to people's well-being and the ability of countries to grow sustainably and reduce poverty.

1.2 Statement of the Problem

Women involvement in entrepreneurship is indeed important for the economic growth of a nation. The Kenyan government has embarked on a series of innovative ways to attract women to the field of entrepreneurship. The most innovative strategy being the establishment of The Women Enterprise Fund in 2007 to offer affordable loans to women-owned enterprises. In spite of such efforts, most women enterprises in Kenya remain small showing no signs of growth with most exiting the market at an early age (Mulu, 2014). One of the challenges faced by women entrepreneurs and which continues

to dominate the public discourse is access to credit financing. An understanding of challenges and obstacles facing small scale women entrepreneurs in access to credit finance is therefore important in coming up with interventions to promote women's entrepreneurship activities.

Kamau (2009) in his study found that 90% of all small and microenterprises collapse in their first year of startup due to lack of financial resources and that women owned enterprises are prone to these challenges. Although many authors have dwelt on how financial resources limit growth of women owned enterprises, none of them has significantly dwelt on how access to credit finance poses a challenge to small scale women entrepreneurs particularly in Gilgil Sub-County. This study was therefore an attempt to investigate the factors that affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County of Nakuru County, Kenya.

1.3 Purpose of the Study

The purpose of this study was to investigate factors that affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County, Nakuru County.

1.4 Objectives of the Study

This following were the objectives of the study.

1. To establish the extent to which demand for collateral affects access to credit finance by small scale women entrepreneurs in Gilgil Sub County.
2. To examine how the interest rates charged affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County.
3. To assess how level of literacy affects access to credit finance by small scale women entrepreneurs in Gilgil Sub County.
4. To examine how business management skills affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County

1.5 Research Questions

This study sought to answer the following research questions

1. To what extent does the demand for collateral affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County?
2. To what extent do the interest rates charged affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County?
3. How does the level of literacy affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County?
4. How do business management skills affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County?

1.6 Significance of the Study

This study outlined the factors affecting access to credit finance by small scale women entrepreneurs in Gilgil Sub-County, which should serve to guide the women entrepreneurs on the possible courses of action to improve access to credit finance. To the stakeholders, this study's findings generated useful insights that can be used by educational institutions, NGOs and the government for policy formulation with respect to small scale women entrepreneurs' access to credit finance. To academicians and researchers, this study would be a source of reference for future research in this field or any other related field.

1.7 Delimitation of the Study

Delimitation is the process of reducing the study population and area to a manageable size. This research was delimited in terms of the scope that it would have covered. Participation of respondents was delimited to licensed small scale women entrepreneurs in Gilgil Sub County.

1.8 Limitations of the Study

The main challenge faced in the course of this research study was that some respondents showed reluctance in responding to the questionnaire, citing their fear that such information might be used against them by creating a negative perception about them or even the financial institution targeted. However, this challenge was overcome by providing an assurance to the respondents that the information given would be handled with the strictest confidentiality and would only be used for this academic research.

1.9 Assumptions of the Study

The assumptions of this study were that the respondents would answer questions correctly and truthfully. That the sample selected would be representative of the target population and the data collection instrument was valid and reliable in measuring the desired constructs.

1.10 Definition of Significant Terms Used in the Study

Accessibility to Credit Finance: Refers to the ease in which women owned enterprises can access financial services in form of loans.

Business Management Skills: Knowledge of a set of instructions required for smooth operation of a business such as controlling, leading, monitoring, organizing and planning.

Collateral: A physical asset required by a financial institution from the borrower so that the borrower can get a loan from the financial institution.

Entrepreneur: A person who makes use of resources within his reach to start new business ventures within his area, considering risks and uncertainties with an aim of achieving profit and growth.

Interest Rate: The additional amount of money that must be paid on top of the amount borrowed and is expressed in percentage form.

Literacy Level: Ability of women entrepreneurs to read and write.

Woman Entrepreneur: An adult female who starts a business, manages it owns and operates it.

1.11 Organization of the Study

This study was organized into five chapters. Chapter one featured the background to the study which highlighted the concept of women entrepreneurship. It also covered the statement of the problem, objectives of the study, research questions, limitations and delimitations of the study and definition of significant terms.

Chapter two covered empirical and theoretical literature upon which this study was anchored. The objectives of the study were analyzed on the basis of existing literature. In this chapter, further review of the theoretical and conceptual frameworks was done, where interrelationships among variables was clearly indicated. Research gaps that existed in the literature reviewed were also pointed out in this chapter.

Chapter three covered the research methodology applied in the study, the research design, target population, sampling procedure, description of research instruments, pilot testing, validity and reliability of research instruments, methods of data collection, procedures for data analysis, operational definition of variables and ethical considerations.

Chapter four covered the presentation and interpretation of the findings of the research study based on the analysis of primary data collected using the research instruments as described in chapter three. The findings were organized as per the four objectives of the study other than providing the background characteristics of the respondents under the study.

Chapter five, the last chapter of this project report provides a summary of the findings, discussions, conclusion and recommendations based on the study's findings. The chapter also gives suggestions on areas for further research summarizes this study's contribution to the body of knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter literature related to the study was reviewed on the factors affecting access to credit finance by small scale women entrepreneurs. The literature review was organized and discussed under the following sub-sections: access to credit finance; demand for collateral and access to credit finance; interest rates charged and access to credit finance; level of literacy and access to credit finance; business management skills and access to credit finance; theoretical framework; conceptual framework and; summary of literature reviewed and research gaps.

2.2 Small Scale Women Entrepreneurs Access to Credit Facilities

Access to finance refers to the possibility that women or entrepreneurs can access financial products and services including credit, deposit payment, insurance and other risk management services. Access to and cost of finance is often ranked as one of the most constraining features of the business environment by SMEs (Beck, 2007). From mid 1960s and up to present time, women entrepreneurs have increasingly become chief target of credit interventions. In addition, since the early 1970s a strong equity dimension emerged in the aims of credit schemes and small farm projects. The traditional approach to credit policy is for funds for lending to entrepreneurs to be predominantly supply led. This means that they originate from the central bank or from external donors rather than from local saving in the rural economy (Okten & Osili, 2004).

Women entrepreneurship has been advocated as a driving force in economic development, access to credit among women entrepreneurs is still a challenging barrier to women entrepreneurs. However, while there are about 10 million formal women-owned small and medium-sized enterprises in emerging markets representing 38 per cent of all SMEs in these emerging markets, the average growth rate of women's enterprises is significantly lower than the average growth rate for SMEs run by men (Bardasi *et al.*, 2011; Nichter and Goldmark, 2009).

Access to finance is repeatedly identified as a major constraint to women enterprises (Bardasi *et al.*, 2011; Blanchard *et al.*, 2005). Two types of gender bias in lending are documented in the literature. The first stems from harsher credit approval (Orseret *al.*, 2000; Cavalluzzo *et al.*, 2002). The second relates to credit conditions, including collateral requirements and loan size. The OECD (2013) report shows that servicing women owned enterprises successfully may require financial service firms to tailor their products to the needs of a certain market segment due to the fact that women entrepreneurs tend to start off with lower capital levels and prefer smaller loans.

Several recent studies find evidence that minority- and women-owned businesses face discrimination in loan approval and interest rates (Asieduet *al.*, 2012; Blanchard *et al.*, 2008; Blanch floweret *al.*, 2003). It is also suggested that women are being asked for more collateral than men for loans, being charged higher interest rates, and being refused loans more frequently than men (Hertz, 2011). Cesaroni, Lotti and Mistrolli (2013) highlight how access to bank loans and credit has been identified as a significant challenge for Italian Owned Enterprises. One of the reasons advanced for this scenario is that women entrepreneurs tend to set up businesses in sectors that are already traditionally women dominated, such as health care, personal services, beauty and cleaning owing to their experiences in these sectors. These businesses are often considered by banks to have lower growth potential and are therefore not attractive to investors and lenders.

Financial access enables small scale women entrepreneurs to expand by helping them to exploit growth and investment opportunities. Increasing access to credit finance for small scale women business owners is a sound strategy for financial institutions as they look to increase their business with SMEs. The response to women's lack of access to finance has largely been focused on increasing women's access to microcredit. However, as women enterprises grow, they need financial products and services that go beyond microcredit. Nevertheless, in Gilgil sub county, there has been no research that has focused on small scale women entrepreneurs access to credit finance and the attendant factors that limit such access. This is a gap this study seeks to close

2.3 Demand for Collateral and Small Scale Women Entrepreneurs' Access to Credit Finance

Collateral is a borrower's pledge of specific property to a lender to secure repayment of a loan. The collateral serves as protection for a lender against a borrower's default. If a borrower does default on a loan (due to insolvency or other event) that borrower forfeits the property pledged as collateral and the lender then becomes the owner of the collateral (Kathuku, 2014). Access to credit from both formal and informal channels requires a certain amount of collateral. At times, the security required is unaffordable. This becomes a constraint to small scale women enterprises, most of which may not have title deeds or capital assets to present as security against the loans (Muguchu, 2013).

Legal regulations and customary rules often restrict women's access to and control over assets that can be accepted as collateral such as land or livestock. Women are much less likely to have land titled under their name, even when their families own land, and are less likely than men to have control over land, even when they do formally own it. Biased inheritance rights often bestow land to male relatives, leaving both widows and daughters at a disadvantage (Agarwal, 2003). Women's control over their families' livestock varies by culture (Tipilda and Kristjanson, 2008). Yet, typically, men are responsible for the purchase, sale or pawning of large animals, such as cows, horses and oxen, while women tend to claim control over small animals such as goats, sheep, poultry and pigs (World Bank, 2008b; IFAD, 2004, and; Miller, 2001). Finally, in settings where men are portrayed and perceived as the main breadwinners, women's ability to offer family assets as collateral and their incentives to invest in productive activities are influenced by family dynamics that are likely to prioritize men's investments (Ospina, 1998).

The stringent terms and conditions that financial institutions especially the commercial banks set further aggravate the situation. A medium enterprise with tangible assets such as land and buildings that can be offered as collateral will find it easier to access credit finance unlike a small scale enterprise that lacks assets to pledge as collateral. In case where the guarantors are involved, most financial institutions especially the banks do not just approve of any guarantor presented. Most of the people for fear of the borrower

running bankrupt will therefore not agree to be guarantors. This further complicates the situation especially for SMEs owners to access funds from the financial institutions (Muguchu, 2013).

Women are observed to be constrained in their access to formal banks credit as they are perceived to be risky borrowers due to lack of adequate collateral. This perspective is more pronounced in cultural settings where the women have less land and property rights as compared to men and hence cannot offer the banks the preferred types of collateral, usually land and property (Manisha *et al*, 2014). Women are at times not taken seriously by providers of funds when applying for funds owing to the belief that they have access to fewer resources than men (Muturi, 2015).

(Mwongera, 2014) points out that even though women are a major force in agriculture and provide 70 percent of labour in the sector, they only hold about 1 percent of registered land titles and with around 5-6 percent of registered titles held in joint names. It is important to note that most small scale women entrepreneurs find ways around capital constraints by using financial bootstrapping methods such as using ones savings and borrowing from friends and relatives to decrease their capital needs in the startup phase. As (Dzisi, 2008) observes, this is a major impediment to the growth of these small scale businesses as financial institutions such as banks tend to give loans to large and medium sized companies. However, while all these challenges have been enumerated in relation to the profound effect they have on women's fundamental rights to own property, financial institutions continue to demand collateral in the same forms from women entrepreneurs without paying attention to the effect of such demands on women's access to credit. This study, therefore sought, to examine the effect of demand for collateral on small scale women entrepreneurs access to credit finance in Gilgil sub county, Nakuru County - Kenya.

2.4 Interest Rates Charged and Small Scale Women Entrepreneurs' Access to Credit Finance

According to World Bank (2008), rural women access to financial resources is limited by biased lending practices that emerge when financial institutions in the area consider them small, less experienced and therefore less attractive clients or when institutions lack the knowledge to offer products tailored to women's preferences and constraints. Many recent credit programs in developing nations have changed from low-interest to market-rate lending with very positive results. Not only are program costs dramatically lower, but borrowers have been able to pay market rates and graduate more easily and quickly to private financing. Also, charging market interest rates has increased the supply of investment capital for developing sectors. While subsidies are still needed, they usually are used to provide education and business training to enhance the financial management skills of the borrower (Korpivaara, 2001).

Existing literature suggest various positions on the relationship between interest rates charged by banks and loan demanded and the repayment thereof. Others argued that high interest rates negatively affect the demand for credit because only limited borrowers with high risk projects may have their demand satisfied. It was argued that high interest rates encourage adverse selection of loan seekers. Those who take high risk and have their loans approved are those with high default rates. Amonoo *et al*, (2003) carried out an empirical survey on the impact of interest rates on demand for credit and loan repayment by the poor and SME's in Ghana. The population consisted of all the SMEs in the selected Districts. The main import of this schedule was to find out from the respondents whether interest rates affected loan recovery performance. Additionally, factors taken into consideration in determining interest rates and conditions attached to the loans constituted some of the major issues investigated. The study found out that lack of monitoring, high interest rates and poor appraisal were advanced as the three main factors that affect loan recovery performance. It was also found out that interest rates negatively affect loan repayments; duration of delay in granting loans also affects loan repayment.

Decline in interest rates was not fully reflected in the bank's lending rates. While this is the case in Ghana, such evidence is still missing in Kenya among the small scale women entrepreneurs, specifically in Gilgil Sub County of Nakuru. This study was therefore designed to assess the effect of interest rate charged on small scale women entrepreneurs' access to credit finance in Gilgil Sub County.

2.5 Level of literacy and Small Scale Women Entrepreneurs' Access to Credit Finance

Education plays a crucial role in growth of small scale enterprises. The level of formal entrepreneurial activity among women increases according to their level of education. It influences entrepreneurial decision of individuals in many ways. An entrepreneur's level of education is directly correlated with his ability to make financial decisions of his/ her business (ILO, 2009). With low ability to read and write, therefore an entrepreneur is at a disadvantage in the loans market. Information on availability of loans and the rate of interest charged is communicated through newspapers in which a good level of literacy is required to read and interpret (Mwongera, 2014). Education impacts positively on growth of firms. Less educated women do encounter challenges when sourcing for finances because they are not aware of loan application procedures. This therefore greatly hampers the growth of their enterprises.

Access of information among women entrepreneurs is important both from the SMEs perspective and from the provider of the financial services. Even when they have access to information on the financial services and marketing opportunities available to them, women may be less equipped to process it. Their lower levels of literacy and lack of exposure to other languages especially in comparison with male family members hampers women's ability to benefit directly from information that is provided in writing or in a language different from that that they speak at home (Mutai, 2015). This matters as demonstrated by Cole *et al.*, (2009) experimental work in India and Indonesia that finds financial literacy is a strong predictor of demand for financial services. However, this predictor effect of literacy level on access to credit among small scale women

entrepreneurs in Kenya is yet to be tested especially in Gilgil Sub County. This is a gap that this study sought to bridge.

2.6 Business Management Skills and Small Scale Women Entrepreneurs' Access to Credit Finance

A study by Olomiet *al.* (2008) shows three main groups of constraints limiting SMEs access to finance in Tanzania. The capacity of the SMEs themselves in terms of their low level of knowledge and skills, under-developed business culture, lack of separation of business from family or personal matters, limited documented credit history and tendency for them not to explore all financing options available. The second constraint has to do with the limited capacity for working with SMEs, including limited number of competent personnel and limited experience leading to design of simple, straight jacket products whose risks are low and easy to assess.

Small scale women entrepreneurs tend to lack management skills and competency in finance and accounting which are crucial in accessing credit finance. This is due to lack of training in business management skills (Cooper, 2001). A study conducted by USAID on the impact of business training in Pakistan found out that business training leads to increase in business knowledge, significantly lowers the chance of a business winding up, improves customer relationships and leads to a better income for the entrepreneur (USAID, 2012). Aylinet *al.*, (2013) suggest that management skills are important for the growth of SMEs. And that the lack of management skills is a barrier to growth of the enterprises.

Brush *et al* (2006) assert that, although all entrepreneurs start with a set of unique entrepreneurial traits, business skills and capabilities are essential elements of business creation and success. Women entrepreneurs whose marketing and financial education is weaker than that of men face particularly difficulties presenting their investment projects to bankers or investors. Women who lack skills to accurately assess their financing needs, develop a convincing business and make a compelling pitch to potential lenders are unlikely to obtain financing for their projects (MENA). Entrepreneurship training and education for small scale women entrepreneurs is therefore important since it allows them

to develop the substantial skills to ensure the survival and success of their enterprises (Mwangi, 2012).

Managerial competencies are sets of knowledge, skills, behaviors and attitudes that contribute to personal effectiveness (Hellriegelet *al.*,2008). Martin &Staines (2008) examine the importance of management competence in small firm success. They find lack of managerial experience, skills and personal qualities as well as other factors such as adverse economic conditions, poorly thought out business plans and resource starvation are found as the main reasons why new firms fail. The distinguishing feature of high growth and low growth small firms is the education, training and experience of managers. Lyles *et al.* (2004) found out that managerial competency as measured by the education of the founder, managerial experience, entrepreneurial experience, start-up experience and functional area experience positively impact on new venture performance. Other empirical studies such as Small bone& Welter (2001) and Hisrich&Drnovsek (2002) found that managerial competencies as measured by education, managerial experience, start-up experience and knowledge of the industry positively impact on the performance of new SMEs. In South Africa, Herrington & Wood (2003) point out that lack of education and training has reduced management capacity in SMEs in South Africa and one of the reasons for their high failure rates. This suggests that managerial competency will impact on access to credit finance by new SMEs. However, for small scale women entrepreneurs in Gilgil sub county, hitherto this study, the interplay between their business management skills and their access to credit finance was still a matter of conjecture due to lack of empirical evidence. This was the gap that this study sought to close.

2.7 Theoretical Framework

The study was guided by the Leon Walras (1834-1910) microeconomics theory of demand. A large number of social-economic factors play an important role in determining demand for a commodity by an individual entrepreneur. Credit is an important commodity for improving the welfare of the poor in their micro-economic activities especially in developing countries. The theory is an analysis of the relationship

between the demand for goods or services and prices which examines purchasing decisions of consumers and subsequent impact of price on commodity demanded. According to Walras (1834-1910), price of a commodity influences its demand. This theory was criticized by later up-coming economists as shallow; however, they used it as a base to develop the law of demand, stated by many economists as: an inverse relationship exists between the price of a commodity and the quantity demanded of the product, that is, when the price of some commodities goes up, the quantity we consume of these commodities goes down and vice versa, other things held equal (Lispseyet *al.*, 1987; Livingston and Ord, 1994; Saleemi, 2000; Mudida, 2003).

Livingston and Ord (1994) argued that the amount an individual wishes to buy of a commodity depends on several factors. Firstly is his/her taste or preference, which may be influenced by factors such as age, sex, education or religion. Secondly, the amount an individual buys may depend on the price of the commodity. Therefore, if the goods are very expensive, the buying power is reduced and vice versa. In the credit market, this consideration is on implicit and explicit costs of credit, which are added costs to business operators and have to be considered when making a decision to borrow or not to borrow and from which source. Thirdly, Livingston and Ord (1994) explained that amount bought is affected by availability of other goods. This applies more to close substitutes like in this case, consideration of borrowing credit from commercial formal institutions, formal government subsidized institutions, or from informal credit markets. If formal markets prove expensive, borrowers are likely to turn to informal markets. The opposite will apply if the informal markets are expensive. Lastly, Livingston and Ord (1994) pointed out that the size of a household's income affects the amount it buys of a commodity. If the income increases, they will be able to buy more. This argument holds only for necessity goods such as credit borrowing to finance business operations, otherwise it will not apply to inferior goods.

David (2001) also argues that when cost of credit goes up, the marginal utility per Shilling raised from that credit goes down. The entrepreneur therefore chooses to consume, or use less of the credit. The concept of utility and marginal utility used by economists explains consumer demand on a commodity. Utility is the capacity or power

of a commodity to satisfy the desire of a user (Lisper *et al.*, 1987). Any commodity that satisfies human wants has utility. For example, if credit borrowed will satisfy financial needs of an enterprise, then credit has utility (Saleemi, 2000). The main objective of any individual entrepreneur is to maximize satisfaction out of any financial support borrowed, given or self made.

2.8 Conceptual Framework

The conceptual framework showing the factors affecting access to credit finance by small scale women entrepreneurs in GilgilSub County is presented in Figure 1.

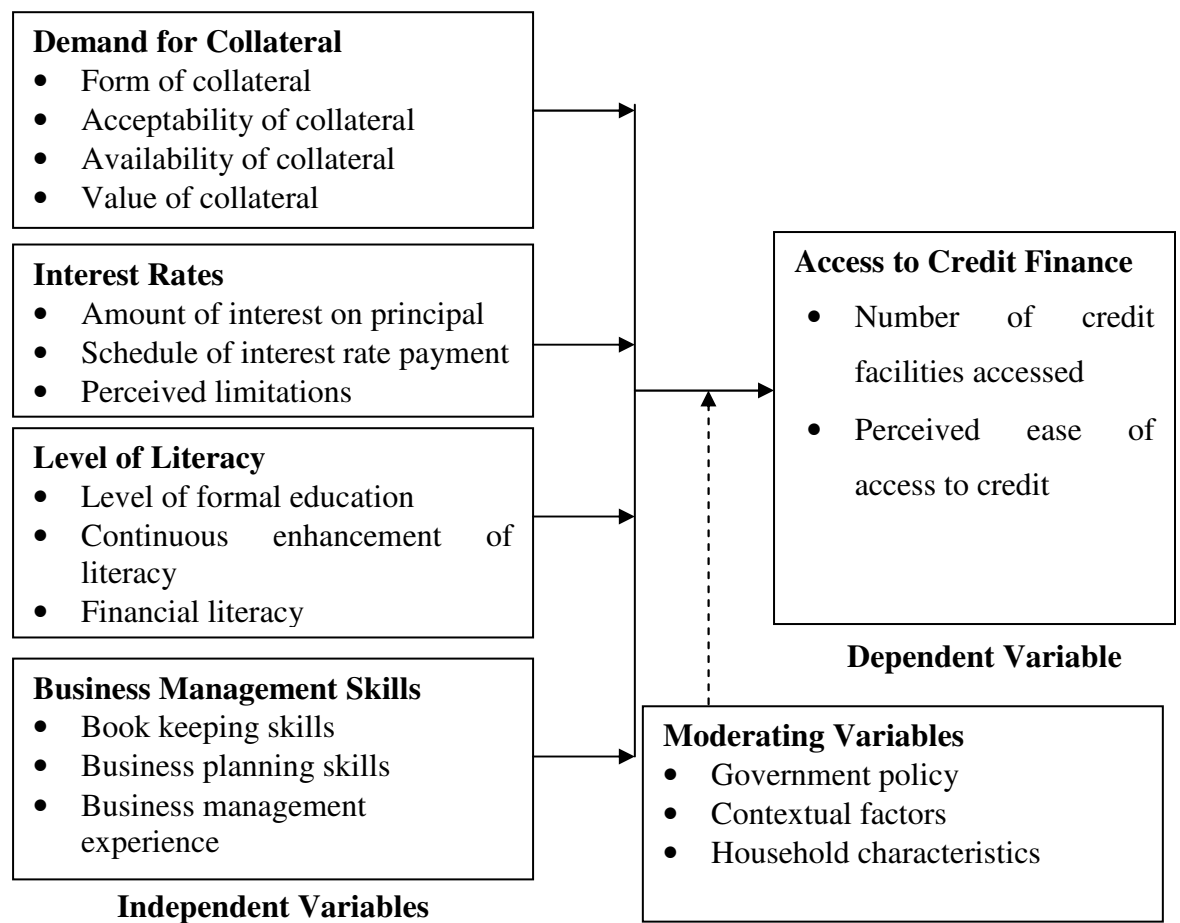


Figure 1: Conceptual Framework

The conceptual framework shows the hypothesized relationship between the independent variables of the study and the dependent variable. In the framework, the independent variables identified as factors that affect access to credit finance (dependent variable) are

demand for collateral, interest rates charged, level of literacy and business management skills.

First, collateral, which was operationalized in the current study as physical assets, required by a financial institution from the small scale women entrepreneurs so as to serve as part of security for the borrowed amount was measured in terms of the availability, form, acceptability to the financial institution and the value of the collateral. The hypothesized relationship in this study was such that the more stringent the demand on these aspects of collateral the more difficult it is for a woman entrepreneur to access credit finance. That is, demand for collateral would have a negative effect on access to credit.

The second factor is interest rate, operationalized as the additional amount of money that a small scale woman entrepreneur would be required and must pay on top of the amount borrowed, expressed as a percentage of the borrowed amount. This factor was measured in terms of the respondents perceptions of the amount of interest as a percentage of the principal amount and the flexibility in the repayment schedule of the interest rate charged. The study found out that there existed a negative relationship between women entrepreneurs' perceptions of the interest rate charged and access to credit finance.

The third factor that affected small scale women entrepreneurs' access to credit finance was literacy level, which was operationalized as the ability of a small scale woman entrepreneur to read and write. The factor was measured as in terms of level of formal education which confers one with the initial ability to read and write, continuous enhancement of literacy skills for those who did not have formal education and financial literacy which may be offered by community based organizations, non-governmental organizations or financial institutions among other development stakeholders to enhance women's levels of literacy. In the current study, higher levels were hypothesized to positively affect access to credit finance by small scale women entrepreneurs.

Business management skills, defined in the context of this study as knowledge of a set of instructions required for smooth operation of a business such as controlling, leading, monitoring, organizing and planning, were measured in terms of entrepreneurial training

received, book keeping skills, business planning skills and business management experience. Business management experience was assessed in terms of number of years a woman entrepreneur had managed a business which was assumed to enhance their business management skills. Based on the measures used and empirical literature reviewed, business management skills were hypothesized as having a positive effect on access to credit finance by small scale women entrepreneurs in Gilgil Sub County.

2.9 Summary of Literature Review

In this chapter, both theoretical and empirical literature related to the study's variables was reviewed, organized and presented as per the four main objective areas of the study. In particular, the literature review process focused on the interplay between women's access to credit and the four factors namely demand for collateral, interest rate, level of literacy and business management skills. The empirical literature showed how these factors have affected access to or otherwise demand for credit by individuals in different contexts. While the literature reviewed provided an extensive body of knowledge on how demand for collateral, interest rate, level of literacy and business management skills influence access to credit, the studies had several limitations with glaring research gaps that warranted further empirical investigation.

2.10 Research Gaps

The reviewed empirical literature fails to explicitly show how the factors identified in the current study mitigate against small scale women entrepreneurs access to credit in context such as that of Gilgil Sub County in Nakuru County. Whereas this was the specific focus of the current study, some of the obvious gaps that were noted in the course of literature review and for which attempts were made to close by this study are summarized in Table 2.1

Table 2.1 Summary of Research Gaps

Variable	Author and Year	Findings	Gap in Knowledge
Collateral and how it affects accessibility to credit finance by small scale women entrepreneurs	Gichuki,2014	Found that majority of micro and small entrepreneurs obtain their start-up capital from family, personal savings and avoid sources that demand strict requirements such as provision of collateral security.	A generic assumption that does not establish how collateral affects access to credit finance by small scale women entrepreneurs.
Interest Rate charged and its effect on access to credit by small scale women entrepreneurs.	Mwongera,2014	Found out that Interest rate charged by microfinance's depends on the nature of collateral and business. The high interest rates charged by microfinances discourage young women entrepreneurs from accessing credit. Established that	No mention of effect of interest rates on access to credit finance by small scale women entrepreneurs who borrow from other financial institutions such as banks.
Level of literacy and how it affects accessibility to credit finance by small scale women entrepreneurs	Stevenson&Orge,2005	Women in small scale enterprises have a minimum of secondary education and their training should be on finance and management.	No mention of small scale women entrepreneurs who have little education background hence low level of literacy.

<p>Business Management Skills and how they affect access to credit finance by small scale women entrepreneurs</p>	<p>Mwangi,2012</p>	<p>Found out that only about a quarter of SMEs proprietors in Gilgil town have received some form of training in business management skills.</p> <p>There is need to undertake a detailed examination of the small scale women entrepreneurs who have business management skills and how this affects their access to credit finance.</p>
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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in this study. It focuses on research design, target population, sample size and sampling procedures, research instruments, piloting of the study, reliability of research instruments, data collection procedures, data analysis techniques, operational definition of variables and ethical considerations.

3.2 Research Design

A research design is a conceptual structure within which research is conducted. It is the blueprint for the collection, measurement and analysis of data (Kothari, 1990). This study employed a descriptive survey research design. A descriptive survey research seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitude, behavior or values (Mugenda & Mugenda 2003). Lockesh (1984) affirms that descriptive survey studies are designed to obtain pertinent and precise information. The researcher has no control over the variables. He can only report only what has happened and draw conclusions from facts obtained.

This design was therefore chosen because of its ability to ensure minimization of bias and maximization of evidence that was gathered. In the research, the researcher did not have direct control over the variables both independent and dependent as they are not easy to manipulate. The aim of the researcher was to establish whether there existed significant association among the dependent and independent variables.

3.3 Target Population

The target population should have some observable characteristics to which the researcher intends to generalize the results of the study (Mugenda & Mugenda, 2003). In this study, the population of interest was small scale women entrepreneurs in Gilgil Sub County. According to the Gilgil Sub County's Revenue Office, there were 420 registered small scale enterprises out of which 150 were owned by women.

3.4 Sample Size and Sampling Procedure

This refers to the process of selecting the subjects or cases to be included in the sample. In order to select a representative sample, the researcher must design a sampling frame (Mugenda and Mugenda 2003).

In social science research, the following formulae can be used to determine the sample

$$\text{Size: } n = \frac{Z^2 pq}{d^2}$$

Where; n = the desired sample size (if the target population is greater than (10,000).

Z = the standard normal deviation at the required confidence level.

p = the proportion in target population estimated to have characteristics being measured.

q = 1-p.

d = the level of statistical significance set.

$$nf = \frac{n}{1+n/N}$$

Where; nf = the desired sample size (when the population is less than 10,000).

n = the desired sample size (when the population is more than 10,000).

N = the estimate of the population size.

In the calculation used Z = 1.96. P = 5%. q = 1-p. N = 150.

For $N \geq 10,000$

$$n = \frac{(1.96)^2(0.05)(0.95)}{(0.05)^2} = 73$$

$$(0.05)^2$$

Therefore, for $N \leq 10,000$

$$nf = \frac{73}{1+73/150} = 49$$

Applying this formulae, the desired sample size for a target population greater than 10,000 (n) is 73 and the desired sample size for a target population of less than 10,000 (nf) is 49. Therefore the sample size arrived was 49 small scale women entrepreneurs in Gilgil Sub County.

The size of the samples from the different strata should be kept proportional to the size of the strata (Kothari 1990).The researcher used the proportion allocation to design the sampling frame where the sample size (n) = 49 and target population (N) =150. Therefore N which is the total population was divided into five strata of size $N_1 =95$, $N_2 = 20$, $N_3 =10$, $N_4 =10$ and $N_5 =15$. Therefore the sample size (n) for each stratum was calculated using the following formula

$n_i = n(N_i/N)$ where n_i is the sample size in the strata while n is the sample size for the target population, N_i is the population in the specific stratum and N is the target population. For example in the first strata with $N_1 =95$ we have $49 (95/150) = 31$.

3.5 Sampling Frame

The study's sampling frame is shown in Table 3.1.

Table 3.1: Sampling Frame

Location	Target Population	Sample Size
Gilgil	95	31
Elementaita	20	7
Eburu/Mbaruk	10	3
Malewa West	10	3
Murindat	15	5
Total	150	49

3.6 Research Instruments

Data collection instrument is a device used to collect data in an objective and systematic way for research purpose. For example a questionnaire, an interview schedule or available records (Orodho, 2003). This study utilized questionnaires to collect primary data from the sampled small scale women entrepreneurs in Gilgil Sub County. The questionnaires are preferred in studies since the researcher collects information that is not easy to observe such as feelings, motivations, attitudes and accomplishments as well as experiences of individuals (Mellenberg, 2008). The questionnaires are also less costly and save time (Saunders, 2003). They are also free from the bias of interviewer as answers are in respondent's own words (Kothari, 1990).

The questionnaires comprised both open ended and closed questions. Part A of the questionnaire captured the general information of the respondents. Part B captured access to credit finance by small scale women entrepreneurs. Part C covered factors that determine access to credit finance by small scale women entrepreneurs and was divided into four sections to cover the four research objectives.

3.6.1 Pilot Study of the Research Instrument

A pilot study on the questionnaire was carried out two weeks before the main study. A random sampling was carried out from the targeted population. A few respondents were picked and questionnaires administered to them. This assisted a great deal in getting rid of vague questions and typographical errors.

3.6.2 Validity of the Research Instruments

Validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested. If the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily intuitive (Kothari, 2004). The questionnaire was reviewed by the researcher's supervisor

and an expert in the field of entrepreneurship to assess the degree to which the instrument can measure and determine the content of a particular concept.

3.6.3 Reliability of the Instruments

A measuring instrument is reliable if it provides consistent results. A measuring instrument that is reliable does contribute to validity but a reliable instrument need not be a valid instrument (Kothari, 2009). During piloting, the research instruments were given to respondents who were not in the final sample to fill in. The results were scored manually and after a period of two weeks, the same instruments were administered to the same group and results scored manually. Thereafter, Cronbach Alpha Coefficient was obtained and according to Croswell (2008) a reliability coefficient of 0.7 or more implies that there is a high degree of reliability of the data.

3.7 Data Collection Methods and Procedures

Questionnaires were used to collect primary data. The questionnaires had both open and closed questions. This data collection instrument addressed the four research objectives. The questionnaire had two sections. The first section focused on the general information about the respondents while the next section interrogated the four objectives under study as well as the dependent variable.

A letter authorizing data collection was sourced from the University of Nairobi while other relevant documents were sourced from The Nakuru County Government.

3.8 Data Analysis Techniques

The collected data was checked for completeness, edited, coded and then entered into the computer. Data analysis was done with the aid of the Statistical Package for Social Scientists (SPSS) Version 20.0. Using the SPSS, descriptive statistics and correlation analysis methods were applied to analyze the data. Descriptive statistics were used to summarize the data and establish characteristics of the study population. The tools of analysis used to present the findings were frequency distributions and percentages. To establish whether the independent variables in the study have a relationship with and predict the dependent variable and consequently answer the research questions, further analyses were done using inferential statistics (Pearson's Product Moment Correlation).

3.9 Operationalization of Study Variables

Table 3.2: Operationalization of Study Variables

Objectives	Independent Variables	Indicators	Measurement Scale	Tools of Analysis	Type of Analysis
To establish the extent to which the demand for collateral affects access to credit finance by small scale women entrepreneurs in Gilgil	Collateral	• Form of collateral	Nominal	Frequency Distribution Percentages Correlations	Descriptive Inferential
		• Acceptability of collateral	Ordinal		
		• Availability of collateral	Ratio		
		• Value of collateral			
To examine how the interest rate charged affects access to finance by small scale women entrepreneurs in Gilgil Sub County	Interest rate charged	• Amount of interest on principal	Nominal	Frequency Distribution Percentages Correlations	Descriptive Inferential
		• Schedule of interest rate payment	Ordinal		
		• Perceived limitations	Ratio		
To establish how the level of literacy affects access to credit finance by small scale women entrepreneurs in Gilgil Sub County	Literacy level	• Level of formal education	Nominal	Frequency Distribution Percentages Correlations	Descriptive Inferential
		• Continuous enhancement of literacy	Ordinal		
		• Financial literacy	Ratio		
To examine how business management skills affect access of credit finance by small scale women entrepreneurs in Gilgil Sub County	Business Management Skills	• Book keeping skills	Nominal	Frequency Distribution Percentages Correlations	Descriptive Inferential
		• Business planning skills	Ordinal		
		• Business management experience	Ratio		
	Accessibility to Credit Finance	• Number of credit facilities • Ease of access	Nominal Ordinal	Frequency Distribution Percentages	Descriptive

3.10 Ethical Considerations

The researcher first sourced for a research permit from the National Commission of Science, Technology and Innovation at the Ministry of Education. The researcher then proceeded to write a letter of transmittal of data collection instruments to inform the respondents and give them assurance that the research undertaking is purely for academic purpose.

The respondents were also assured of utmost confidentiality of information gathered and that no respondent's names or personal details were to be sourced or revealed.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter contains the findings of the research study based on the analysis of primary data collected using the research instruments described in Chapter three. The findings are presented and interpreted in line with the objectives of the study. The chapter is organized into the following sub-sections: response rate; sample characteristics; small scale women entrepreneurs' access to credit; demand for collateral and small scale women entrepreneurs' access to credit; interest rates charged and small scale women entrepreneurs' access to credit; level of literacy and small scale women entrepreneurs' access to credit and; business management skills and small scale women entrepreneurs' access to credit.

4.2 Response Rate

All the 49 small scale women entrepreneurs' questionnaires that were administered were returned, representing a response rate of 100%. This response rate was possible due to the fact that after administering the questionnaire, the researcher succinctly explained the purpose to each respondent, assured them of confidentiality and made a passionate appeal to the respondent to participate by responding to the questionnaire. Once a respondent accepted to participate, the researcher administered the questionnaire, waited for the respondents to fill in their responses thus clarifying any question for which the respondents sought clarification and collected the filled in questionnaires immediately. This ensured that the sample size remained intact as originally designed sample size as possible, thus making the findings largely generalizable to the target population.

4.3 Characteristics of the Respondents

The two main sample characteristics reported in this study were the respondents' age and nature as well as the age of their businesses.

4.3.1 Distribution of the Respondents by their Age

The respondents were asked to indicate their respective age categories. Their responses were as shown in Table 4.1.

Table 4.1: Distribution of the Respondents by their Age

Age Category	Frequency	Percentage
18-25	15	31
26-35	24	48.3
36-45	3	6.9
Over 45	7	13.8
Total	49	100

Among the 49 small scale women entrepreneurs, the highest percentage (48.3%) was aged between 26 and 35 years. This was followed by those who fell in the age category of 18-25 years at 31% and those who were over 45 years of age at 13.8%. The least represented in the sample were small scale women entrepreneurs aged 36-45 years at 6.9%. By and large, a cumulative majority of the respondents (79.3%) were youthful indicating that the youthful population is increasingly finding business entrepreneurship as a viable idea to earn a living rather than focusing on what is commonly referred to as white collar jobs. Such a high concentration of youth in business activities may be associated with various youth-targeted economic empowerment programmes that aimed at tackling the problem of youth empowerment. Such programmes seem to be paying dividends as alluded to by these findings.

4.3.2 Nature of Business

The nature of businesses operated by the small scale women entrepreneurs in Gilgil Sub County, mainly in relation to business ownership were as presented in Table 4.2. The highest number of the businesses (20) were sole proprietorships representing 41% of all

the enterprises surveyed, followed by 10 in each case for partnerships and limited liability companies (20% each) and 9 (18%) cooperative businesses.

Table 4.2 Nature of Business

Nature of Business	Frequency	Percentage
Sole Proprietorship	20	41
Partnership	10	20
Limited Liability company	10	20
Cooperative	9	18
Total	49	100

The findings in Table 4.1 on the nature of businesses implied that sole proprietorship kind of business is the most preferred by small scale women entrepreneurs. This phenomenon could proclaim its attribution to the control of business activities as well as enjoyment of profits by a single individual.

4.3.3 Distribution of Businesses by Age

The distribution of the businesses by their age was as shown in Table 4.3 below.

Table 4.3: Distribution of Businesses by Age

Nature of Business	Frequency	Percentage
Above 5 years	30	61
3-4 years	10	20
2-3 years	4	9
1-2 years	2	4
Below 1 year	3	6
Total	49	100

According to the findings displayed in the table 4.3 above, majority of the respondents represented by 61% had run their businesses for more than 5 years, distantly followed by those who had been in business between 3 and 4 years at 20%. The percentage of small

scale women entrepreneurs who had run their respective business for less than a year was 6% while the remainder (4%) had run their businesses for between 1 and 2 years. This implied that a great deal of the small scale women entrepreneurs had adequate business experiences to have at least demanded credit financing if not actually accessing some credit facilities, and thus forming an appropriate sample for the current study.

4.4. Small Scale Women Entrepreneurs' Access to Credit Finance

Small scale women entrepreneurs access to credit finance was the dependent variable in this study, measured in terms of the number of credit facilities accessed and perceived ease of access to credit.

4.4.1 Number of Credit Facilities Utilized by Small Scale Women Entrepreneurs

The small scale women entrepreneurs were required to indicate the number of times they had utilized credit facilities since they began their business activities. Their responses were as shown in Table 4.4 below.

Table 4.4 Number of Credit Facilities Utilized by Small Scale Women Entrepreneurs

Number of Credit Facilities Utilized	Frequency	Percentage
None	3	6.7
Once	10	21.3
Twice	18	36.0
Three times	9	18.7
More than three times	9	17.3
Total	49	100.0

As the findings in Table 4.4 reveal, the highest percentage of the small scale women entrepreneurs who participated in this study (36%) had utilized credit facilities twice, followed by 21.3% who had utilized credit facilities only once, 18.7% had utilized three

times and 17.3% more than three times. At least 6.7% reported that they had never utilized a credit facilities in the period under review.

4.4.2 Perceived Ease of Access to Credit by Small Scale Women Entrepreneurs

The respondents were asked to rate accessibility to credit finance from financial institutions listed on a 5-point accessibility rating scale. Their responses were as shown in Table 4.5.

Table 4.5: Perceived Ease of Access to Credit from Financial Institutions by Small Scale Women Entrepreneurs

Financial Institution	Banks	Government Credit Schemes	SACCOs	Deposit Taking Microfinance	Family & Friends
Ease of access					
Not accessible at all	8.7%	3.7%	3.3%	3.7%	6.7%
Difficult to Access	16.7%	20%	12.7%	8.7%	21.3%
Not sure	10%	17%	17.3%	12.6%	36.0%
Easy to access	34.0%	32.7%	28.0%	29.7%	18.7%
Very easy to access	30.6%	26.7%	38.7%	46.3%	17.3%
Total	100	100	100	100	100

The findings indicated that the small scale women entrepreneurs had varied perceptions on the ease of access to credit financing from different financial institutions. For commercial banks, 30% of the women entrepreneurs thought that credit was easy to access, 30.6% very easy, 16.7% difficult and 8.7% thought that it was not accessible at all. With regard to government credit schemes, 32.7% indicated that credit was easy to access, 26.7% very easy, 20% reported difficulty in accessing while 3.7% thought that credit was not accessible at all from the government credit schemes. On SACCOs, 38.7% reported credit as being very easy to access, 28% easy to access, 3.3% not accessible at all and 2.7% difficult to access. Deposit taking microfinance institutions had ratings of very easy to access (46.3%), easy to access (29.7%), difficult to access (8.7%) and not

accessible at all (3.7%). For Family and friends, rating for ease of credit access was difficult to access (21.3%) easy to access (18.7%), very easy to access (17.3%) and not accessible at all (6.7%) .

The above findings imply that generally, small scale women entrepreneurs had positive perceptions of ease of access of credit finance from deposit taking microfinance institutions where cumulatively, 76% of indicated that credit was at most easy to access compared to SACCOs' 66.7%, commercial banks' 64.6%, government credit schemes' 59.4%. Family and friends were the most difficult to access credit from, with their cumulative 36% for those who reported that it was least most easy to access. It would therefore appear that the government credit schemes which were meant to address the problem of access to finance by small scale women are not adequately serving their intended purpose, given that deposit taking microfinance institutions and SACCOs and commercial banks seem to be highly rated compared to government schemes.

4.5 Demand for Collateral and Small Scale Women Entrepreneurs' Access to Credit

The first objective of this study was to establish the extent to which demand for collateral affects access to credit finance by small scale women entrepreneurs in Gilgil Sub County. Thus, the study sought to determine whether the financial institutions in Gilgil sub county demanded collateral, establish the forms of collateral that women entrepreneurs owned and their perceptions of the extent to which their forms of collateral would enable them to have access to credit finance. Therefore, under this section, findings are presented on the mentioned attributes of demand for collateral and thereafter the effect of demand for collateral on access to credit finance by small scale women entrepreneurs examined.

4.5.1 Demand for Collateral by Financial Institutions

The respondents were asked to indicate the extent to which they agreed that financial institutions in Gilgil Sub County required collateral for one to access credit facility from the institutions. Their responses were as shown in Table 4.6.

The study established that 81.6% of the small scale women entrepreneurs strongly agreed that financial institutions indeed demanded collateral to access credit facilities. This was followed by 14.3% who showed agreement to the demand for collateral and 4.1% were neither agreed nor disagreed. None of the small scale women entrepreneurs disagreed.

Table 4.6: Demand for Collateral by Financial Lending Institutions

Response	Frequency	Percentage
Strongly agree	40	81.6
Agree	7	14.3
Neither agree nor disagree	2	4.1
Disagree	-	-
Strongly disagree	-	-
Total	49	100

4.5.2 Forms of Collateral Owned by Small Scale Women Entrepreneurs

The small scale women entrepreneurs were asked to indicate the form of collateral in their possession. Their responses were as shown in Table 4.7.

Table 4.7: Forms of Collateral Owned by Small Scale Women Entrepreneurs

Form of Collateral	Frequency	Percentage
Land	27	55.1
Household assets and goods	46	93.9
Livestock	13	26.5
Vehicle	5	10.2
Agricultural equipment	16	32.7

The findings revealed that majority of the small scale women entrepreneurs had household assets and goods for collateral (93.9%). Those who had other forms of collateral in addition to household assets and goods had land title deeds (55.1%), livestock (26.5%), vehicles (10.2%) and agricultural equipment (32.7%).

4.5.3 Small Scale Women Entrepreneurs' Perceptions of Demand for Collateral

The small scale women entrepreneurs were asked to indicate on a 5-point Likert type scale ranging from strongly agree (5) to strongly disagree (1), their level of agreement with various aspects of demand for collateral by financial institutions in relation to enabling them to access credit finance. Their responses were analyzed using means and standard deviations as presented in Table 4.8.

Table 4.8: Small Scale Women Entrepreneurs' Perceptions of Demand for Collateral

Statement	N	Min	Max	Mean	SD
1. The form of collateral that I have is acceptable by financial institutions	49	1	5	3.83	.995
2. The value of my collateral is adequate to guarantee me access to credit facility from financial institutions	49	2	5	3.81	.875
3. My spouse is willing to allow me to use the collateral to access credit from a financial institution.	49	3	5	3.05	.801
4. Financial Institutions consider the ability to repay loans rather than the collateral an entrepreneur has.	49	3	5	3.20	.695
5. Demand for collateral is a major hindrance to my access to credit	49	1	5	4.44	.543

Based on the mean scores in Table 4.8, the women entrepreneurs in this study expressed strong agreement that demand for collateral is a major hindrance to their access to credit (M=4.44, SD=0.54). They rather agreed that the form of collateral that they had

would be acceptable by financial institutions ($M=3.83$, $SD=.99$), and that the value of the collateral was adequate to guarantee them access to credit facility from financial institutions ($M=3.81$, $SD=.88$). However, the entrepreneurs seemed to neither agree nor disagree that their spouses would be willing to allow them to use the collateral to access credit from financial institutions ($M=3.05$, $SD=.80$), and that financial institutions consider the ability to repay loans rather than the collateral an entrepreneur has ($M=3.20$, $SD=.70$).

These findings would effectively imply that demand for collateral poses a formidable challenge to women entrepreneurs in Gilgil sub county, given that while the financial institutions seem to have a strong focus on the need for them to have collateral rather than their individual abilities to repay the borrowed amount, the form of collateral may not be acceptable, neither would its value match the demands of the financial institution let alone being allowed by their spouses to use the collateral to secure credit.

4.5.4 Effect of Demand for Collateral on Small Scale Women Entrepreneurs' Access to Credit Finance

To analyze the effect of demand for collateral on access to credit finance by small scale women entrepreneurs, a scoring strategy was adopted where scores of between 0 and 4 were adopted for the number of credit facilities accessed (0=none, 1=Once; 2=Twice; 3=Three times and 4=more than three times), and also for perceived ease of access to credit (0 = Not accessible at all; 1 = Difficult to Access; 2 = Not sure; 3 = Easy to access and 4 = Very easy to access). The overall score for access to credit finance was obtained by calculating the average of the scores from the number of credit facilities accessed and perceived ease of access to credit. These scores and those for small scale women entrepreneurs' perceptions of the demand for collateral on enabling them to access credit were used to compute the Pearson's Product Moment Correlation to determine the magnitude and direction of correlation between the variables and the findings presented in Table 4.9.

The results revealed that there were significant negative correlations between demand for collateral and number of credit facilities utilized by small scale women entrepreneurs ($r = -0.231$; $p = 0.001$; $n = 49$), and demand for collateral and perceived ease of access to credit ($r = -0.112$; $p = 0.005$; $n = 49$). Overall, there was a significant and negative correlation between demand for collateral and access to credit finance by small scale woman entrepreneurs ($r = -0.186$; $p = 0.002$; $n = 49$). These negative and significant correlations imply that demand for collateral has a negative effect on small scale women entrepreneurs' access to credit finance. The more the financial institutions demand collateral, the less likely it is for small scale women entrepreneurs to access credit financing.

Table 4.9: Correlation between Demand for Collateral and Small Scale Women Entrepreneurs' Access to Credit

		Demand for Collateral	Number of Credit facilities	Perceived Ease of Access
Demand for Collateral	Pearson's (r)	1		
	P-Value			
	Sample Size	49		
Number of Credit facilities	Pearson's (r)	-.231**	1	
	P-Value	.001		
	Sample Size	49	49	
Perceived Ease of Access	Pearson's (r)	-.112**	.147**	1
	P-Value	.005	.000	
	Sample Size	49	49	49
Access to Credit Finance	Pearson's (r)	-.186**	.269**	.303**
	P-Value	.002	.000	.006
	Sample Size	49	49	49

***. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

4.6 Interest Rates Charged and Small Scale Women Entrepreneurs' Access to Credit

The second objective of the study was to examine the effect of interest rates charged on access to credit finance by small scale women entrepreneurs in Gilgil Sub County. First, the study sought to determine whether the small scale women entrepreneurs felt that the interest rate charged by a financial institution influenced their decision to take up credit facilities, then examined the maximum length of repayment period of the loan acquired from lending institution before analyzing their perceptions of the limitations of interest rates charged and the effects of these perceptions on access to credit finance.

4.6.1 Influence of Interest Rates Charged on Small Scale Women Entrepreneurs' Decision to Take up Credit Facilities

The respondents were asked to indicate whether the interest rate charged by financial institutions influenced their decision to take up a credit facility. The findings were as shown in Table 4.10.

An overwhelming majority of the respondents (81.6%) affirmed that indeed, interest rates charged influenced their decisions on whether to take up credit facilities from financial institutions or not. Only 18.4% returned a negative response.

Table 4.10: Influence of Interest Rates Charged on Decision to Take up Credit Facilities

Response	Frequency	Percentage
Yes	40	81.6
No	9	18.4
Total	49	100

4.6.2 Length of Loan Repayment Period

The length of the repayment period has a bearing on the amount of interest charged on the principal loan amount. The respondents were therefore asked to indicate the maximum length of repayment time of the highest amount of loan they had ever taken from the lending institutions. Their responses were as shown in Table 4.11.

Table 4.11: Length of Loan Repayment Period

Length of Repayment Period	Frequency	Percentage
One year	25	51.0
Two years	10	20.4
Three years	11	22.4
None	3	6.2
Total	49	100.0

Slightly over half of the respondents (51%) had taken a year to repay their highest amounts of credit accessed. This was followed by those who had repaid within three years (22.4%) and two years (20.4%). At least 6.2% had not accessed a credit facility as already reported earlier.

4.6.3 Small Scale Women Entrepreneurs' Perceptions of Interest Rates Charged

Small scale women entrepreneurs who were respondents in this study were asked to indicate on a 5-point Likert scale ranging from strongly agree (5) to strongly disagree (1),

the extent to which they agreed with statements listed on interest rate charged and its effect on access to credit finance by small scale women entrepreneurs. Their responses were analyzed descriptively using means and standard deviations and the findings presented as shown in Table 4.12.

Table 4.12: Small Scale Women Entrepreneurs' Perceptions of Interest Rates Charged

Statement	N	Min	Max	Mean	SD
1. Financial institutions charge prohibitive interests on credit	49	1	5	4.44	.665
2. High interest rates charged by finance institutions discourage the small scale women entrepreneurs from borrowing.	49	1	5	4.21	.475
3. The amount of interest rate charged is at times linked with the security of the loan or the nature of enterprise resulting in the disparity of interest rate charged.	49	1	5	4.47	.395
4. I fear applying for the loan since I am not sure whether I will be able to pay the loan due to the interest charged.	49	1	5	4.52	.646

The mean scores of each item generally indicate that small scale women entrepreneurs tended to strongly agree that they feared applying for the loan since they were not sure whether they would be able to pay the loan due to the interest charged (M=4.52, SD=0.65), and that the amount of interest rate charged by financial institutions was at times linked with the security of the loan or the nature of enterprise resulting in the disparity of interest rate charged. (M=4.47, SD=0.39). Likewise, the respondents agreed

that financial institutions charge prohibitive interests on credit (M=4.44, SD=0.67), and that high interest rates charged by finance institutions discourage the small scale women entrepreneurs from borrowing (M=4.21, SD=0.48).

4.6.4 Effects of Interest Rates Charged on Small Scale Women Entrepreneurs' Access to Credit Finance

To analyze the effect of rate of interest charged on access to credit finance by small scale women entrepreneurs, the means for small scale women entrepreneurs' perceptions of the limitations of interest charged and the scores for the number of credit facilities accessed (0=none, 1=Once; 2=Twice; 3=Three times and 4=more than three times), and also for perceived ease of access to credit (0 = Not accessible at all; 1 = Difficult to Access; 2 = Not sure; 3 = Easy to access and 4 = Very easy to access) were used to compute the Pearson's Product Moment Correlation to determine the magnitude and direction of correlation between the variables and the findings presented in Table 4.13.

Table 4.13: Correlation between Interest Rates Charged and Access to Credit

		Interest Rate Charged	Number of Credit facilities	Perceived Ease of Access
Interest Rate Charged	Pearson's (r)	1		
	P-Value			
	Sample Size	49		
Number of Credit facilities	Pearson's (r)	-.286**	1	
	P-Value	.000		
	Sample Size	49	49	
Perceived Ease of Access	Pearson's (r)	-.318*	.147**	1
	P-Value	.041	.000	
	Sample Size	49	49	49
Access to Credit Finance	Pearson's (r)	-.295*	.269**	.303**
	P-Value	.015	.000	.006
	Sample Size	49	49	49

***. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

The PPMC analysis revealed that there were significant negative relationships between small scale women entrepreneurs' perceptions of interest rates charged and access to number of credit facilities accessed ($r = -0.29$; $p = 0.000$; $n = 49$), and also a significant negative relationship between perceived limitation of interest rates charged and perceived ease of access to credit finance ($r = -0.32$; $p = 0.041$; $n = 49$). Overall, access to credit finance is significantly and negatively correlated with interest rates charged ($r = -0.295$; $p = 0.015$; $n = 49$). These results imply that the more the small scale women entrepreneurs perceived the interest rates charged as being prohibitive, the less likely they were to take more credit facilities and the less likely they were to rate the credit facilities offered as easily accessible to them. This means that interest rates charged is a negative correlate of small scale women's access to credit finance.

4.7 Level of Literacy and Small Scale Women Entrepreneurs' Access to Credit Finance

The third objective of this study was to assess the effect of level of literacy on access to credit finance by small scale women entrepreneurs in Gilgil Sub County. The small scale women entrepreneurs' level of literacy was assessed in terms of their formal education backgrounds as well as their perceptions of their literacy skills.

4.7.1 Small Scale Women Entrepreneurs' Formal Level of Education

The respondents were asked to indicate their highest, formal level of education attained. Their responses were as displayed in Table 4.14.

Table 4.14: Small Scale Women Entrepreneurs' Formal Level of Education

Level of Education	Frequency	Percentage
Primary and below	4	8.2
Secondary level	30	61.2
Tertiary level	8	16.3
University degree	7	14.3
Total	49	100.0

As the statistics in Table 4.14 show, majority of small scale women entrepreneurs who participated in this study (61.2%) had attained at least secondary school level certificate education. This was followed by 16.3% who had tertiary level of education, 14.3% university graduates and finally 8.2% who were only primary school finalists. Generally, these statistics implied that all the small scale women entrepreneurs had an appreciable level of literacy.

4.7.2 Small Scale Women Entrepreneurs' Perceptions of their Literacy Skills

The respondents were required to indicate, on a scale of strongly agree (5) to strongly disagree (1), the degree to which they agreed with various aspects of their literacy in relation to their business enterprises. Their responses were analyzed using means and standard deviations and the findings were as displayed in Table 4.15.

Table 4.15: Small Scale Women Entrepreneurs' Perceptions of their Literacy Skills

Statement	N	Min	Max	Mean	SD
1. Over time, I have enhanced my knowledge and skills through further education opportunities	49	1	5	4.26	.653
2. My level of academic qualification influences my ability to make sound decisions relating to my enterprise.	49	1	5	4.30	.710
3. Over time, I have had an opportunity to access useful information in relation to survival of my business enterprise	49	1	5	4.48	.648

4. I believe that my level of education has been helpful in enabling me to successfully run my business enterprise	49	1	5	4.08	.812
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The figures in the table indicate that the respondents tended to demonstrate strong agreement that Over time, they had had an opportunity to access useful information in relation to survival of their business enterprise(M=4.48, SD=0.65), as their levels of academic qualification influenced their ability to make sound decisions relating to their enterprise (M=4.30, SD=0.71). They further agreed that over time, they had enhanced their knowledge and skills through further education opportunities(M=4.26, SD=0.65), and therefore believed their levels of education had been helpful in enabling them to successfully run their respective business enterprise(M=4.08, SD=0.81).

4.7.3 Effect of Level of Literacy on Small Scale Women Entrepreneurs' Access to Credit

To analyze the effect of level of literacy and small scale women entrepreneurs' access to credit finance, the variable formal level of education was scored from 1 to 4, the lowest score of 1 being assigned to the lowest level while 4 was assigned to the highest level of formal education. These scores were added to the raw scores for the respondents' perceptions of the role of their literacy levels in relation to their business enterprises, then average score calculated. The average scores were, together with the scores for the number of credit facilities accessed and the perceived ease of access to credit, used to compute the Pearson's Product Moment Correlations to determine the magnitude and direction of correlation between these variables. The findings were as shown in Table 4.16.

Table 4.16 Correlation Between Level of Literacy and Access to Credit

		Level of Literacy	Number of Credit facilities	Perceived Ease of Access
Level of Literacy	Pearson's (r)	1		
	P-Value			
	Sample Size	49		
Number of Credit facilities	Pearson's (r)	.253**	1	
	P-Value	.002		
	Sample Size	49	49	
Perceived Ease of Access	Pearson's (r)	.336**	.147**	1
	P-Value	.000	.000	
	Sample Size	49	49	49
Access to Credit Finance	Pearson's (r)	.311**	.269**	.303**
	P-Value	.001	.000	.006
	Sample Size	49	49	49

***. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

The results of PPMC analysis revealed that there was a significant positive relationship between small scale women entrepreneur's level of literacy and number of credit facilities utilized ($r=0.25$; $p = 0.002$; $n = 49$), and also a significant and positive relationship between level of literacy and perceived ease of access to credit ($r = 0.34$; $p = 0.000$; $n = 49$). As a whole, access to credit finance is significantly and positively correlated with level of literacy ($r = 0.31$; $p = 0.001$; $n = 49$).

4.8 Business Management Skills and Small Scale Women Entrepreneurs' Access to Credit Finance

The last objective of the study was to examine the effect of business management skills on access to credit finance by small scale women entrepreneurs in Gilgil Sub County. Business management skills were measured in terms of business management training received, book keeping skills, business planning skills and business management experience. In this section, therefore, findings were presented and discussed on the type of entrepreneurial training received by the small scale women entrepreneurs, business management experience and the extent to which the respondents applied the various

business management skills to manage their enterprises. The last part examined the effect of business management skills as a whole on small scale women entrepreneurs' access to credit finance.

4.8.1 Type of Business Management Training Received by Small Scale Women Entrepreneurs

The respondents were asked to indicate whether they had received any training on the management of a business and if so, the type of training received. From their responses, it was established that 20 (40.8%) had received some form of training on business management while 59.2 had not. The type of training received was as shown in Table 4.17.

Table 4.17: Type of Entrepreneurial Training Received by Small Scale Women Entrepreneurs

Type of Skill	Frequency	Percentage
Computer skills	9	18.4
Financial Management skills	10	21.3
Book keeping	18	36.7
Business planning	17	34.7
Organizational skills	9	18.4

As shown in Table 4.17, the respondents who reported having received some training had indeed received training on a variety of business management skills including book keeping (36.7%); business planning (34.7%); financial management (21.3%); organizational skills (18.4%) and ; computer skills (18.4%).

4.8.2 Small Scale Women Entrepreneurs' Business Management Experience

The respondents were asked to indicate how long they had managed a business of the same nature, including their current business. Their responses were as presented in Table 4.18.

Table 4.18: Small Scale Women Entrepreneurs' Business Management Experience

Management Experience	Frequency	Percentage
Below 1 year	3	6.1
1 - 2 years	10	20.4
3 - 4 years	27	55.1
5 years and more	9	18.4
Total	49	100

Majority of the respondents (55.1%) had 3-4 years' experience in managing similar businesses, 20.4% had 1-2 years' experience, 18.4% had over 5 years' business management experiences while 6.1% had only managed their businesses for less than 1 year.

4.8.3 Application of Business Management Skills by Small Scale Women Entrepreneurs

The respondents were required to indicate the extent to which they applied the various business management skills in their businesses, on a 5-point Likert scale (1=No Extent; 2=Little Extent; 3=Neutral; 4=Moderate Extent; 5=Great Extent). Their responses were analyzed descriptively using means and standard deviations and the findings were as shown in Table 4.19.

Table 4.19: Application of Business Management Skills by Small Scale Women Entrepreneurs

Type of Skill	N	Min	Max	Mean	SD
Computer skills	49	1	5	3.29	1.240
Financial Management skills	49	1	5	3.26	1.192
Book keeping	49	1	5	3.43	1.196

Business planning	49	1	5	3.44	1.110
Organizational skills	49	1	5	3.44	1.085

As shown in Table 4.19, the mean scores of the application of the various business management skills ranged between 3.26 and 3.44. The respondents in this study applied the business management skills on a rather little to moderate extent, with the means tending towards the neutral position. Organizational skills had the highest mean (M=3.44, SD=1.09) and also business planning skills (M=3.44, SD=1.11), while financial management skills had the lowest mean (M=3.26, SD=1.19). These findings could generally be interpreted to mean that the small scale women entrepreneurs in Gilgil Sub County apply business management skills to a very limited extent. However, this scenario can be attributed to the fact that only about 41% reported having been trained on business management skills.

4.8.4 Effect of Business Management Skills on Small Scale Women Entrepreneurs' Access to Credit Finance

The Pearson's Product Moment Correlation Analysis was conducted between the scores for business management skills and small scale women entrepreneurs' access to credit. The score for business management skills was obtained by assigning a score of 1 to every business management skill training received (a maximum of 5 points for training in all the 5 areas examined in this study), a scoring strategy of 1 to 4 for the progressive experience in business management (shortest to longest) and 1-5 for the extent to which they applied each business management skills in their businesses, then cumulating the scores on these three areas and averaging to obtain a composite mean. The results of the PMMC were as shown in Table 4.20.

The findings indicated that that there were significant, positive relationships between small scale women entrepreneurs' business management skills and number of credit facilities utilized ($r=0.41$, $p = 0.000$; $n=49$), and perceived ease of access to credit ($r=0.37$, $p = 0.000$; $n=49$). Overall, business management skills are significantly and positively correlated with access to credit finance by small scale women entrepreneurs ($r = 0.39$, $p = 0.000$; $n=49$). These findings indicate that as years of management experience

increased and the business management skills put to use extensively in managing businesses, it was more likely that the women entrepreneur would have access to credit finance. Longer years of business management experience may be associated with longer exposure to the ups and downs in business which means more knowledge of handling such challenges, and thus the ease with which to access credit finance from financial institutions.

Table 4.20: Correlation between Business Management Skills and Access to Credit Finance

		Business Management Skills	Number of Credit facilities	Perceived Ease of Access
Business Management Skills	Pearson's (r)	1		
	P-Value			
	Sample Size	49		
Number of Credit facilities	Pearson's (r)	.412**	1	
	P-Value	.000		
	Sample Size	49	49	
Perceived Ease of Access	Pearson's (r)	.371**	.147**	1
	P-Value	.000	.000	
	Sample Size	49	49	49
Access to Credit Finance	Pearson's (r)	.392**	.269**	.303**
	P-Value	.000	.000	.006
	Sample Size	49	49	49

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to investigate factors that affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County, Nakuru County of Kenya. In the previous chapter, the findings of the study obtained from the analysis of data collected were presented and interpreted. In this chapter, therefore, a summary of the findings is presented, the findings discussed and conclusions drawn based on the objectives of the study. Further, recommendations are provided in light of the conclusions reached and suggestions for further research made. The terminal end of the chapter highlights this study' contribution to the body of knowledge.

5.2 Summary of Findings

This study reached a total sample of 49 small scale women entrepreneurs, achieving a 100% response rate. Of the 49 small scale women entrepreneurs, 48.3% were 26 - 35 years of age, 31% were 18-25 years, 13.8% were over 45 years of age while 6.9% were aged 36-45 years. Most of the businesses (41%) were sole proprietorships. Majority of the respondents (61%) had run their businesses for more than 5 years, while only 6% had run their respective business for less than a year was 6%.

The highest percentage of the small scale women entrepreneurs (36%) had utilized credit facilities twice, 21.3% once, 18.7% three times and 17.3% more than three times. At least 6.7% had never utilized a credit facility in the period under review. On perceived ease of access to credit finance, a cumulative 76% of the small scale women entrepreneurs indicated that credit was at most easy to access from deposit taking microfinance institutions compared to SACCOs' 66.7%, commercial banks' 64.6%, government credit schemes' 59.4%. Family and friends were the most difficult to access credit from.

The first objective of the study was to examine the effect of demand for collateral on access to credit finance by small scale women entrepreneurs in Gilgil Sub County. About 82% of the women entrepreneurs strongly agreed that financial institutions demanded collateral to access credit facilities. Whilst 94% of the small scale women entrepreneurs had household assets and goods for collateral those who possessed title deeds were 55%, livestock 27%, vehicles 10% and agricultural equipment 33%. The study established that access to credit by small scale women entrepreneurs was negatively affected by demand for collateral ($r = -0.186$; $p=0.002$; $n=49$). The more the financial institutions demand collateral, the less likely it is for women entrepreneurs to access credit financing.

The second objective of the study was to examine the effect of interest rates charged on access to credit finance by small scale women entrepreneurs in Gilgil Sub County. An overwhelming 82% of the respondents affirmed that interest rates charged influenced their decisions on whether to take up credit facilities from financial institutions or not. Slightly over half of the respondents (51%) had taken a year to repay their highest amounts of credit accessed, followed by those who had repaid within three years (22.4%) and two years (20.4%). The small scale women entrepreneurs tended to strongly agree that they feared applying for the loan since they were not sure whether they would be able to pay the loan due to the interest charged, and that the amount of interest rate charged by financial institutions was at times linked with the security of the loan or the nature of enterprise resulting in the disparity of interest rate charged. Consequently, the study established that overall, access to credit finance is significantly and negatively correlated with interest rates charged ($r = -0.295$; $p = 0.015$; $n = 49$). This means that interest rates charged is a negative correlate of small scale women's access to credit finance.

The third objective of the study was to assess the effect of level of literacy on access to credit finance by small scale women entrepreneurs in Gilgil Sub County. The small scale women entrepreneurs' level of literacy was assessed in terms of their formal education backgrounds as well as their perceptions of their literacy skills. The study established that 61% of small scale women entrepreneurs had attained at least secondary school level certificate education, 16% had tertiary level of education, 14% university graduates and

finally 8% were only primary school finalists. The respondents tended to demonstrate strong agreement that over time, they had had an opportunity to access useful information in relation to survival of their business enterprise, as their levels of academic qualification influenced their ability to make sound decisions relating to their enterprise. They further agreed that over time, they had enhanced their knowledge and skills through further education opportunities, and therefore believed their levels of education had been helpful in enabling them to successfully run their respective business enterprise. Generally, it was established that access to credit finance by small scale women entrepreneurs was significantly and positively correlated with level of literacy ($r = 0.31$; $p = 0.001$; $n = 49$).

Finally, the study was designed to examine the effect of business management skills on access to credit finance by small scale women entrepreneurs in Gilgil Sub County. Business management skills, were measured in terms of business management training received, book keeping skills, business planning skills and business management experience. It was established that 41% had received some form of training on business management while 59% had not. The training package had included book keeping (37%); business planning (35%); financial management (21%); organizational skills (18%) and; computer skills (18%). Over half (55%) had 3-4 years' experience in managing similar businesses, 20% had 1-2 years' experience, 18% had over 5 years' business management experiences while 6% had only managed their businesses for less than 1 year. Through PPMC analysis, the study established that business management skills are significantly and positively correlated with access to credit finance by small scale women entrepreneurs ($r = 0.39$, $p = 0.000$; $n=49$), indicating that as years of management experience increased and the business management skills put to use extensively in managing businesses, it was more likely that the small scale women entrepreneurs would have access to credit finance.

5.3 Discussions from Findings

The study sought to find out whether the demand for collateral affects access to credit finance by small scale women entrepreneurs in Gilgil Sub County, to examine the effect of interest charged on access to credit finance by small scale women entrepreneurs in

Gilgil Sub County, to assess how the level of literacy affects access to credit finance by small scale women entrepreneurs in Gilgil Sub County and to examine how business management skills affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County.

On demand for collateral and how it affects access to credit finance, these findings are consistent with a large body of empirical study that shows that access to credit finance is significantly influenced by collateral. Fatoki and Asah (2011) reported that SMEs with collateral are significantly more likely to be successful in their credit applications compared to SMEs without collateral. The findings are also in agreement with Bougheas, Mizen and Yalcin (2005) who established that collateral is an important factor for SMEs in order to access debt finance, and Omboi (2011) who found that major reason for SMEs not seeking credit was lack of required collateral. Barbosa and Moraes (2004) further observe that SMEs owners/entrepreneurs that invest heavily in tangible assets tend to have higher financial leverage since they can borrow at lower interest rates if their debt is secured with such assets.

Collateral is often considered as part of the supply function for bank debt (Ogawa and Suzuki, 2000; Shen, 2002; Atanasova and Wilson, 2004). Collateral is used by lending institutions as an informational asymmetry reducing tool between borrower and lender and therefore an important feature of the credit acquisition process (Atanasova and Wilson, 2004). Information asymmetry is simply the difficulty involved in obtaining adequate information from the borrower on which the lenders can base assessments of creditworthiness. A higher availability of collateral is expected to increase the supply of bank debt since collateral can mitigate the informational asymmetries between borrower and lender. The willingness of the entrepreneur to pledge collateral positively influences the quality of the credit request, as perceived by the bank. Collateral can be seen as a means to prevent the high risk entrepreneur from switching from a lower to a higher risk project after the loan has been granted or do less effort to realize the proposed project. The risk of losing the collateral pledged would prevent any risk shifting behaviour by the entrepreneur after receiving the loan (Menkhoff *et al.*, 2006). Women have no control of

assets such as land and buildings that could be used as collateral, thus making their access to credit finance difficult (Mpunga, 2004).

On the objective of the extent to which interest rates charged affect access to credit finance by small scale women entrepreneurs the foregoing results are largely in agreement with the findings of prior studies such as Amonooet *al*, (2003) who reported that high interest rates were an obstacle to demand for credit among SMEs in Ghana, and Masoud (2013) who established that interest rate negatively affected uptake of credit products by SMEs in Kariobangi, Nairobi - Kenya. Ehrmann (2000) argues that higher interest rates lead to a decline in the availability of finance and induces small businesses to reduce inventories, incur high production cost and experience sharp falls in sales which eventually affect their profit margin. Okurut (2004) argued that most small-scale entrepreneurs who seek credit would be able to obtain it, but costs and conditions may be prohibitive for the high risk borrowers, and thus concludes that two factors that influence SME operators' decision to apply for credit are interest rates and collaterals demanded by formal financial lending institutions. This could explain the small scale women entrepreneurs' apathy towards credit finance in Gilgil Sub County.

On the level of literacy and how it affects access to credit finance by small scale women entrepreneurs, these results implied that access to credit is associated with higher levels of education. The findings may be explained in terms of education as an enabler of small scale women entrepreneurs to make key decisions in their business and there strategically position themselves for uptake of credit. Education also enables one to look at things differently, which explains why higher literacy levels are associated with perceived ease of access to credit as established in the foregoing findings. Thus, the relevance of education in enhancing access to credit finance cannot be overemphasized. These results were in agreement with a number of other studies such as Kimuyu and Omiti (2000), Mpuga (2004), Ombui (2011) which consistently reported that education level positively affects demand for credit not only at the entrepreneurial level but also at the household level. However, Catherine (2007) found that education was a non-significant predictor of access to credit.

Literacy level increases with years of education which has a positive impact on a small-scale women entrepreneur's demand for credit, showing that entrepreneurs with higher education are more inclined to seek for external funds for their businesses. Educated entrepreneurs don't feel hesitation for taking loans from financial institutions at lesser rate of interest and vice versa. Furthermore, high literacy levels based on high educational attainment makes it easier for the entrepreneur to get information from financial institutions (Zeller, 2001) besides enabling them to make informed decisions in relation to their enterprises. Therefore, these arguments confer credence on the findings of the current study.

Regarding business management skills and how they affect access to credit finance by small scale women entrepreneurs, these findings validate the results of Masoud (2013) who reported that business management skills are positive correlates of uptake of credit facilities among SMEs in Kariobangi in Nairobi. The results are also agreeable by Shane and Stuart (2002) and Rudez and Mihalic (2007) positively associate managerial competencies with access to credit. The higher the level of managerial competency exhibited by the owners of a new firm, the greater the viability and survival of the new SME, the more successful they are likely to be in accessing credit.

5.4 Conclusion from the Findings

Converging evidence from the ensuing analysis and prior studies shows that although significant strides have been made in enhancing access to credit finance, a large percentage of small scale women entrepreneurs especially in Gilgil sub county of Nakuru County, Kenya are yet to have an appreciable level of access to credit finance. This is attributed to several factors of which demand for collateral and interest rate are the leading factors.

First, from all indications, demand for collateral negatively affects access to credit by small scale women entrepreneurs in Gilgil Sub County. Majority of these entrepreneurs do not possess collateral assets due to differential power relations at the household level, yet the value of their business cannot provide adequate security against which they can acquire credit finance. The interplay between demand for collateral and access to credit

by the small scale women entrepreneurs is manifested in a negative relationship between these two factors within the credit demand and supply market.

Second, interest rate negatively affects choice of financing decision of small scale women entrepreneurs for their businesses in Gilgil Sub County of Nakuru County. Higher interest rates charged on credit increases the cost of credit leading to a decline in the availability of credit finance to small scale women entrepreneurs. Overall, the high costs of credit as a result of interest rates are prohibitive for the small scale women entrepreneurs.

Third, the findings of the current study confirm that level of literacy is a positive factor of accessibility to credit finance by small scale women entrepreneurs in Gilgil Sub County. This result indicates that basically, educational attainment which confers literacy to an individual is a key factor that affects ability to access credit finance by small scale women entrepreneurs. This evidence may be explained in terms of more educated women entrepreneurs tend to either make better business decisions or gain information flow from formal credit markets.

Finally, the study concludes that business management skills gained through capacity building opportunities coupled with business management experience positively affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County. Longer business management experience exposes small scale women entrepreneurs to challenges in the business environment and also enables them to learn by doing, thus can take the risks associated with credit finance.

5.5 Recommendations of the Findings

First, credit finance from financial institutions as a financing channel to give opportunities to expand small scale entrepreneurship activities for women, increase income, which can accelerate poverty reduction. While collateral is a key factor that reduces information asymmetry between the borrower and the lender, reality shows that small scale women entrepreneurs in Gilgil Sub County often lack desirable and adequate forms of collateral which affects their borrowing ability. To improve these women

entrepreneurs' accessibility to credit finance, the requirement for non-collateral or credit worthiness should be applied for small scale women entrepreneurs. Indeed, the microfinance model of Grameen Bank, with no collateral would be effective and the best experience for small scale women entrepreneurs not only in Gilgil but Kenya as a whole.

Second, interest rates charged on credit has emerged as an impediment to small scale women entrepreneurs' access to credit finance. This study recommends that in order to help the small scale women entrepreneurs, the interest charged on credit facilities should be reviewed downwards to increase demand for credit finance by the small scale women entrepreneurs to enable them grow their businesses which will in effect have ripple effect on the economy. Women entrepreneurs should also take advantage of government credit schemes to assist them in terms of interest-free financing opportunities for their enterprises.

Third, given the critical role of literacy in enhancing demand and access to credit as evidenced by the findings of this study in validation of prior studies, women entrepreneurs with low educational attainment need to be provided with financial literacy education. Lending institutions and other stakeholders especially the government should develop flexible literacy programmes for such women entrepreneurs to enhance their literacy skills while they continue to manage their enterprises.

Finally, with regard to business management skills, interventions should focus on providing training and courses that will improve the competencies and skills of small scale women entrepreneurs in business planning, book keeping, organizational skills and financial management skills. On the other hand, given the technological revolution in the global business environment, there will also be need to equip women entrepreneurs with computer skills. The Government is therefore encouraged to continue building on current credit programmes that target women to strengthen the capacity building component to improve the levels of managerial competence and skills of the small scale women entrepreneurs.

5.6 Suggestions for Further Studies

In the significance of this study section, the author noted that this research will provide foundation for further research through supply of empirical literature for related research. In the same vein, this study could not have been without limitations which serve to reinforce the need and provide opportunities for further research. One of the limitations of this study is on its focus on small scale women entrepreneurs in Gilgil Sub County of Nakuru County. Future research can test the conceptual framework of this study on an expanded scope and in a different geographical context to validate the findings herein.

The scope of this study was limited to an examination of four factors, namely demand for collateral, interest rate charged, level of literacy and business management skills. However, it must be noted that access to credit is a function of many other factors that can broadly be categorized into borrower, lender and contextual factors. Future research may be designed to assess the role of specific factors under these broad categories other than those investigated in this study, on access to credit by not small scale women entrepreneurs. Nevertheless, similar research may be targeted at medium scale women enterprises.

5.7 Contribution to the Body of Knowledge

The contribution of this study to the body of knowledge is summarized in Table 5.1.

Table 5.1: Contribution to the Body of Knowledge

Objective	Contribution to Body Knowledge
1. To establish the extent to which the demand for collateral affects access to credit finance by small scale women	Access to credit finance by small scale women entrepreneurs is negatively affected by demand for collateral by financial institutions. This is especially so given that majority of women entrepreneurs do not possess collateral assets due to differential power

entrepreneurs	relations at the household level.
2. To examine how the interest rate charged affects access to finance by small scale women entrepreneurs	Interest rate negatively affects choice of financing decision of small scale women entrepreneurs for their businesses in Gilgil Sub county of Nakuru County. Higher interest rates charged on credit increases the cost of credit leading to a decline in the availability of credit finance to small scale women entrepreneurs.
3. To establish how the level of literacy affects access to credit finance by small scale women entrepreneurs	Level of literacy is a positive factor of accessibility to credit finance by small scale women entrepreneurs in Gilgil sub county. Educational attainment which confers literacy to an individual is a key factor that affects ability to access credit finance by small scale women entrepreneurs.
4. To examine how business management skills affect access of credit finance by small scale women entrepreneurs	Business management skills have a significant and positive effect on small scale women entrepreneurs' access to credit finance. Business management skills gained through capacity building opportunities coupled with business management experience positively affect access to credit finance by small scale women entrepreneurs in Gilgil sub county.

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APPENDICES

Appendix I: Letter of Transmittal

P.O. BOX 14529,

NAKURU.

20th May, 2016.

Dear Respondent,

RE : REQUEST TO PROVIDE RESEARCH INFORMATION

I am a Master of Arts student at the University of Nairobi and in my final year of study.

I am undertaking a research project on “FACTORS AFFECTING ACCESS TO CREDIT FINANCE BY SMALL SCALE WOMEN ENTREPRENEURS IN GILGIL SUBCOUNTY” as part of the requirement for the award of the degree of Master of Arts in Project Planning and Management.

I humbly request you to respond objectively to the attached questionnaire. All information received will be accorded utmost confidentiality. The research findings will only be used for academic research purpose and to enhance knowledge in the field of credit finance.

Yours faithfully,



David Waweru

Appendix II: Research Questionnaire

This questionnaire is designed to collect data on factors that affect access to credit finance by small scale women entrepreneurs in Gilgil Sub County, Nakuru County. Please respond to the questions truthfully.

PART A: General Information

Please answer the following questions by putting a tick (√) where appropriate.

1 (a) What is your age? 20-30 () ; 30-40 () ; 40-60 () ; 60 and above ()

.....

(b) Gender of the proprietor Male () Female ()

c) Nature of business.....

(d) Age of the business

Above 5 years () 3-4 yrs. () 2-3 yrs. () 1-2 yrs. () Below 1 yr. ()

PART B: Access to Credit Finance and Small Scale Women Entrepreneurs

1. Have you ever applied for credit finance from a financial institution?

Yes () No ()

2. Does the credit finance offered by the financial institution affect the performance of your business?

Yes () No ()

3. In what ways can the financial institutions increase the awareness of the credit finance services they have tailored for the small scale women entrepreneurs?

.....

.....

.....

4. How can you rate accessibility to credit finance from the following financial institutions?

Use a scale of 1-5 where 1= Inaccessible 2= Slightly Accessible 3= Moderately Accessible 4= Accessible 5=Very Accessible.

	1	2	3	4	5
Banks					
Government Credit Schemes					
SACCOs					
Deposit Taking Microfinance					
Family&Friends					

PART C: Factors That Determine Access to Credit Finance by Small Scale Women Entrepreneurs

SECTION 1: Collateral

1. Indicate the form of collateral in your possession

(a) Title deed () (b) Payslip () (c) Logbook () (d) Others (specify).....

3. The lending institutions in my area require collateral?

(a) Strongly Agree () (b) Agree () (c) Uncertain () (d) Disagree ()
 (e) Strongly Disagree ()

4. In your own opinion, explain the influence of collateral on accessibility of credit finance by small scale women entrepreneurs.....

5. To what extent do you agree with the following aspects of collateral and accessibility to credit finance by small scale women entrepreneurs? Use a scale of 1-5 where (1)Strongly Disagree (2)Disagree (3)Uncertain (4) Agree (5) Strongly Agree

	1	2	3	4	5
1. The form of collateral that I have is acceptable by financial institutions					
2. The value of my collateral is adequate to guarantee me access to credit facility from financial institutions					
3. My spouse is willing to allow me to use the collateral to access credit from a financial institution.					

4. Financial Institutions consider the ability to repay loans rather than the collateral an entrepreneur has.					
5. Demand for collateral is a major hindrance to my access to credit					

SECTION 2: Interest Rates

1. State the highest amount of loan you have obtained so far in Shillings.

(a) 50,000 () (b) 150,000 () (c) 200,000 ()

(d)Others (Specify).....

3. State the maximum length of repayment of the maximum loan you have taken from any lending institution(s)

(a) 5years () (b) 4years () (c) 3years () (d) 1year ()

Others

(Specify).....

4. Does the interest rate charged by a financial institution influence your decision to take up a loan? Yes

No

5. To what extent do you agree with the following statements on interest rate charged and its effect on access to credit finance by small scale women entrepreneurs?

Use a scale of 1-5 where (1) Strongly Disagree (2) Disagree (3) Neutral (4) Agree (5) Strongly Agree.

	1	2	3	4	5
Financial institutions charge prohibitive interests on credit					
High interest rates charged by finance institutions discourage the small scale women entrepreneurs from borrowing.					
The amount of interest rate charged is at times linked with the security of the loan or the nature of enterprise resulting in the disparity of interest rate charged.					
I fear applying for the loan since I am not sure whether I will be able to pay the loan due to the interest charged.					

SECTION 3: Level of Literacy

1. Indicate your highest level of education

- a) Primary and below ()
- b) Secondary level ()
- c) Tertiary level ()
- d) University degree ()
- e) Others (specify).....

2. In your own opinion, indicate the extent to which your literacy level has influenced your ability to access credit from a financial institution

- a) No Extent ()

- b) Little Extent ()
- c) Neutral ()
- d) Moderate Extent ()
- e) Great Extent()

3. Do financial institutions in your area offer training on how to access credit finance in your area?

Yes () No ()

4. If yes in 3 above identify the type of training offered.

.....

5. To what extent do you agree with the following statements on the level of literacy and its effect on access to credit finance by small scale women entrepreneurs.

	1	2	3	4	5
Over time, I have enhanced my knowledge and skills through further education opportunities					

My level of academic qualification influences my ability to make sound decisions relating to my enterprise.					
Over time, I have had an opportunity to access useful information in relation to survival of my business enterprise					
I believe that my level of education has been helpful in enabling me to successfully run my business enterprise					

SECTION 4: Business Management Skills

1. Have you received any training on the management of your business?

€ Yes

€ No

2) What type of training to improve your business management skills have you taken for the last 12 months?

a) Computer skills? ()

b) Financial Management skills ()

c) Book keeping ()

d) Business planning ()

e) Organizational skills ()

3) To what extent do you apply business managerial skills in the following areas of your business?

Use a scale of 1-5 where 1=No Extent 2=Little Extent 3=Neutral

4=Moderate Extent 5=Great Extent

	1	2	3	4	5
Computer skills					
Financial Management skills					
Book keeping					
Business planning					
Organizational skills					

Thank you for your honest responses

Appendix I11: Letter of Authorization from the University of Nairobi



**UNIVERSITY OF NAIROBI
COLLEGE OF EDUCATION AND EXTERNAL STUDIES
SCHOOL OF CONTINUING AND DISTANCE EDUCATION
DEPARTMENT OF EXTRA - MURAL STUDIES**

Tel 051 – 2210863

P. O Box 1120, Nakuru
9th July 2016

Our Ref: UoN/CEES/NKUEMC/1/12

To whom it may concern:

RE: DAVID WAWERU- L50/66023/2010

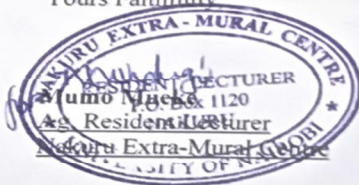
The above named is a student of the University of Nairobi at Nakuru Extra-Mural Centre pursuing a Masters degree in Project Planning and Management.

Part of the course requirement is that students must undertake a research project during their course of study. He has now been released to undertake the same and has identified your institution for the purpose of data collection on "Factors that Affect Access to Credit Finance by Small Scale Woman Entrepreneurs in Gilgil Sub-county, Nakuru County, Kenya.

The information obtained will strictly be used for the purpose of the study.

I am for that reason writing to request that you please assist him.

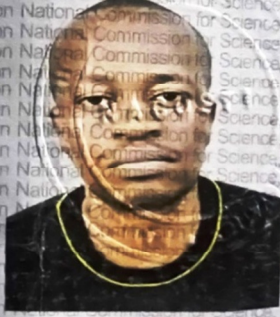
Yours Faithfully




Appendix 1V: Research Permit

THIS IS TO CERTIFY THAT:
MR. DAVID NDERITU WAWERU
of UNIVERSITY OF NAIROBI,
14529-20100 Nakuru, has been
permitted to conduct research in
Nakuru County
on the topic: FACTORS THAT AFFECT
ACCESS TO CREDIT FINANCE BY SMALL
SCALE WOMEN ENTREPRENEURS IN
GILGIL SUB COUNTY, NAKURU COUNTY,
KENYA
for the period ending:
2nd August, 2017


Permit No. : NACOSTI/P/16/26943/12543
Date Of Issue : 3rd August, 2016
Fee Received :ksh 1000



Applicant's Signature



Director General



National Commission for Science, Technology & Innovation