

**FACTORS DETERMINING ACCESSIBILITY OF FORMAL
CREDIT TO WOMEN ENTREPRENEURS IN KENYA.
(A Case Study of Kenyatta Market in Nairobi)**

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LYDIA CHERONO RONO

**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN
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Declaration

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

Signed.......... Date..........

LYDIA CHERONO RONO

D61/P/7092/04

This is to certify that this project has been submitted for examination with my permission as the university supervisor.

Signed.......... Date..........

MR. LISIOLO LISHENGA

LECTURER DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY OF NAIROBI

Dedication

To my dear husband Joel Cheruiyot Rono and our three children Lorraine Chebet, Japheth Kiplangat and Caroline Chepkirui for your love and constant encouragement.

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In carrying out this research project, I first and foremost needed both physical and mental strength to accomplish it within this short period of time. It is by God's help this research has been written and I offer ultimate thanks and praise to the Lord God for His faithfulness, grace, wisdom and favor.

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If this research contains anything of value, I would like to share the credit with all the individuals. The responsibility for any errors, omissions and distortions that the reader may find in it is entirely mine.

OPERATIONAL DEFINITION OF TERMS

Lending: to allow someone to use a sum money on the understanding that it will be repaid and earn interest.

Loan: to lend especially money, the act of lending on condition that the thing lent will be returned.

Group: more than one person working in partnership i.e. co-guaranteeing each other to get loan.

MFI's: these are financial institutions that lend small amount of money to the borrowers. Also consultative group to assist the poor. BGAp (1999) defines MFI's as specialized financial institutions set up to assist the poor.

Entrepreneur: refer to a person who is able to identify business opportunities, mobilize the necessary resources (e.g. money, time etc) and he/she initiates a business activity hoping that it will be successful (Ngalu, 1996).

Formal credit: This is a loan especially lent by a registered creditor e.g. a bank.

LIST OF ABBREVIATIONS

AWE	African Women Entrepreneurs
KWFT:	Kenya Women Finance Trust
K- REP:	Kenya Rural Enterprise Programme
PRIDE:	Promotion of Rural Initiative and Development
NCCK:	National Council of Churches of Kenya
PCEA:	Presbyterian Church of East Africa
ROSCAS:	Rotating Savings and Credit Associations
USAID:	United States Agency for International Development
ODA:	Overseas Development Agency
KGCT:	Kenya Gatsby Charitable Trust
BSF:	Belgium Survival Fund
FF:	Ford Foundation
IFAD:	International Fund for Agriculture Development
UNDP:	United Nations Development Programmes
UN:	United Nations
CBK:	Central Bank of Kenya
BBK:	Barclays Bank of Kenya
WWB:	Women's World Banking
NGOs:	Non – Governmental Organizations
MFIs:	Micro Finance Institutions
SSEs:	Small Scale Enterprise
CBOEs:	Community Based Owned Enterprises
MEs:	Micro Enterprises
SMEs:	Small and Micro Enterprises
GOK:	Government of Kenya
ILO:	International Labor Organization

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ABSTRACT

The purpose of the study was to analyze the factors that determine accessibility of formal credit to women traders or entrepreneurs. The study also pointed out areas which should be addressed to ensure that more women have access to adequate credit facilities from micro-finance institutions and other formal credit providers like the mainstream commercial banks.

The research was carried out specifically in Kenyatta market, which is located in Nairobi. Literature was reviewed from books, magazines, journals and references from previous research work conducted by earlier students and researchers on this area. Primary data was collected by the use of a questionnaire, which consisted of open and closed ended questions.

The research adopted both the exploratory and descriptive research design. The sample from this study was drawn by the use of stratified random sampling.

The population for this study was the women traders of the market under investigation. The total number was 120. Data was analyzed using qualitative and quantitative data analysis techniques with the aid of SPSS.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

During the 1980's, economic growth slowed down in most of the developing countries. Labor market entrants during this period of economic stagnation turned to the informal sector for self-employment to create jobs for themselves, family members and friends. Most countries and their government agencies have come to recognize the informal sector and have sought strategies that support its growth (Levitsky, 1989 and Holt, 1990).

Small and Micro Enterprises, (SME's) have been of special attention to organizations and governments worldwide especially in developing countries. In Kenya, they have been considered important because of job creation, generation of revenue to the government and enabling the sustenance of the individual and the growth of trade and supplying of goods and services (GoK 1997).

SME's generate more direct jobs per dollar of investment than do large enterprises. They serve as a ground for developing technical and entrepreneurial skills and by virtue of their greater use of indigenous technological capabilities; they promote local inter-sectoral linkages and contribute to the dynamism and competitiveness of the economy (Aryeetey, 1997).

One of the major development constraints faced by the SME's is lack of access to adequate credit. The main research question to this study is therefore: How can the access

of SME's to credit be improved? The Kenyan financial system is marked by a dualistic structure, namely the formal and informal financial sector. The informal sector suppliers make up in part of this lack of financial services; however they are not adequate (World bank, 1999).

Shortage of credit has been identified worldwide as one of the most serious constraint facing SME's and hindering their development (Oketch, 1995, Tomecko and Dondo, Kiiru, 1991). In absence of development of SME's the country has continued to experience high levels of poverty (Daily Nation, November 14th 2003). Creating access of reasonably priced financial services has been identified as an effective strategy to promote the informal sector firms or micro enterprise growth (Sessional paper No.1, 1992).

Reducing poverty by providing people with income earning opportunities is the surest way of empowering them to be responsible for their destiny (Daily Nation, November 14th 2003). Availability of credit (capital) is a crucial requirement to income generation hence poverty eradication. The government of Kenya has through several sessional papers proposed policies to alleviate the problem of availability of credit to SME's. Banks fail to lend to SME's for various reasons such as past lending experience, high risk of lending to the sector and adverse regulations that restrict the flow of funds to SME's.

Simply making credit available will not result in a significant investment if other factors are absent. Such factors include markets at remunerative prices, adequate infrastructure,

availability of raw materials and other sources of competitive prices and existent of technical and organizational system of production. When these factors are present at the appropriate levels, however, credit can serve as a powerful catalyst in hastening the rate of growth.

1.1.1 Emergence of Micro Credit Sector

Access to formal credit by small-scale businesspersons has been quite poor particularly among the low-income category. This is largely as a result of the credit policies associated with loans provided by the formal sector. To bridge this gap, the micro credit sector, with specific principles that target and feed loans to the Small and Micro Enterprise (SME) sector, has emerged (Wright, 2000).

It is widely known that banks have been more active in providing savings on behalf of the SME sector, collecting deposits yet lending the same to the formal sector (Otero and Rayne, 1994). Banks are still largely absent in the provision of micro credit. The area has literally evolved on its own accord from an informal level to the current status whereby some banks actually provide micro credit facilities as a result of growing evidence of the viability of micro credit (Oketch, 2001).

1.1.2 Banks and Micro Credit Sector

Many banks may be unwilling to provide credit to the small and micro enterprise sector because the clients of the sector are largely poor, lacking of normal securities that can be used as collateral in conventional lending. Banks have therefore for a long time perceived

such businesses as highly risky and un-deserving of any credit even though the businesspersons save with the banks. Moreover, the costs associated with administering and monitoring credit services are quite high. The loan value required by clients in this sector is low hence proportionately low revenues are generated from the loans. This is an issue that could explain why for a long time lending to the rural areas has been driven by governments or donors who subsidizes lending. Banks have also been unable to develop the necessary capacity to be sustainable in the market. The banks avoided and were unable to learn and understand the operations of the market preferring to deal with the conventional lending activities that they know best. A better understanding of the market would lead to better credit risk management technologies that would enhance their revenue generating activities. It is also evident that government regulation has not encouraged commercial banks into the sector.

Central banks demand cash ratios that limit the availability of funds to lend, while the nature and cost of setting up and operating banking premises discourage banks from locating in areas where the poor would access loans (Baydas et al, 1997).

Growth in the micro credit sector has been mainly driven by NGOs that the donor supported. A large number of these NGOs have collapsed or are unable to operate sustainably and continue to rely heavily on donors (Baydas et al, 1997).

The world over, there are cases of NGOs that started out by offering micro credit, transforming themselves into commercial banks with admirable comparable levels of profitability to commercial banks (Christen et al, 1995).

Initial attempts into micro lending were made by governments through creation of development banks that were meant to allocate credit to certain sectors at subsidized rates. Studies have shown that directed credit has undermined development of sound financial systems in many third world countries mainly because the loan are limited to budgetary allocation and are priced below market rates. The presence of moral hazard in many developing countries means that credit rarely reaches desired clients and, in many cases, there is no obligation to repay the loans. Credit management techniques are rarely in place, and even if they are, largely ignored (Coetzee, 1997). The default rate is therefore quite high. During latter years, some development banks have been restructured to provide loans commercially.

Over the past few years, banks have also made a significant push into the provision of micro credit in order to take advantage of the prevailing high levels of profitability. The challenge faced by banks is whether to replicate credit appraisal techniques already established in the industry or to apply their own tried and tested credit appraisal techniques to the new market (Otero et al, 1994).

1.1.3 Women Entrepreneurs

Kabeer (1996) noted that women whether poor or not suffer discrimination in the financial markets, banks and other conventional financial institutions have traditionally had a negative attitude towards lending to women and they assume that women are supported by their husbands. The economic problems, challenges and opportunities are similar for both male and female, but women seem to face a number of special constraints, which call for urgent remedial action (ILO 1994).

African women entrepreneurs are playing an increasing role in diversifying production and services in Africa economies. Fostering women's entrepreneurship development is crucial for the achievement of Africa's broader development objectives, including economic development and growth. However, many women entrepreneurs are operating in more difficult conditions than men entrepreneurs. The constraints that impede all entrepreneurs such as political instability, poor infrastructure, high production costs, and non-conducive business environment, tend to impact more on businesswomen than businessmen (ILO 1994).

In addition, women's entrepreneurial development is impeded by specific constraints such as limited access to key resources (including land and credit), the legal and regulatory. Furthermore, the combined impact of globalization, changing patterns of trade, and evolving technologies call for skills that women entrepreneurs on the continent do not for a large part possess, as many more women than men lack the

requisite level of education and training, including business and technical skills and entrepreneurship training framework and the socio-cultural environment (ILO 1994).

1.2 Statement of the problem

This study reflected among other key issues, the critical difficulties that exist for women entrepreneurs in accessing credit, as well as the lack of adequate financial services, and these are seen as largely gender specific barriers affecting women more than men. This is largely as a result of deep-rooted inequalities between women and men in the distribution of assets and access to property, including access to land and succession laws. These limit women's resources as well as their ability to access adequate and affordable credit. Although micro-lending programmes are widely available for women in Kenya (e.g. through women's micro-finance institutions and NGOs), these issues remain a major obstacle for many women-owned SMEs (McCormick, 2001).

The financing gap is exacerbated by the relative lack of business skills of many women entrepreneurs, scarce business linkages, and the weaknesses in the technical capacities of women's business associations. In this regard, conventional lending practices need to be revisited and revised. The government and other development partners have an important role to play to increase the availability of resources and ensure effective use of risk capital for SMEs, with a particular emphasis on meeting the needs of women entrepreneurs. It is also important to forge greater linkages between financial services

and business development services (BDS) that target women entrepreneurs (McCormick, 2001). .

Targeting support for small and medium-sized enterprises (SMEs) is particularly difficult in Kenya, mainly because of the sub-optimal capitalization and capital structure of enterprises, poor management and technical skills, weak market linkages and alliances, and scarce business development services and associative networks. The overall result is an extremely high mortality rate of local enterprises, and an associated reluctance by local banks to finance SMEs (McCormick, 2001).

This being the case the researcher established factors that influence or affect availability of credit to entrepreneurs and particularly to women traders because women need for credit requires particular attention as they must be able to enjoy balanced access to credit in order to make full contribution to development.

1.3 Objectives of the study

1. To identify factors that influence accessibility of formal credit to women traders/ entrepreneurs in Kenya.
2. To establish the formal and informal sources of credit that women entrepreneurs rely on the financing of their ventures.

1.4 Significance of the study

This study would be of significance to the following: -

1. Women entrepreneurs: To promote the growth, development and survival of women groups in Kenya for supporting agencies to provide sustainable financial and non-financial support.
2. Government and other policy makers: To create and facilitate enabling credit policies for women in Kenya.
3. Micro finance institution: The researcher aimed to establish the gap left out by formal credit provider, which can be filled in by the micro finance institution.
4. Future researchers: At the end of the study the researcher has recommended areas that require further research. The results of this research will provide valuable data and information for future researchers.

1.5 Scope of the study

The Scope of this study was restricted to Kenya women entrepreneurs in Kenyatta market in Nairobi as the case study area. The research population was every woman trader in the market.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Micro and Small Enterprises in Kenya.

Micro and Small Enterprises' (MSE's) activities have become an important player in the Kenyan economy in the recent past. Small-scale enterprises (SSEs) generate more direct jobs per dollar of investment than do large enterprises. They serve as a training ground for developing technological capabilities and entrepreneurial skills and by virtue of their greater use of indigenous technological capabilities. They promote local inter-sectoral linkages and contribute to the dynamism and competitiveness of the economy (GOK, 1994).

Improving the availability to credit to this sector is one of the incentives, which have been proposed for stimulating its growth and the realization of its potential contribution to the economy. Despite this emphasis, the effects of existing institutional problems, especially the lending terms and conditions on access to credit facilities, have not been addressed. In addition, there is no empirical study indicating the potential role of improved lending policies by both formal and informal credit institutions in alleviating problems of access to credit. Knowledge in this area, especially a quantitative analysis of the effects of lending policies on the choice of credit sources by entrepreneurs, is lacking for the rural financial markets of Kenya (Atieno, 2001).

Hillier, (1993) in his study on small and medium scale enterprises in Ghana found out that large population of enterprises identify inadequate access to finance as a paramount

concern. The study conducted for World Bank, gathered information on the nature of MSE's demand for finance in relation to the firm's performance. Some of the findings were that small enterprises are often distrustful of banks that they are skeptical about their chances of getting credit in most institutions, and they are reluctant to undergo the loan application process. They think it takes too long and is very vigorous. The researchers also analyzed data on financing the Small Scale Enterprises, where they sought questions on the extent to which they make use of banks and formal financial institutions and how actively do they seek external finance and what terms they are seeking.

A study by Ndirangu, (2001) on the constraints to financing to MSE's asserts that policy liberation and the institution of small-scale credit program has not been sufficient to generate substantially more lending to these firms. The decline in the providence of formal credit to these enterprises has continued. Respondents cited the cumbersome documentation and the repeated request to seek more information as major obstacles because small enterprises can ill afford the time involved since the delay meant opportunities missed.

Muchai (1999) in his survey on the causes of failure of small enterprises cited lack of capital and related financial problems as one of the main causes. In his study on smallholder dairy farmers in Kikuyu and Limuru, most of the surveyed enterprises indicated that if finance was more adequate their business could perform better. According to the survey 42.5 % needed financial assistance but lacked collateral and 15%

cited other problems by banks and financial institutions like short paying period and bad experience with a past loan.

Kiiru (1998) identified characteristics of small-scale entrepreneurs that restrict their access to credit. He asserts that most enterprises lack experience of dealing with formal financial institutions. They are unaware of variations in terms and conditions of repayment of loans and the implication in the business. Most of them do not have a recognizable credit history and are perceived to be high-risk category investments, they are not able to prepare business plans that are suitable for a bank need, if the financing institutions need them, raising collateral and security is a major problem, the sector is extremely heterogeneous and it is difficult for financing institutions to issue general guidance to its lending officers regarding the loans and most of them have no management training and this has reduced their credibility with most bankers.

2.2 Access to Financial Services

Access to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities. However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Parker and Torres, 1994). For small-scale enterprises, reliable access to short-term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises. Parker and Torres, (1994)

further argue that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access.

Most of the conditions imposed by formal credit institutions like collateral requirements should not actually stand in the way of smallholders and the poor in obtaining credit. The poor can use the loans and repay if effective procedures for disbursement, supervision and repayment have been established. On the issue of interest rates, the bank also supports the view that high interest rate credit can help to keep away the influential non-target group from a targeted credit programme (Joyce, 1978). This further demonstrates the need to develop appropriate institutions for the delivery of loans to small-scale borrowers.

Notable disadvantages of the formal financial institutions are their restriction of credit to specific activities, making it difficult to compensate for losses through other forms of enterprises, and their use of traditional collateral like land. There is need for a broad concept of rural finance to encompass the financial decisions and options of rural economic units, to consider the kind of financial services needed by households, and which institutions are best suited to provide them.

2.2.1 Why Businesses Need Credit

The Penguin Dictionary of Economics (1972) identifies three types of credit: (1) consumer credit, which is credit extended formally or informally by shopkeepers, finance houses and others to the ordinary public for the purchase of consumer goods; (2) trade credit, which is credit extended by material suppliers to manufacturers, or by manufacturers to wholesalers or retailers; and (3) bank credit, which consists of loans and overdrafts to a bank's customers. A fourth type of credit (which is not discussed in the Penguin Dictionary), customer credit, is very widespread in manufacturing and involves an advance payment by a customer for goods or services to be delivered at a later date.

Finance, on the other hand, is defined in the Penguin Dictionary as the provision of money when and where required. It may be short term, medium term or long term. Like credit, finance may be required for consumption or investment, and all the relationships described under credit are equally applicable.

Lastly, reference to financial institutions or intermediaries would mean institutions that hold money balances of, or that borrow from, individuals and other institutions, in order to make loans or other investments. This last point is important because, in financial intermediation, credit and savings are different sides of the same coin.

Credit or finance (used interchangeably in this chapter) enables a producer to bridge the gap between the production and sale of goods, and permits consumers to purchase goods out of future income. While credit and finance on their own do not create economic

opportunities, they provide people and businesses with the capacity to exploit such opportunities whenever and wherever they occur. For MSE owner-managers, access to credit and finance at a critical moment can obviate the need to draw down inventories or capital from the enterprise to deal with immediate financial needs. Access to credit and finance removes the pressures imposed by sudden and unexpected demands for cash on the enterprise and gives an investor some degree of freedom in deciding the most optimal timing for when and at what price to offer goods or services to the market. Access to credit and finance also provides an opportunity to an investor to acquire more assets now than is possible from the current resources against expected future income. Financial services help people meet their household and business goals.

2.3 Micro and Small Enterprises Credit Programmes in Kenya

With the exception of a few special credit arrangements, often funded by donors or Government, most formal financial institutions in Kenya do not knowingly make loans to the small-scale and jua kali sector. Though they would never say so, they seem to believe that if you must lend to these businesses, you would be better off just giving the money away as charity. This would, in their calculation, eliminate the need to meet overhead costs. The attitude of the banks to the perceived risk of the micro finance market is unfortunately ignorant of the economic potential of MSEs. Most often the banks forget to take into account the social and economic rewards of doing business with the MSE sector.

Historically, the provision of loans to the informal sector in Kenya, whether by banks or NGOs, has consisted of an assortment of pilot projects and innovative ideas. After 20 years of experimentation, lending to the MSE sector is beginning to evolve into a new financial industry, one that builds on successful principles, experiences and best practices from both commercial finance and grassroots based development institutions.

The National Council of Churches of Kenya in partnership with USAID/Kenya pioneered in making MSE loans in 1975, starting with a loan capital of US\$10,000 under its Small-Scale Business Enterprises project. In September 1980 the status of the project was upgraded with a further funding of US\$275,000 from USAID. There was some lending by other NGOs during this period as well, but it was not until 1985, with the advent of the Kenya Rural Enterprise Programme (K-REP), also financed by USAID, that any comprehensive approach to MSE credit emerged. In the initial period the efforts of these NGOs mimicked the paradigm so popular with development finance institutions (DFIs) in the 1970s, and until the 1980s none of the commercial banks had a credit programme specifically for MSE activities. In fact, banks had reached just 3 percent of the 10.8 percent of the surviving MSE businesses (enumerated in the national MSE Baseline survey, 1995) that had accessed credit of one sort or another. Indeed, informal savings and credit societies and friends and relatives supply the bulk of credit (69.1 percent) to these enterprises.

2.4 Kenya's Sources of Finance and Credit

Kenya has a large and growing financial services sector, contributing in 1997 almost 10 percent of the gross domestic product (GDP). In March 1998, there were 17 different

types of financial institutions operating in Kenya. Among these were 53 commercial banks, 16 non-bank financial institutions, 57 hire purchase companies, 4 merchant banks, 39 insurance companies, 12 investment advisory firms, 20 securities and equities brokerage firms, a stock exchange, a capital markets authority, 40 foreign exchange bureaus, a social security system, numerous pension plans, 4 building societies, 2 mortgage finance companies, 10 development finance institutions, a post office savings bank, and 2,670 savings and credit cooperative societies. The sector has been able to mobilise deposits and extend credit to both the public and private sector. But, the sector has not been very effective in mobilising savings, as the share of domestic savings held as financial assets is at 25 percent of the gross domestic product as reported in January 1998.

2.5 Credit to the Micro and Small Enterprise Sector

Of the 17 different types of financial institutions operating in the finance sector in Kenya today, only four are active in financing MSE activities. Prominent among these are the savings and credit cooperative organisations (SACCOs), NGOs, and informal associations, such as merry-go-rounds, particularly in the rural areas.

The successful transformation of the financial activities of PRODEM, an NGO in Bolivia, into BancoSol has demonstrated the potential of the many financial NGOs in Kenya for becoming regulated financial institutions. In Kenya, K-REP decided in 1994 to create a micro finance bank after realising that as an NGO, it lacked the capacity to serve as an effective financial intermediary. Most of the NGOs, who are more committed to

serving the MSE sector with credit than banks, have limited outreach and growth potential because of their limited financial resources; many depend on a single source of grants, and few have the systems and organisational structure to support a larger organisation.

Not surprisingly, recent studies in the country show that lack of credit and finance, whether for working capital, fixed capital, or other type, is a major constraint to 32.7 percent of firms in the MSE sector.' In fact, most MSEs rely primarily or exclusively on own savings and reinvested profits for their business finance. That these may not be sufficient is indicated by the fact that lack of credit and finance to effectively manage cash flows accounts for 30.1 percent of dead small-scale and jua kali businesses³ This has to be considered against a total volume of credit internally generated in the sector of Ksh9.3 billion in 1995, while the net asset value of investments in the sector in the same year was Ksh50.9 billion. These estimates are very close to the recently documented share of the MSE sector of between 12 percent and 14 percent of Kenya's GDP (Atieno, 2005).

Moreover, the lack of access to credit is reported in many studies to account for excess capacities in MSE firms. Estimates of excess capacity resulting from capital shortage range from 18 percent to 42 percent and sometimes can be as high as 58 percent. Indeed, evidence from MSE surveys in the country indicates that enterprises that have accessed credit as well as other inputs have survived longer and in addition were able to expand more than those without access. These studies also show a positive relationship between

an enterprise's access to credit and the level of net income in the enterprise. Self-financed firms generally start smaller than do those that start up with external financing, and both medium and fast growth firms are characterised by relatively high incidence of commercial bank start-up financing (Atieno, 2005).

Fewer of the very small enterprises have accessed credit than relatively larger ones. For instance, while about half of the MSE within the 6-10 worker size range have accessed credit in the past, this compares with under 20 percent of those within the 1-2 worker range. Education level is another factor; almost 40 percent of the entrepreneurs with high school or university education have accessed credit in the past, compared with 24 percent of their counterparts with up to four years of education.

As the country becomes more aware of the contribution of the MSE and jua kali sector to the GDP on the one hand, and the constraints to the sector on the other hand, new institutions are emerging to supply some of the missing inputs. The biggest impact of Sessional Paper No. 1 of 1986 and Sessional Paper No. 2 of 1992 is to increase the awareness of the general public of the unexploited potential of the MSE sector (Atieno, 2005).

2.6 Global Interest in Promoting Women Entrepreneurs

The state of women in enterprise development is a major concern among governments in most countries. However, much of this interest is relatively recent. One of the global impetuses in developing countries was the United Nations Decade for

Women (1976-1985). In 1979, the General Assembly of the United Nations adopted the International Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), and this paved the way for greater government attention everywhere on the role of women in development programmes and on strategies for eliminating discriminatory practices against women. During the Decade for Women, women's contributions to family income and their roles as producers of goods were documented, and evidence provided that economic development policies often failed to benefit women and, in many cases, even hurt them (Yudelman, 1987).

During the 1980s, the question of how to integrate women effectively into development projects was more systematically researched, and the objective of development policies became more focused on how to increase women's access to education, skills training, credit, land and other productive resources to enable them to participate fully in economic activity. At the same time, there was a growing recognition that prevailing patriarchal structures and stereotypical attitudes towards women's roles in society impacted negatively on the ability of women to function as economic agents in society. Peterson and Weiermair (1988) argued that women had been wrongly perceived as a marginal economic group, rather than a positive socio-economic force. As entrepreneurs they had significant untapped potential as wealth creators.

The Beijing Platform of Action, adopted in September 1995, was a key event in influencing governments to adopt National Gender Policies and to put into place

further mechanisms to ensure that women and men had the same rights, obligations and opportunities in all areas of life, including economic activity. Nevertheless, women in developing countries are still too often subject to the persistent burden of poverty; unequal access to resources and participation in economic policy-making; inequality in access to education, skills development and training; unequal access to health and related services; and inequality with men in the sharing of power and decision-making.

In developed economies, women are generally under-represented in the population of business owners as compared to men. Reynolds, (2002) report that men in developed countries are two to three times more likely to be involved in business ownership as women. In the majority of the countries, women's share of self-employment (a proxy for business ownership) is a quarter to one-third of the total, but this ranges significantly from a low of 13 per cent in Turkey to a high of 40 per cent in Portugal. In Latin America and the Caribbean, women comprise between a quarter and a third of the formal sector population, a share that has been increasing over the past twenty years (Weeks & Seiler, 2001). In developing economies, the situation changes somewhat. Reynolds (2002) notes, for example, that the participation level of women in entrepreneurship is almost equal to that of men in a number of developing countries (South Africa, Mexico, China, Thailand). Reynolds (2004) makes the point that in the developing country context, one of the most critical structural improvements that can be made by governments is to provide special assistance to women entrepreneurs.

The challenge of developing women's enterprise is, therefore, different in developed versus developing countries. In developed countries, the initial challenge is to increase women's share of business ownership by encouraging more women to start businesses, removing impediments, and improving their access to economic resources (e.g. credit, business advice, entrepreneurship training). The secondary challenge is to address their growth barriers, that is, to increase the percentage of women-owned enterprises that grow rapidly. In developing countries, a higher percentage of women are often found in the micro-enterprise sector, particularly among informal enterprises, so the challenge (in the short-term) is less about trying to increase the number of women entrepreneurs and more about how to legitimize and strengthen the base of their activity so they can grow their enterprises.

Apart from differences in the numeric share of women's enterprises in the micro and small enterprise (MSE) population among countries, the situation of women relative to men in the MSE sector in both developed and developing countries is similar in many ways. Regardless of the country, relative to the men women start smaller businesses, are less likely to employ hired workers, grow more slowly (if at all) and are less likely to borrow from a bank, are more likely to access personal networks for advice and support, and tend to dominate the lower growth sectors of the economy.

In all countries, it appears that the larger the enterprises, the fewer women one will find. Even in the most developed countries, women-owned enterprises are seriously under-represented among technology and export-oriented firms. Among the list of priority

barriers to women's entrepreneurship in all countries are lack of access to: (i) credit; (ii) formal business networks; and (iii) opportunities to gain management experience and exposure; as well as (iv) the limitations of combining household and family care responsibilities with those of running an enterprise. So the end game in both developed and developing countries is the same – improving the conditions under which women operate businesses; increasing their access to credit, training, business support and information and other necessary resources; and enhancing the level of cultural support for women's role as entrepreneurs.

2.7 The Role of Women in the Micro and Small Enterprise Sector

Entrepreneurship and enterprise development by women has to be placed in context. It emerges within an environment that has its social, cultural, economic and even political boundaries. It also evolves within the overall policy and programme framework for development of the micro and small enterprise sector. The importance of women entrepreneurs to the Kenyan economy is reinforced in various micro and small enterprise policy documents of the respective governments. Women make up a significant share of the micro-enterprise population and are considered critically important to poverty reduction strategies.

The government's MSE policy makes particular reference to the importance of addressing gender-based inequalities in access to credit, business services and information, training and technology. However, there is little evidence of specific concrete policy measures or programmes to address the particular barriers faced by women-owned MSEs, and virtually no provisions has been made for facilitating growth-

oriented women entrepreneurs. Although several donor programmes include a women's enterprise development component, these are often dwarfed by larger MSE initiatives, and are rarely part of an overall coordinated government-donor strategy to strengthen women's enterprises. Women-specific programmes that do exist often fall into the category of social welfare and poverty alleviation.

2.8 Women accessibility to credit.

Hornby (1990) observed that there is a striking disparity in women's access to credit vis-à-vis that of men. He further conducted a study of thirty-eight branches of major bankers in India and the study revealed that only 11% of borrowers at these banks were women. Further, the amount of credit disbursed to women was disproportionately small.

According to Berenbach (1992), there is too much emphasis on gender rather than entrepreneurship. The excessive gender specific concentration has isolated rather than integrated women into mainstream of the economic activity. The result of this is that women enterprises remain small as compared to those of men.

The main issues regarding credit delivery are accessibility and the cost of providing it. Of greater importance to the women entrepreneurs is the availability of credit, the reduction of processing time or transaction costs to a minimum (Dondo, 1991). He further noted that women entrepreneurs in Kenya continue to have low access; the majority of reasons related to the security required by the lenders e.g. land title deeds.

Berenbach (1992) observed that women have less entry into the banking credit process and are remained of the necessity of spouse cooperation throughout the management of their enterprise. Other constraints identified to women entrepreneurs are education level, size of the enterprise, business training and markets for their products.

According to parker (1994) women's low level of education creates difficulties in application procedures and information access about credit and married women are less independent in making decision credit granted. Further, he noted that NGOs are attractive to women than banks for many reasons. This includes the lower interest rates and additional services such as counseling and training.

Since 1991, interest rates and other bank charges are no longer controlled by the government. Borrowers can therefore negotiate with banks on interest rates and other charges, Wanguria (1997). This has not helped the women traders who have, like negotiation skills and knowledge of banking term. Types of fees include negotiation fees, arrangements fees, commitments fees and legal fees.

2.9 Role of MFIs

In the 'past few years' powerful changes have begun to take place in micro finance, setting the stage for a fundamental transformation of the field. These changes are opening the shattered domain of micro-finance, once the pressure of donors and development organizations, to the wide market place of the financial sector (Christen, 1998).

Dondo (1994) observed that NGOs micro-finance institutions are newest actors in small enterprise (SE) lending. He observed that there are over forty NGOs lending to SEs sector throughout the country (Ministry of culture and social services). Loans are given to individual women through these groups. Amounts range from ten thousand to one hundred thousand shillings.

2.10 The role of groups

Rural women have been of the most consistently neglected groups in development planning and paradoxically, one of the groups with the greatest unrealized potential (Mwangi, 2000). He further observed that most women in Kenya and other developing countries are low income earners with multiple responsibilities and very low access to national and family resources; supporting their not very small nuclear and extended families on less than US\$ 2 earnings per day. They feed, clothe and nurse their children, men and aged. Due to these problems they go in large numbers to search for alternative sources of finance to meet their financial needs. Groups are their strategies of accessing credit, combating daily challenges in their farms, society and refuge for them in time of extreme pressure.

Peterson (1997) recognized that women's labor and earnings are essential to family survival in most developing countries. The land can no longer support rural poor in many developing regions and countries. With the erosion of men's earning capacity as a result of decreased size of land holdings, population pressures and economic downturns, there is increasing dependency on the economic activities of women.

Dondo (1994) noted that women's labor and earnings are of particular importance to female – headed families. There is an increase in the number of such households in many countries, not only as a consequence of male migration, but also due to mass refugee movements, divorce and widowhood.

It estimated that currently, about 20% of all households in the world are defacto headed by women; 22% in Africa, 20% in the Caribbean, 18% in Asia, 16% in the near East and 15% in Latin America. The percentage is much higher in certain regions and countries, for instance over 50% in Southern Africa, where many men are absent working in mines, commercial farms or towns (Panos, 1997).

There are three major sources of women's income generating activities where direct access to credit can play an important role in development i.e women's income from agricultural production, their income from cottage industries and income from commerce or trade (ILO, 1994).

2.11 The “Missing Middle” in financing for Women Entrepreneurs

Different criteria can be used by writers to define the Micro and Small-scale Enterprise sector. Nevertheless, it is evident that micro-enterprises with fewer than 10 employees constitute over 99 per cent of their micro, small and medium-sized enterprises. Although the lack of comprehensive and up-to-date national statistics on the MSE sector makes it very difficult to make precise estimates, the share of women in

micro and small enterprises is reported to be approximately 48 per cent in Kenya (2003 Statistics). However, the vast majority of women's enterprises employ only the owner, and very few fall into the small and medium- sized categories. Most women - owned enterprises start at the micro-level and do not grow beyond five employees, if they grow at all. This is true for the MSE sector in general, but is even more evident among women-owned enterprises – the larger the firm size, the fewer women one will find. For a number of reasons outlined in the three country reports and enumerated by the ILO (2003), Gakure (2003) and the AFDB (2004), it is difficult for African women entrepreneurs to access the skills and resources necessary to move out of the informal economy and beyond the micro- enterprise level.

Table 1: Women's Share of MSE in Kenya

	Kenya (2003)
Per cent of MSEs with fewer	99.3%
Share of MSE employment in firms	93.2%
Total number of micro and small	1,283,575 ²⁴
Number of women-owned MSEs	612,848 ²⁶
Percentage of women-owned MSEs	47.7%
Employment in women-owned MSEs	946,600
Percentage of women in MSE	40.1%
Average employment in women-	1.54 persons

Source: ILO (2003)

Women entrepreneurs in the country face a number of similar and serious barriers. The majority of women operators own micro-enterprises; live in rural areas; and they have limited access to markets, credit, information, training of any kind, business development services, technology, business networks and proper business premises. Most operate

below the micro-finance ceiling; very few grow to be a small business, and even fewer to become medium or large-scale enterprises. They face gender-based barriers in society as well as in their households. They function within male-dominated, patriarchal, and tradition-oriented societies where socio-cultural dynamics determine the status of women and their differential participation in the public sphere. Dependency on male relatives, male-based policies and male-dominated markets are among the women-specific barriers to enterprise development.

These obstacles are deeply rooted in “given” perceptions of a woman’s role in society and they often find their way into the legal system, leading to the uneven application of the laws, or to the discriminatory implementation of various policies and programmes. Persistent gender-based biases exist. Women have less access to education and skills training, are often restricted from holding title to property (which impacts on their ability to borrow from banks without the consent of their husbands), and are restricted in their mobility due to child-care and household responsibilities, as well as the practice of having to gain permission from their husbands to travel. In some cases, women are further restricted from networking with men in a business environment, and this seriously impedes their ability to access information, markets and business services. Even in cases where gender equality policies exist, enforcement of these policies is weak and cultural practices always prevail.

All of this points to a significant “missing middle” in the financial support available to enable women entrepreneurs to grow beyond the informal and micro level of

enterprises, to become small and medium enterprises.

2.12 Gender Equality and Women's Entrepreneurship

Attention to gender equality issues is gaining momentum in African countries. The Ethiopian Government adopted a National Policy on Ethiopian Women in 1998, with the express aim of eliminating gender and cultural bias that hinders women from participating equally in the economic and social development of the country, and to guarantee women their human and democratic rights. To implement the policy, the Government of Kenya established a Women's Affairs Department in all government organizations at the department level. The role of these Women's Affairs Departments, among other things, is to create favourable conditions for effective implementation of the policies relating to women's affairs as issued by the government organizations, and to assess whether policies, programmes, and development plans have given due consideration to safeguard the benefits to women.

Although the Kenyan MSE support infrastructure may be better developed than in Ethiopia, there is little evidence that the role of women entrepreneurs in the MSE sector in Kenya is more advanced. According to Kinyanjui & Munguti (1999), the Kenyan government must undertake concerted efforts to address gender equality issues in the cultural and legal environment. They recommended that specific attention must be paid to changing laws pertaining to land ownership and inheritance which are prejudicial to women, as well as to educating and informing women about their human rights, and eliminating negative social-cultural practices and attitudes towards women.

These authors also stress that while the government has committed itself to a gender-sensitive policy, gender disparities continue to exist in relation to women's access to and ownership of land, jobs, education, and financial resources, as well as their participation in decision-making. As a consequence, it is necessary to build capacity for effective gender mainstreaming within the Government, in the private sector and within communities by legislating a national policy on gender.

2.13 The Stereotyping of African Women Entrepreneurs

Women in the MSE sector suffer dramatically from stereotypical images. Richardson, Howarth & Finnegan (2004) discuss how these generalizations are problematic. The vivid picture of African women's businesses painted in previous research is as follows:

“(They are) informal entities based on limited ideas, within marginal sectors, and micro in size because of women's lack of resources. The profiles also refer to women entrepreneurs' limited motivation and their focus on local markets. These labels are not necessarily unique to or typical of women entrepreneurs, and one can apply many of these descriptions to men in business. However, they are strongly associated with women and as such promote a predominantly inferior profile of women's businesses as having fewer ingredients for success ... and being marginal and weak when compared to those of men” (Richardson et al., 2004).

A woman entrepreneur in the African context conjures up the image of a poor, uneducated woman, with few if any of her own assets, and limited means of accessing necessary resources from others. She has been portrayed as someone with limited or no experience of formal employment and business, limited networks, especially business-related networks, and is not highly or positively motivated towards business ownership. Her business is likely to be informal and micro, with inappropriate premises, in a “feminized sector”, operating in restricted locally-based markets, undercapitalized with limited profits, making minimal use of new technology and with limited potential for growth.

However, women entrepreneurs are far from a homogeneous group. Qualitative research descriptions of women who own micro as opposed to small or growth-oriented enterprises suggest at least three distinctive profiles (UDEEC, 2002; Richardson et al., 2004).

- (i) Women who operate in the micro-enterprise sector tend to have lower education, are less formal, have little prior work experience, and are initially driven into self-employment by economic necessity. Many are also “heads of households”, so they do not have a husband’s income or complementary asset base.
- (ii) Women who operate small enterprises (with more than five employees) tend to be better educated (at least the secondary or diploma

level credentials), are more likely to have had previous management experience or prior enterprises, are likely married to husbands who support their entrepreneurial undertakings (often lending them the start-up capital for their enterprises), and in many cases grew up in entrepreneurial families where they were exposed to business from an early age. This means that their level of exposure to entrepreneurial skills, business dealings and networks, as well as self-confidence, is much greater than for the micro-enterprise group.

- (iii) Women with medium and large enterprises are more likely to have grown up in an entrepreneurial family; to be university educated (often abroad) and traveled; have experience working in a large corporation or a previous venture; to be married to a supportive and successful husband, and have munificent networks. Thus, they have more of the assets and resources necessary to start and grow businesses.

This stratification of different segments of women entrepreneurs in the MSE sector was also evident in each of the three countries covered by this paper and is discussed more fully in respective country reports. This is not to say that a woman in the micro enterprise sector cannot make the transition of her enterprise to the SME sector. But being born into a certain socio-economic class within the African context, may contextually limit the possibilities open to her. Indeed, overall it can be seen that women face many obstacles and constraints that impede their efforts to grow beyond the micro

stage. During the field visits, meetings were held with women entrepreneurs in all of the three enterprise segments illustrated above.

From their case histories, it was evident that women take different paths to growth, often growing “horizontally” rather than “vertically”, owning more than one business simultaneously. Unable to secure financing beyond the ceiling imposed by micro-finance institutions or the capacity of their ‘savings group’, women in the micro-enterprise sector often incrementally pursue a number of tiny ‘niche’ opportunities identified within their own community in order to increase their revenue base. It should be noted that some women expressed their preference for growing “horizontally” as a specific business growth strategy for diversifying risk: if things are not going well in one business, they have another business to rely on.

Richardson et al. (2004) concluded that the phenomenon of women entrepreneurs in “growth” enterprises challenges the predominant stereotypical image of African women entrepreneurs as being “micro”, “informal sector”, and “subsistence operators”. Although the prevalence in the three countries is low, and the visibility of their firms even lower, clearly examples of women in growth enterprises exist. The key challenge for governments and development partners (including the ILO and AfDB) is to help more women grow beyond the micro- enterprise level into small and medium-sized firms. In the short term, the target group with the greatest growth potential may be those women who are already operating micro, small and small-to-medium enterprises and who have demonstrated some business growth characteristics,

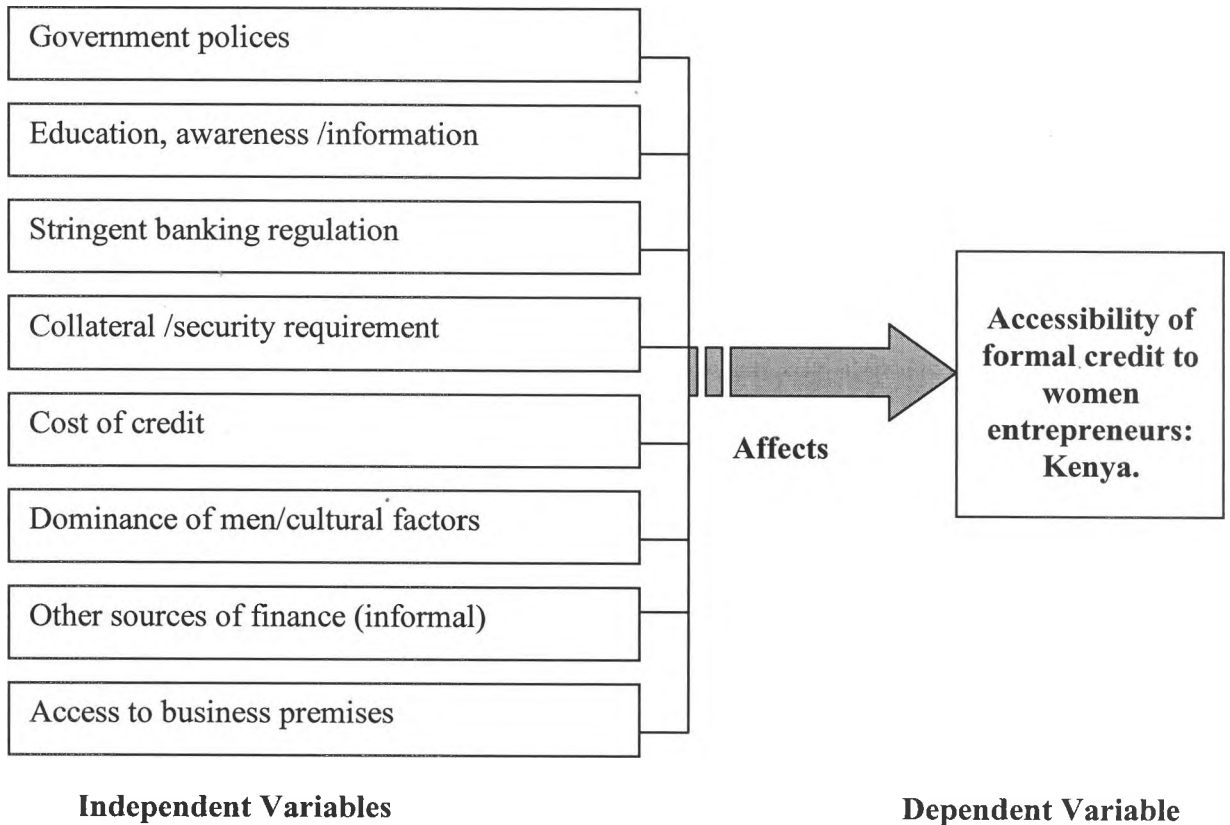
such as formal registration, employment expansion, export experience, and so on. An additional target group is young women currently in the post-secondary education system (university or technical institute programmes) with the human capital base to start enterprises with higher growth potential.

2.14 Access to Premises

Women entrepreneurs as one report lack of available business premises of the top barriers to the growth of their enterprises. Without adequate premises, women's access to markets is restricted and their production capacity limited. Women report that they have difficulty affording the rents charged for existing premises; as well, many women-owned MSE's lack the skills necessary to negotiate with landlords.

Local governments should be encouraged to set aside land for the location of women's enterprises. To support women in their efforts to expand businesses, fully equipped incubators should also be established in key sectors, for example, textiles, food processing, etc., so they have access to production premises, appropriate technologies and business support services. Local and regional governments should designate land where women can build market stalls and gain better access to market opportunities. Women Entrepreneurs Associations have a role to play in lobbying governments to take these actions, and in brokering leasing arrangements with their members.

The Conceptual Model



Source: Researcher (2007)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the methodology that was used in the research project. It gives details of research design, study population, sampling techniques, and data collection and survey instrument and data analysis.

3.1 Research design

The study adopted an exploratory research design to obtain primary data. A descriptive survey was also used to obtain secondary data for the study. Data was collected from women traders at Kenyatta market.

3.2 The Study Population

The target population for this study comprised all the women traders at Kenyatta market. According to the Kenyatta Market traders register, there are about 600 traders at the market, of which 400 are women. This study targeted these women traders.

3.3 The Sampling Design

A random sample of 120 women will be picked from the Kenyatta Market traders register, using the simple random sampling technique. There are about 600 traders at the market, of which 400 are women. These are the traders who formed the target population for this study. Rosco (1975) proposed a rule of the thumb for determining a sample size

and indicates that a size of 30 to 500 is appropriate for most researches. The sample size comprised the 120 women traders in the market who had been selected.

3.4 Data Collection

Primary was collected through a semi-structured questionnaire having closed and open-ended questions. The closed-ended questions enabled the researcher to collect quantitative data for statistical analysis. The open-ended questions on the other hand were intended to elicit qualitative responses about the respondent's views on formal credit accessibility by women entrepreneurs in Kenya. The questionnaires were piloted so as to help the researcher identify any ambiguous and unclear questions. The drop- and-pick-later method of data collection was used. The, researcher was available to clarify any questions that would have not been clear to the respondents.

The researcher also assisted the respondents who were illiterate by administering the questionnaire orally.

3.5 Data analysis.

The data collected was edited for accuracy, uniformity, consistency, and completeness and then arranged to enable coding and tabulation before final analysis. The data was then coded and cross-tabulated to enable the responses to be statistically analyzed. Descriptive statistics were used to analyze data by way of percentages, proportions, and frequency distributions. The statistical package for social sciences (SPSS) was used to

analyze the data. The tables, graphs and charts were generated, and thereafter interpretations, conclusions and recommendations were done.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the analysis of the data collected and discusses the research findings on the factors determining accessibility of formal credit to women traders/entrepreneurs in Kenya, with special reference to Kenyatta market in Nairobi.

4.1 Overview

The study was conducted in Kenyatta market in Nairobi. Data was collected by directly questioning the traders. Out of the 120 questionnaires that were distributed, 100 were returned and therefore provided a response rate of 83.3% and a non-response error of 16.6%. This response rate is considered significant to provide valid and reliable conclusions and findings on that factors determining accessibility of formal credit to women traders in Kenya.

4.1 Duration of trading at the market

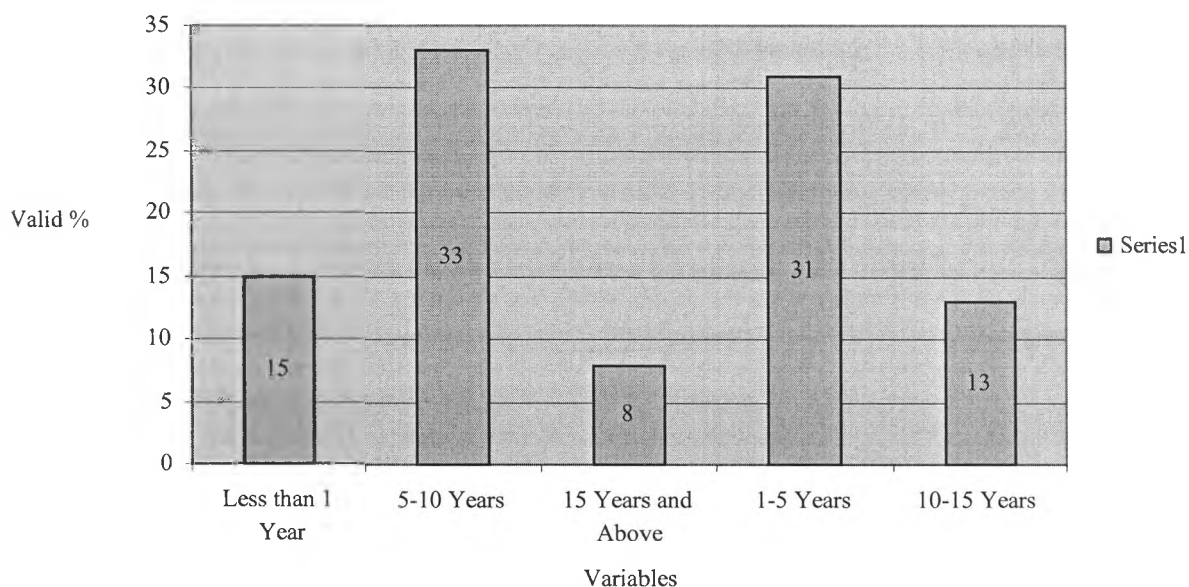
Table 4.1

How Long Have you Been Trading in this Market?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1-year	15	15.0	15.0	15.0
	5-10 Years	33	33.0	33.0	48.0
	15 Years and Above	8	8.0	8.0	56.0
	1-5 Years	31	31.0	31.0	87.0
	10-15 Years	13	13.0	13.0	100.0
	Total		100	100.0	100.0

Figure 4.1

How long have you been Trading in this Market?



Most of the respondents (33.0%) had been operating in the market for between 5 and 10 years, and 31.0% for between 1 and 5 years. 15% of them had been in their respective market for less than one year while only 8% had operated for than 15 years. The fact that the traders have been in the market for longer periods of five to ten years is an indication that they have experience in their businesses especially at Kenyatta market.

4.2 Types of products

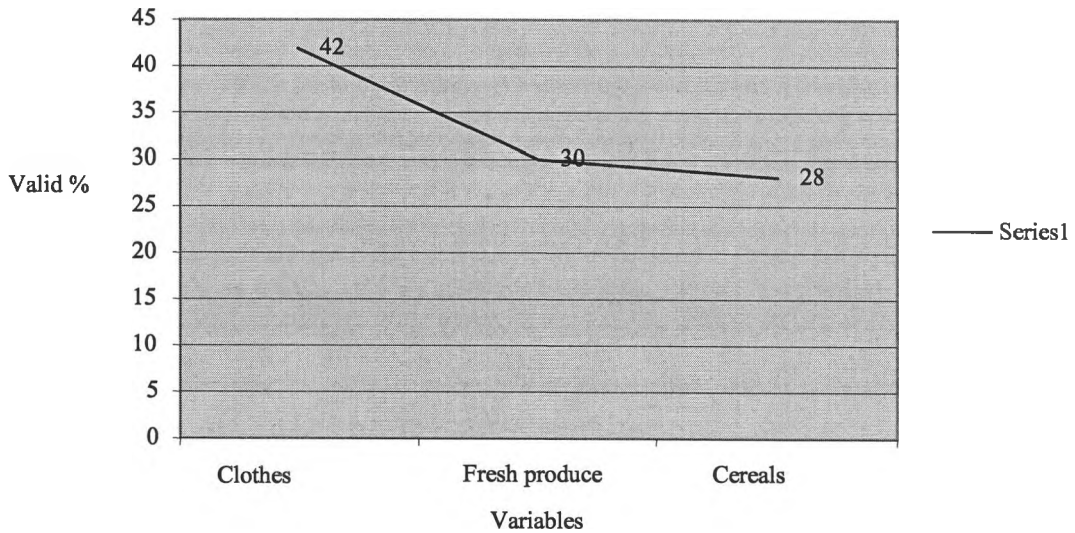
Table 4.2

Which Products do you Sell?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Clothes Seller	42	42.0	42.0	42.0
Fresh Produce	30	30.0	30.0	72.0
Cereals Traders	28	28.0	28.0	100.0
Total	100	100.0	100.0	

Figure 4.2

Which Products do you sell?



The respondents traded mainly on clothes, fresh products and cereals, forming 42, 30 and 28% respectively. The findings therefore, indicate that dominant business operated by women at Kenyatta Market is therefore clothes selling.

4.3 Customer Satisfaction

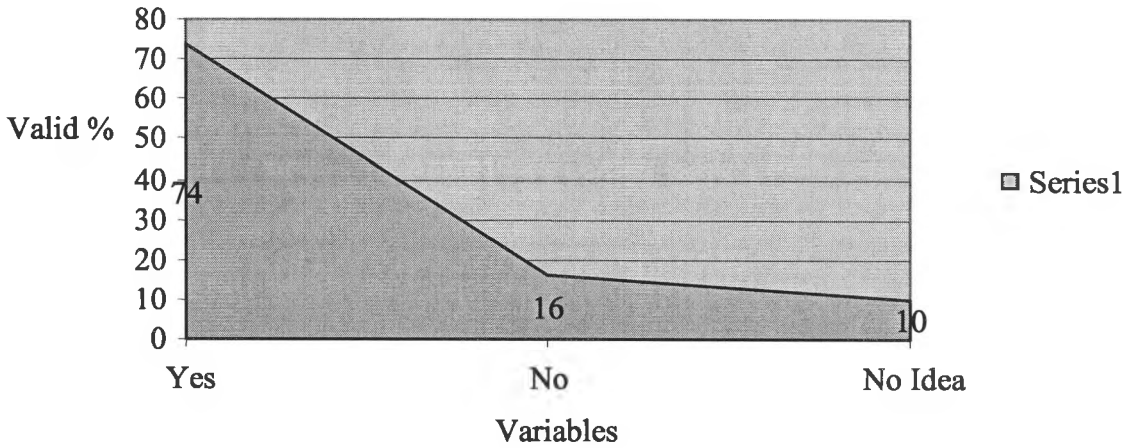
Table 4.3

Do you Think Your Customers are Satisfied with your Services?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	74	74.0	74.0	74.0
No	16	16.0	16.0	90.0
No Idea	10	10.0	10.0	100.0
Total	100	100.0	100.0	

Figure 4.3

Do you Think Customers are Satisfied with your Services?



While 74.0% of the respondents are of the opinion that their customers are satisfied with their services, 16.0% are not, and 10.0% had no idea. This shows a confident lot that satisfies its customers.

4.4 Whether the traders borrow funds

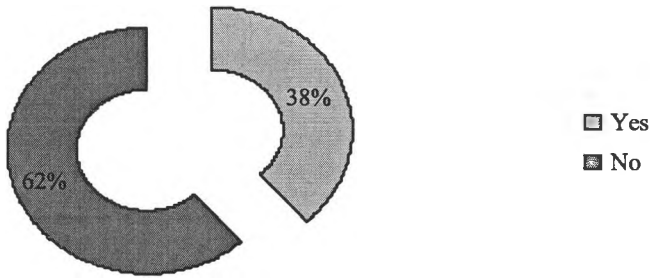
Table 4.4

Do you Take Loans?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	38	38.0	38.4	38.4
	No	61	61.0	61.6	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Figure 4.4

Do you Take Loans?



As shown in the table, only 38.4% of the respondents take loans. The other 61.6% do not. This may be an indication that the women traders obtain finance for their businesses from other sources other than from banks and other formal creditors.

4.5 Sources where traders borrow funds

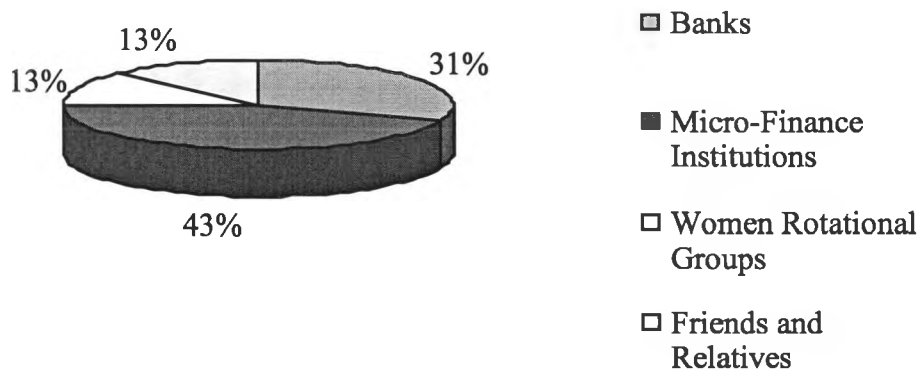
Table 4.5

What are your Sources of Credit?

		Frequency	Percent	Valid Percen	Cumulative Percent
Valid	Banks	12	12.0	30.8	30.8
	Micro Finance Institutions	17	17.0	43.6	74.4
	Women Rotational Groups	5	5.0	12.8	87.2
	Friends and Relatives	5	5.0	12.8	100.0
	Total	39	39.0	100.0	
Missing	System	61	61.0		
Total		100	100.0		

Figure 4.5

What are your Sources of Credit?



Majority of the respondents, (43.6%) who take loans, take it from microfinance institutions. 30.8% take it from banks while the rest take from women rotational groups or from friends and relatives.

4.6 Reasons for not borrowing from banks or other formal institutions

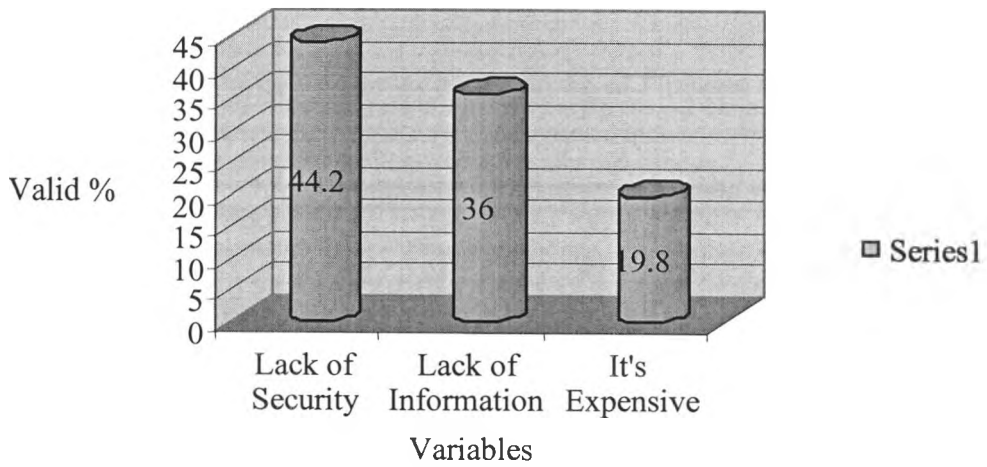
Table 4.6

If not from Banks or Formal Institution, Why?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lack of Security	38	38.0	44.2	44.2
	Lack of Informatio	31	31.0	36.0	80.2
	It's Expensive	17	17.0	19.8	100.0
	Total	86	86.0	100.0	
Missing	System	14	14.0		
Total		100	100.0		

Figure 4.6

If not From Banks or Formal Institutions, Why?



Those who do not take loans from banks or formal institutions gave various reasons, such as, lack of security (44.2%), lack of information (36.0%), and high costs (its expensive) (19.8%).

4.7 Perception of the Traders of Banks as a Source of Finance for Their Businesses

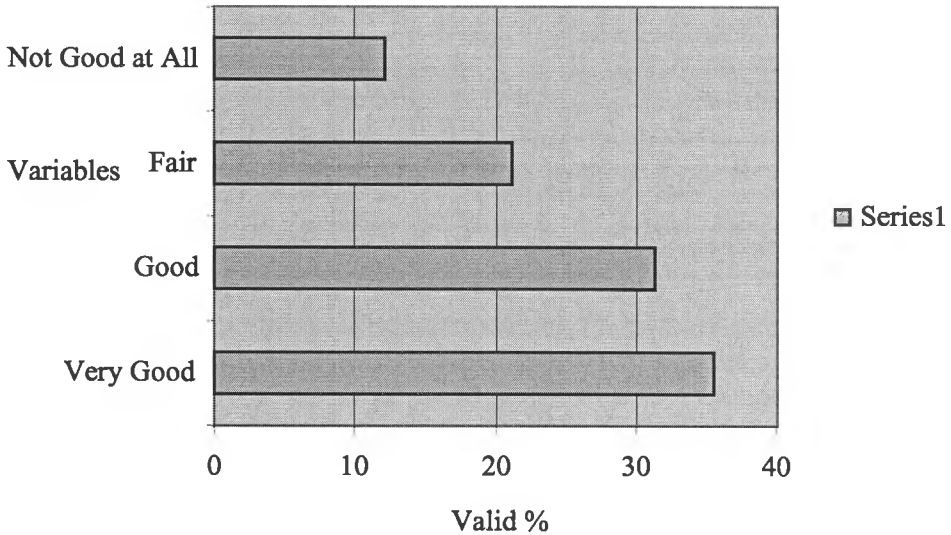
Table 4.7

How do you Perceive Banks as a Source of Finance for Your Business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Good	35	35.0	35.4	35.4
	Good	31	31.0	31.3	66.7
	Fair	21	21.0	21.2	87.9
	Not Good at All	12	12.0	12.1	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Figure 4.7

How do you Perceive Bank Loan as Source of Finance for your Business?

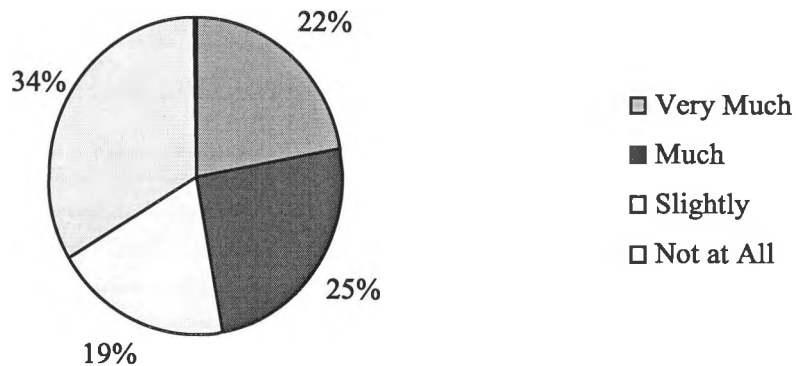


Regarding their perception of banks as a source of finance for their business, the respondents rating was very good.(35.4%),good (31.3%),fair (21.2%) and not good at all (12.1%).

4.8 Effects of the Economic Condition in Kenya on accessibility of finance to women

Figure 4.8

To what Extent has the Change in Economic Condition in Kenya Affected Accessibility of Credit to Women Traders?



While 33.7% of the respondents said the change in the Economic Condition in Kenya did not at all affect the accessibility of finance to women traders, 66.3% admitted the effect which they rated as: very much (22.4%), much (24.5%), and slightly (19.4%).

4.9 Capability of the business to survive in a competitive environment

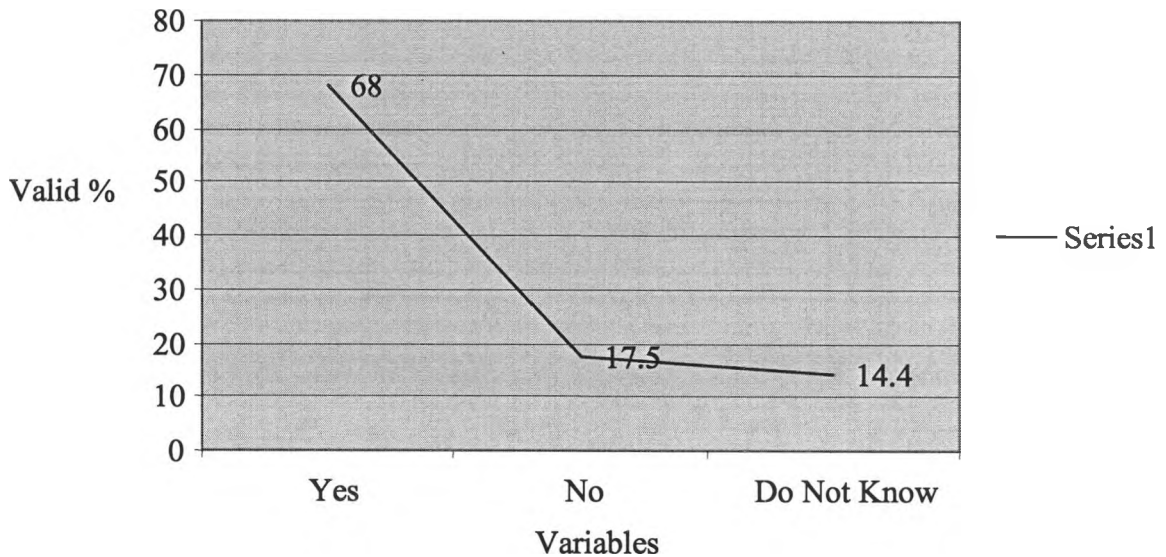
Table 4.9

Do you Think your Business has the Capability to Survive in the Competitive World Today?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	66	66.0	68.0	68.0
	No	17	17.0	17.5	85.6
	Do not Know	14	14.0	14.4	100.0
	Total	97	97.0	100.0	
Missing	System	3	3.0		
Total		100	100.0		

Figure 4.9

Do you Think your Business has the Capability to Survive in the Competitive World Today?



Unlike the rest, 68.0% admitted their business had the capability to survive competition, 14.4% however, did not have an idea.

4.10 Whether the traders belong to a lending group

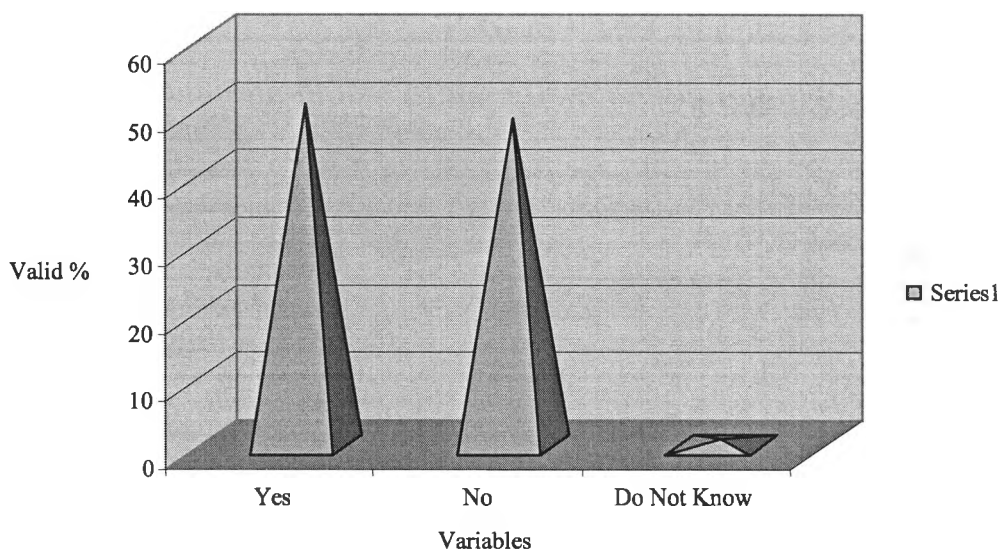
Table 4.10

Do You Belong to a Lending Group?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	50	50.0	50.5	50.5
	No	48	48.0	48.5	99.0
	Do not Know	1	1.0	1.0	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Figure 4.10

Do you Belong to a Lending Group?



Form the above analysis, 50.5% of the respondents admitted belonging to a lending group, while 48.5% did not belong to any such group.

4.11 The Number of Members in the Lending Group

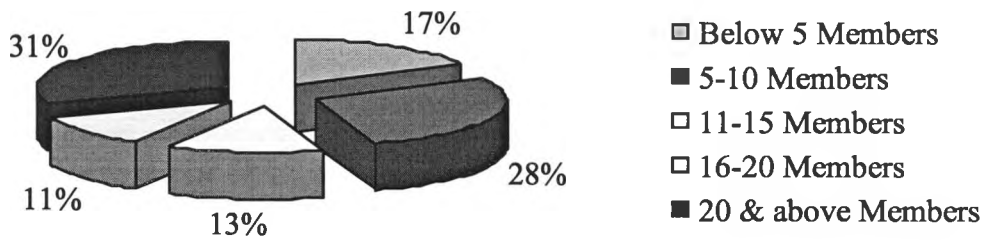
Table 4.11

How Many Members are in Your Group?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5	9	9.0	17.0	17.0
	5-10	15	15.0	28.3	45.3
	11-15	7	7.0	13.2	58.5
	16-20	6	6.0	11.3	69.8
	20 and Above	16	16.0	30.2	100.0
	Total	53	53.0	100.0	
Missing	System	47	47.0		
Total		100	100.0		

Figure 4.11

How many Members are in your Group?



Of those belonging to the lending groups, 30.3% of them said their groups had more than 20 members, 11.3% had between 16-20 members, 13.2% between 11-15 members, 8.3% between 5-10 and 17.5% below 5 members.

4.12 Educational Level of the Traders

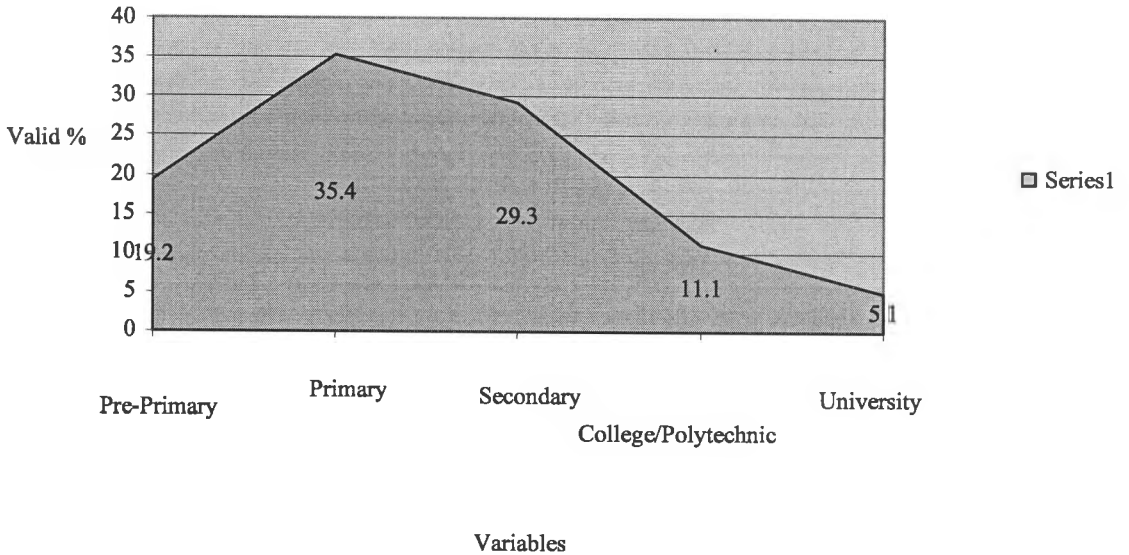
Table 4.12

What is Your Educational Level?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Pre-Primary	19	19.0	19.2	19.2
	Primary	35	35.0	35.4	54.5
	Secondary	29	29.0	29.3	83.8
	College/Polytechnic	11	11.0	11.1	94.9
	University	5	5.0	5.1	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Figure 4.12

What is your Level of Education?



With regard to their educational levels, 35.4% and 29.3% had primary and secondary education respectively. 11.1% and 5.1% had college/polytechnic and university education respectively, while 19.0% had only pre-primary education.

4.13 Whether the Traders Have Any Other Businesses

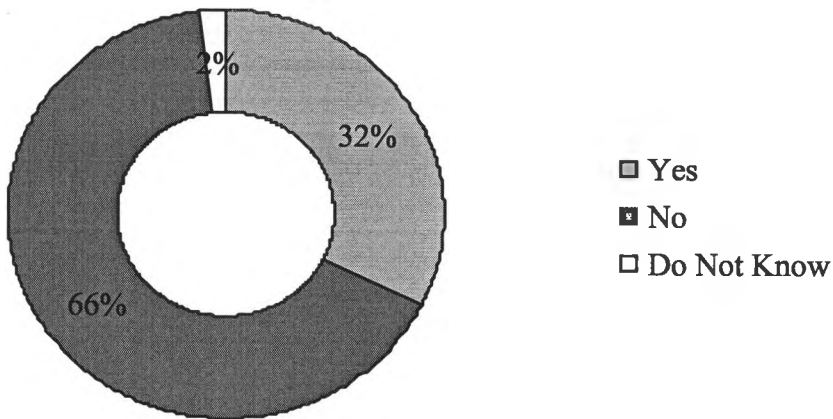
Table 4.13

Do you Have any Other Business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	32	32.0	32.3	32.3
	No	65	65.0	65.7	98.0
	Do not Know	2	2.0	2.0	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Figure 4.13

Do you have any Other Business?



From the analysis above, 32.3% of the respondents operated/owned other concurrent businesses.

4.14 Whether the traders are employed

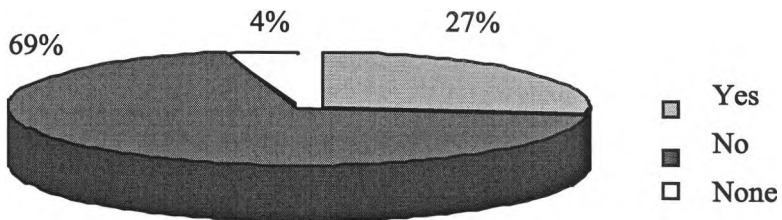
Table 4.14

Do you Have any Salarised or Wage Employment?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	27	27.0	27.0	27.0
	No	69	69.0	69.0	96.0
	None	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

Figure 4.14

Do you Have Salaried or Wage Employment?



From the analysis, 27.0% of the respondents had salaried or wage employment.

4.15 Then amount invested in the business

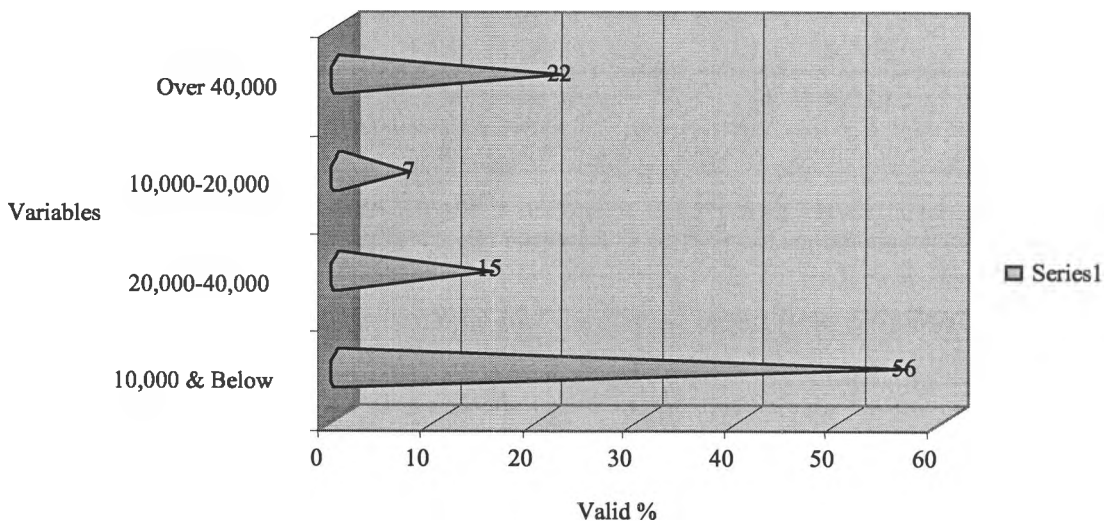
Table 4.15

How Much Have you Invested in the Business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10,000 and Above	56	56.0	56.0	56.0
	20,000-40,000	15	15.0	15.0	71.0
	10,000-20,000	7	7.0	7.0	78.0
	Over 40,000	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

Figure 4.15

How much have you Invested in the Business?



The above analysis shows that 56.0% of the respondents had invested Kshs 10,000 and below, 7.0% had invested between 10,000-20,000, 15.0% between 20,000-40,000 while 22.0% had invested over 40,000.

4.16 Whether the traders have taken any formal credit

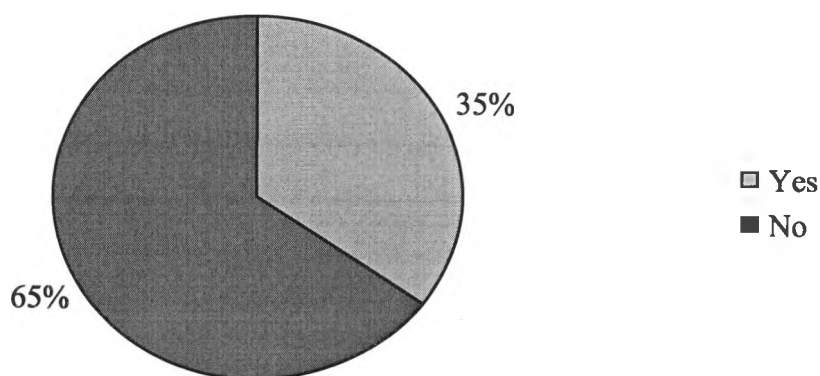
Table 4.16

Have you Taken Formal Credit (Loan)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	35	35.0	35.0	35.0
	No	65	65.0	65.0	100.0
	Total	100	100.0	100.0	

Figure 4.16

Have You Taken Formal Credit (Loan)?



While only 35.0% of the respondents had the formal credit (loan), 65.0% had not.

4.17 Collateral for loans

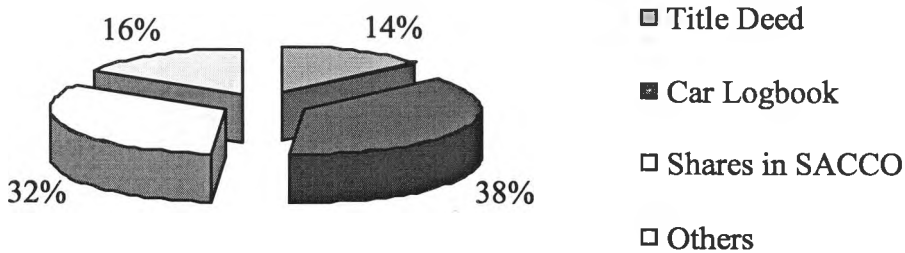
Table 4.17

If yes to Question 18 what was the Collateral?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Title Deed	5	5.0	13.5	13.5
	Car Logbook	14	14.0	37.8	51.4
	Share in a Sacco	12	12.0	32.4	83.8
	Others	6	6.0	16.2	100.0
	Total	37	37.0	100.0	
Missing	System	63	63.0		
Total		100	100.0		

Figure 4.17

If yes to Question 18 what was the Collateral?



For collaterals for the formal loans 37.8% of them used their car logbooks, 32.4% used their shares in SACCO while 13.5% used title deeds. 16.2% used other collaterals.

4.18 Marital statuses of respondents

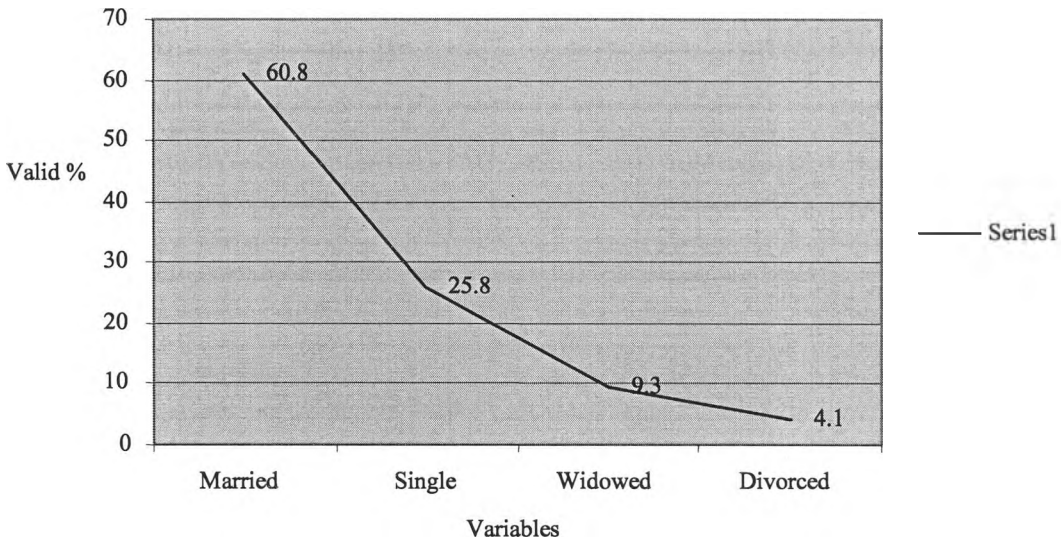
Table 4.18

What is your Marital Status?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	59	59.0	60.8	60.8
	Single	25	25.0	25.8	86.6
	Widowed	9	9.0	9.3	95.9
	Divorced	4	4.0	4.1	100.0
	Total	97	97.0	100.0	
Missing	System	3	3.0		
Total		100	100.0		

Figure 4.18

What is your Marital Status?



From the study conducted, 60.8% of the traders /respondents are married, 25.8% are single, whereas 9.3% and 4.1% are widowed and divorced respectively.

4.19 Whether the spouse (Husband) supports in the business venture

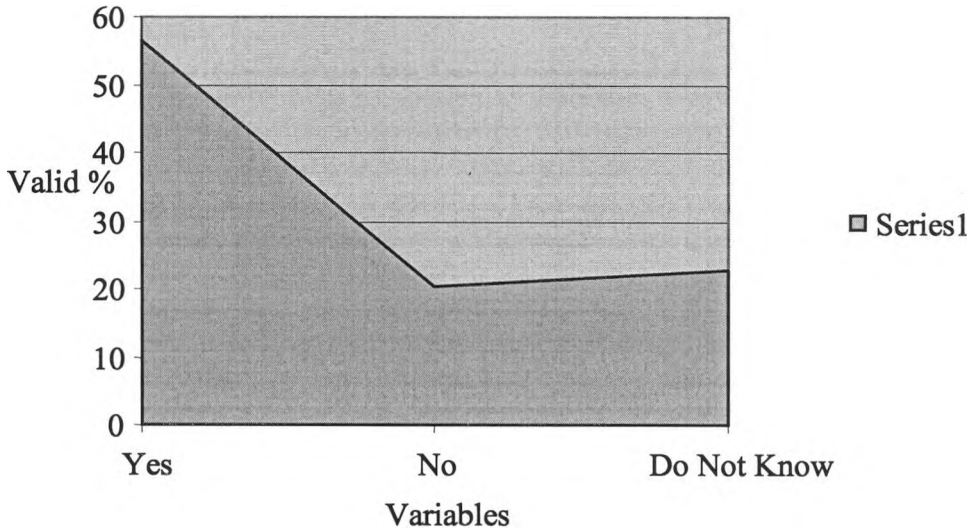
Table 4.19

If you are Married, Does your Husband Support you in your Business Venture?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	47.0	56.6	56.6
	No	17	17.0	20.5	77.1
	Do not Know	19	19.0	22.9	100.0
	Total	83	83.0	100.0	
Missing	System	17	17.0		
Total		100	100.0		

Figure 4.19

**If you are married, does your Husband Support
You in your Business Venture?**



From the analysis, 56.6% of the married respondents said their husbands support them in their business venture.

4.20 Assistance in day-to-day running of the business

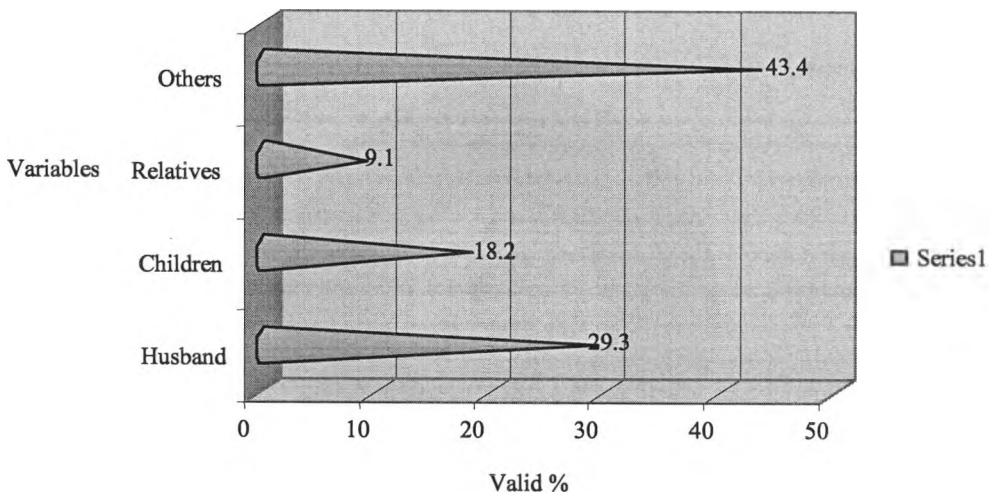
Table 4.20

Who Assist you in Managing your Business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Husband	29	29.0	29.3	29.3
	Children	18	18.0	18.2	47.5
	Relatives	9	9.0	9.1	56.6
	Others	43	43.0	43.4	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Figure 4.20

Who assists you in Managing your Business?



As shown in the table, the women traders are assisted in the management of their business by their husbands (29.3%), children (18.2%), and relatives (9.1%) and by others (43.4%).

4.21 Whether the Husband allows the women to handle money or apply and receive loans

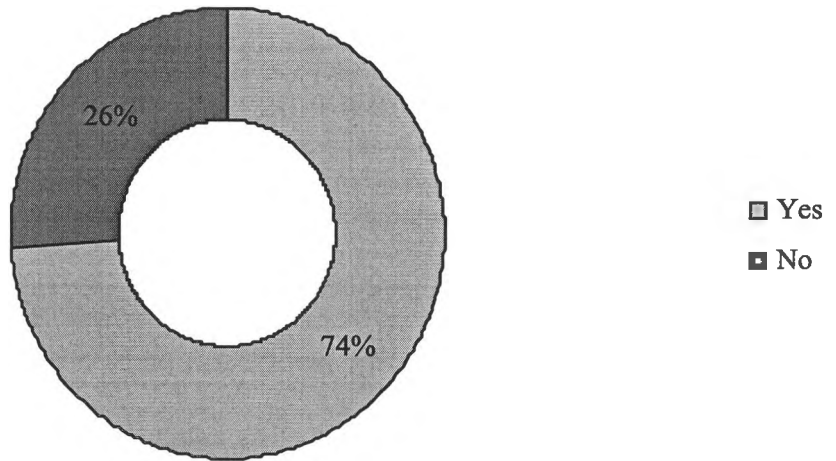
Table 4.21

Does your Husband Allow you to Handle Money Matters and even Apply and Receive Credit/ Loan?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	48	48.0	73.8	73.8
	No	17	17.0	26.2	100.0
	Total	65	65.0	100.0	
Missing	System	35	35.0		
Total		100	100.0		

Figure 4.21

Does your Husband Allow you to Handle Money Matters and Even Apply and Receive Credit/ Loan?



The analysis above shows that 73.8% of the married respondents indicated that their husbands allowed them to handle money matters and even to apply and receive loans/credits.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the major findings of the study in relation to the objectives provided in chapter one. It discusses the recommendations, limitations of the study and suggestions for further research.

5.1 Summary of Findings and Conclusions

The study was aimed at evaluating the factors that determine accessibility of formal credit to women traders/ entrepreneurs in Kenya. The study found out that most of the women traders were trading for long periods ranging mostly between 5 to 10 years at the market selling different products especially clothes, fresh foods products among other products. The respondents indicated that their customers were satisfied with their services.

It was found out that majority of the women traders do not take loans and mostly raise their own finances. However some few borrow from friends and relatives. The few who borrow funds from lending institutions go to the MFI's to obtain finances. This calls for sensitization by financial institutions for the women to embrace borrowing of funds.

The research established a need in the traders to borrow funds from banks but discovered that most of these women traders do not have collateral or security against which to obtain the loans. The respondents however perceived the bank loans as being very good sources of finance for their businesses.

The economic conditions in Kenya do affect business but according to this study that only targeted women traders, the economic situation in Kenya affect their businesses to some extent. The respondents also felt that their businesses had the capability to survive competition in future.

The study further established that most of the traders belong to lending groups with an approximate membership of between 10 to 15 people. This shows cohesion in the women traders who can only manage to save in the informal institutions like ROSCAS which do not have stringent formalities like the banks. This also calls for the MFI's to come up and target these traders and offer them financial services on terms that they can manage and afford.

The issue of level of education of the respondents revealed that most of the women traders had primary and secondary education. This may be due to the fact that educated women tend to get prestigious jobs with better pay, thus leaving their fellow women who have only the basic primary and secondary education to trade in the markets.

The traders also do not have salaried employment and are married. The issue of marital status was important in this study since the researcher wanted to establish whether the women traders are assisted by their husbands in the running of their businesses or whether their husband allow them to obtain and handle finances. The study established that the husbands of the respondents do indeed assist them in the day to day running of

their businesses and also allow them to handle financial matters. This shows an enlightened society where men have allowed their women to handle matters that traditionally were a reserve of men only.

5.2 Limitations of the study

The researcher encountered some problems in the course of conducting the research.

These were;

- 1.6.1 Time limitation was a restraint especially in data collection since the researcher is in full time employment, but he hired two research assistants to assist in this area.
- 1.6.2 Financial /costs constraints: - the researcher spent funds on travelling, paying research assistants, stationery etc. which constrained this work but used his personal savings and some donations from beneficiaries of this project.
- 1.6.3 Traders, especially women traders were suspicious of the researcher's intentions and therefore concealed some facts and information. The researcher used research assistants as well as the city council management to assure them that the work was well intended.
- 1.6.4 Since the target sample/population was from different cultures and tribe, language was a problem. The services of interpreters were engaged when necessary and the questionnaires were prepared in very simple language.

5.3 Recommendations

From the findings obtained above, the researcher would like to make the following recommendations in as far as the factors that determine accessibility of formal credit to women traders/ entrepreneurs in Kenya is concerned.

- 1) There is need to ensure that women have access to adequate credit finances. This can be achieved through involving women in making decisions that affect them.
- 2) There is need for formal banking institutions to adopt a more integrated approach in delivering their services to their clients. They should look at the aspects of borrowing ensuring that all the necessary collateral and procedures are followed. However this should be done with consideration that the small business operators have minimum wealth and therefore the formal institutions should require affordable collateral.
- 3) There is a need for the government to harmonize the laws, which discriminates women in financial markets. For example inheritance law, which discriminates women from inheriting properties such as land, which is considered as the most important collateral by the lenders. This would enable more women to have access to financial resources without depending on the goodwill of their husbands.
- 4) The government should formulate policies that would encourage women financing of their business activities. Once the government clarifies its support for women financing, MFIs and other lenders will also develop policies that enables women to access adequate formal credit.

5.4 Suggestions for Further Research

The purpose of this study was to find out the factors that determine accessibility of formal credit to women traders/ entrepreneurs in Kenya. The study was carried out in

Nairobi's Kenyatta Market. It could be that the results are not truly representative of other areas. Therefore the researcher would suggest that similar studies to be carried out in other areas in Kenya. Also the sample size was relatively small and thus the need to carry out research on a large sample size to increase reliability of the study results.

Further research should be carried out from the perspective of the lenders (MFI's that lend exclusively to women) to establish the constraints they experience when lending to women because this study has dealt with only borrowers.

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QUESTIONNAIRE

FACTORS DETERMINING ACCESSIBILITY OF FORMAL CREDIT TO WOMEN TRADERS/ENTREPRENEURS IN KENYA

(A case study of Kenyatta Market)

I would like to kindly request for your assistance and co-operation in responding to the following questions. Any information given will be treated with utmost confidentiality and will be used only for the purpose of this study, which is purely academic.

Please tick in the box where the question requires you to do so.

1. How long have you been trading in this market?

Less than 1 year

1 – 5 years

5-10 years

10-15 years

15 years and above

2. Which products do you sell? _____

3. Who are your customers? _____

4. Do you think customers are satisfied with your services?

Yes

No

No idea

5. Do you take loans?

Yes

No

6. - If yes, from where?

Banks

Micro finance institutions

Women rotational groups (merry –go –round)

Friends and relatives

- If not from banks or formal institutions, Why?

Lack of security

Lack of information

It's expensive

7. How do you perceive banks as a source of finance for your business?

Very good

Good

Fair

Not good at all

8. To what extent do you think the changes in the economic conditions in Kenya?
affected accessibility of credit to women traders in Kenya??

Very much

Much

Slightly

Not at all

Please

explain

9. Who are your main competitors?

10. Do you think your business has the capability to survive in the competitive world today? Yes

No

Do not know

Explain please

11. Do you belong to a lending group?

Yes

No

Do not know

12. How many members are in your group?

- Below 5
- 5 - 10
- 11 – 15
- 16 - 20
- 20 and above

13. What is your educational level?

- Pre - primary
- Primary
- Secondary
- College/polytechnic
- University

14. Do you have any other business?

- Yes
- No
- Do not know

15. If your answer is yes to question 14, what is your other business involved in?

16. Do you have any salaried or wage employment?

- Yes
- No

None

Others (specify)

17 How much have you invested in the business?

Kshs. 10,000 and below

Kshs. 20,000 – Kshs. 40,000

Kshs. 10,000 – Kshs. 20,000

Over 40,000

18. Have you taken formal credit (loan)?

Yes

No

19. If Yes to question what was the collateral?

Title deed

Car logbook

Shares in a SACCO

Others _____ (specify please)

20. What is your marital status?

Married

Single

Widowed

Divorced

None of the above.

21. If you are married, does your husband support you in your business venture

Yes

No

Do not know

22 Who assist you in managing your business?

Husband

Children

Relatives

Employees

23. Does your husband allow you to handle money matters and even apply and receive credit/ loans?

Yes

No

Any comments _____

24. What would you like to comment or suggest in the above issue _____

Thank you for your time.