MICRO FINANCE INSTITUTIONS AND WOMEN'S EMPOWERMENT IN NAIROBI

BY:

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A PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE POST GRADUATE DIPLOMA IN GENDER AND DEVELOPMENT.

UNIVERSITY OF NAIROBI

2002

DECLARATION

This Project is my original work and has not been submitted to any institution, college or university.

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This Project has been presented for Examination with my approval as University Supervisor.

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ACKNOWLEDGMENTS

I am very grateful to the many individuals who contributed to the success of this study. KWFT, KREP, SMEP and Undugu Society of Kenya supported the visits to their clients premises and organised meetings and provided a lot of professional support. Within these micro finance institutions, I am particularly indebted to the programme staff and especially the credit managers for their professional advice on how best to approach the women. The KREP library staff were very supportive with regard to information relating to micro studies undertaken on various micro finance institutions.

I am also grateful to the members of my research team, Monica and Isaac, who were very resourceful and committed to the study.

I am greatly indebted to my supervisor, Prof. Simiyu Wandibba, who selflessly guided me through every phase of this study, and without whose encouragement and guidance, this study would not have been possible. I am very grateful for his advice, scholarly guidance and material help at many stages of the study. I owe him very sincere thanks.

I wish to acknowledge with great appreciation, the part played by my lecturers: Prof. Wandibba, Dr. Kibiti, Dr. Nangendo, Dr. Subbo and Mr Isaac Were, for seeing me through my course work. I am also indebted to my colleague, Jennifer, who assisted me throughout the project work.

Finally, I owe a great deal of gratitude to my family, John and Kayla Kolff, whose support and encouragement, I could always count on throughout the study.

And to many others who contributed to the success of this study, either directly or indirectly, I would like to say to all of you:

Asante Sana

ABSTRACT

This is a study on the role played by four micro finance institutions in empowering women in Nairobi. The micro finance institutions were: Kenya Women Finance Trust (KWFT), Kenya Rural Enterprise Programme (KREP), Small and Micro Enterprise programme (SMEP), and the Undugu Society of Kenya (USK). The study subjects were women micro credit entrepreneurs, who have been advanced loans from four micro finance institutions, for the last five years, and key informants, who were credit managers from these institutions.

The basic questions addressed by the research project were:

- What factors influence women's access to credit from micro finance institutions?
- What has been the empowerment impact of micro finance institutions on women who have been accessed credit?

The specific objectives of the study were to: investigate and explain the role played by four micro finance institutions in Nairobi in empowering women and to find out the factors that influence women in accessing credit from micro finance institutions. To answer the above questions, ten women groups were subjected to focus group discussions, while five individual women and five key informants were interviewed using questionnaires.

The main findings of the study were:

- The level of self-confidence and assertiveness of women had increased as a result of training received from micro finance institutions.
- The women's level of income increased as a result of receiving and investing business loans into their businesses.
- The skill level of the women improved after receiving training from the institutions. These skills included preparation of business plans and pricing of goods and services.
- The savings of women increased as a result of savings mobilisation initiated by the institutions, which has translated into investments of these savings into businesses.

- The women have been able to invest in the stock market, while others diversified their businesses.

Based on the findings, the following were the major recommendations advanced:

- Micro finance institutions need to reorganise internally in terms of personnel and particularly management structure. This should be reflective of both men and women who are sensitive to gender issues. The institutions should look at the public they serve, not as a homogeneous group, but as a heterogeneous group that includes people who can be differentiated as women, the youth, women with disabilities, age and education levels.
- Micro finance institutions should look into devising monitoring and evaluation strategies in order to assess the impact of loans on women, instead of looking at high repayment rates only.
- The government should harmonise the operations of micro finance institutions so that they offer similar services.
- Macro economic management of the economy must be conducive to the growth of saving, investment and enterprise.

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CHAPTER ONE

BACKGROUND INFORMATION

1.0 Introduction

Kenya, with a population of 30 million people (GOK 1999) and a per capita income of US$260, is categorised by the World Bank as the 20th poorest country in the world (World Bank, 1997). Estimates indicate that about 47% of the rural population and 29% of the urban population live under conditions of absolute poverty where malnutrition and seasonal famine are not just a constant fear, but also a frequent reality in their lives. Unemployment and under-employment rate, roughly estimated at between 25% and 35%, on the other hand, threatens to get out of hand as an estimated 500,000 school leavers continue to join the ranks of the unemployed every year. It is from this perspective that the current development challenges facing the country can, at least, be regarded as monumental.

Yet, Kenya has a rich endowment in human and natural resources. Its relative political stability built over the last 38 years since independence and its current economic policy direction both point to good prospects for the country to overcome its development challenges. The extent to which this is achieved, however, depends on how well the country will be able to formulate and implement development strategies, which increase the productivity of its resources.

Kenya's development challenge largely remains that of identifying sustainable ways of enabling the main sectors of the economy (tourism, agriculture and micro and small enterprise sectors) to achieve their growth potentials. Whereas it is recognised that a multi-faceted approach is needed to meet this development challenge, worldwide experience showing that well designed micro finance programmes can make significant improvements to the living condition of the poor, makes it clear that the development of the micro-financial services sector in

Kenya is, perhaps, one of the critical ingredients in its rural and urban development agenda. Yet, the institutions and programmes, which provide such services, can only be sustainable if they are appropriately designed to take into account local conditions and the effective needs of the target groups.

The purpose of this research project is to highlight the importance of micro-finance institutions in women empowerment in Nairobi. Empowerment means sensitisation of the woman to a positive image of self, which is achieved through the woman's conceptualisation of the development process to understand the structural inequality of institutionalised discrimination against women and girls (Kabira and Muthoni 1994). In this project paper, empowerment will be taken to refer to strengthening women's economic roles, increasing their ability to contribute to the family's income, and helping them establish their identity outside of the family through giving them experience and self confidence in the public sphere.

The definition of micro finance institutions (MFIs) in this paper will be adapted from Dondo (1999), who defines micro finance institutions as those accessing financial (or banking) services to a vast majority of the population that have no access to mainstream financial institutions. These institutions use informal and/or community based delivery systems to administer advances and deposits. Group delivery methods of reaching out to clients through group organisation for purposes of attaining economies of scale, given the size of transactions, and to institute group guarantee mechanisms is another key feature. Other features include the credit worthiness appraisal, which is based on the character of the client as opposed to project viability, used by banking institutions. Transactions are usually very small as compared to the banks. The common 'mwananchi', whose credit needs or savings abilities are of very tiny amounts can access finances. The name micro-finance has then derived from this tiny size of loans and deposits.

The Kenyan micro finance industry is one of the oldest and most established in Africa. Interest in the informal sector in Kenya started as far back as the early

1970 after the seminal ILO report on employment issues in Kenya was issued in 1972. This report for the first time identified the informal sector as a potentially important contributor to employment and economic growth in Kenya and other developing countries. Since then, there has been a gradual shift in interest and resources towards assisting the informal sector in a variety of ways.

In the past eight years, there has been a proliferation of NGO programmes to promote micro-finance development. The organisations range from small charitable units operating in a limited geographical area to large institutions, covering large areas and carrying out a variety of development and welfare activities. This study will focus only on four of these institutions and the role they play in empowering women. These are Small and Micro-Enterprise Programme (SMEP), Kenya Women Finance Trust (KWFT), Kenya Rural Enterprise Programme (KREP) and Undugu Society of Kenya (USK) in Nairobi.

Even with these institutions addressing women's empowerment through credit, there are still certain conditions that affect women empowerment in micro and small-scale businesses. These factors include cultural, legal, environmental, socio-political and economic, amongst others. This study will focus on cultural, legal and socio-economic factors and the impact of MFIs on women empowerment. It will then finally suggest solutions for enhancing empowerment of women through micro-finance and to improve conditions of those already in the web of micro-credit empowerment.

1.2 Problem Statement

Women in Kenya form 52% of the population (GOK 1999). Besides their numerical role significance, women play a key role in sustaining the society. The growth of the nation highly depends on women. Their reproductive function ensures a permanent flow of citizens, which is inevitable for the continuation of its people. The quality of the country's labour force is to a large extent dependent on women's performance as mothers, and the custodians of family health and welfare, especially that of young children. Their development and levels of productivity are therefore vital for any transformation in the country.

Lack of savings and capital make it difficult for many poor women to become self-employed and to undertake productive employment generating activities. Those already in income generating activities in the informal sector are constrained by lack of requisite skills in business management and lack of awareness of the opportunities available from micro finance institutions prevent them from exploiting credit facilities for their betterment. Women in the informal sector are usually exploited, as they always offer cheap labour and the kind of activities they engage in only allow them to meet basic survival needs.

As earlier stated, the various micro finance institutions have thus emerged as an anti-poverty instrument in many low-income areas of Kenya. They target the poor, especially women, with financial services to help them become self-employed in small businesses of their own choice. It is traditionally argued that providing targeted production credit to women through micro credit schemes is likely to initiate a "virtuous cycle" of increased household income through increased saving and investment. However, it is unlikely that micro finance institutions credit alone will kick-start the "virtuous cycle" of perpetual growth across households. What then, has been the empowerment impact of micro finance institutions on those women who have been accessed finance in terms of income, wealth/investment, food security, gender relations and child nutrition? What factors influence women's access to credit from micro finance institutions?

1.3 Objectives

1.3.1 General Objective

The general objective of this project paper is to investigate the role played by four micro finance institutions in empowering women Nairobi.

1.3.2 Specific Objectives

The specific objectives of the study are to:

a. Investigate and explain the role played by four micro finance institutions in Nairobi in empowering women.

b. Find out the factors that influence women in accessing credit from micro finance institutions.

1.4 Justification

Over the last one and a half decades, women's economic participation has moved beyond the agricultural sector into the local market economy. Women have been progressively moving into the micro and small business sector and self-employment ventures. The traditional social structures assumed that a male headed every house. This situation has changed in the last couple of years, as more women become heads of households. Studies in the slums of Nairobi where a large number of women entrepreneurs reside show that they (women) are the heads of most households (St. John's Community Centre, 1996). A majority of these women are landless widows, divorcees, girls who have dropped out of school because of pregnancy, and former freedom fighters who migrated to Nairobi in search of jobs (Onyango, 1989). The other categories of women entrepreneurs are those who migrated with their husbands to the city and later look for ways of supplementing their husband's income. Urban small-scale enterprise has been shaped by a variety of historical and social forces. The rural/urban migration has given rise to the close rural-urban linkages of today's urban businesses (McCormick, 1988).

Studies carried out recently (KREP and KWFT 2001) show that women's participation in the informal sectors has increased significantly in urban and rural areas. They have become a major economic contributor in this sector. It is often argued that micro finance institutions are important in poverty alleviation. How has the status of women improved as a result of their involvement in Nairobi?

The information gathered will help the micro finance institutions in conducting similar research in other urban or rural areas, where they access credit. It will also assist MFIs and other players in the sector, in measuring the level of empowerment of women as a result of micro-credit assistance.

1.5 Scope and Limitations

This project focussed on the impact of MFIs on women empowerment in Nairobi. It also looked into the conditions that affect women empowerment in micro and small-scale businesses, which include cultural, legal and socio-economic factors; and suggest solutions of enhancing the empowerment of women through micro finance; and the improvement of conditions of those already in the web of micro-credit empowerment.

Due to limitations of time and money, the research did not look at the environmental and political factors that affect women in micro finance empowerment. It also focussed on only four micro finance institutions in Nairobi as earlier stated, and their clientele.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This Chapter deals with the literature review, focussing on: the role of Micro Finance Institutions; barriers women face in entering the micro credit sector; their empowerment; and on strategies that have been suggested that the Micro Finance Institutions can use to reduce gender imbalances in the micro finance sector. It also expounds on the theoretical framework, which guided this project.

2.1 Literature Review

The advancement of women and the achievement of gender equality are matters considered, as part and parcel of human rights and so the empowerment of women should not be seen as an isolated issue. According to UNDP (2000), the Beijing Platform for Action stated that empowerment of women and equality between women and men are pre-requisites for achieving economic, social, cultural, environmental and political security amongst all people of the world. Gender discrimination is a real issue in all the societies of the world, and this is considered as normal. Gender roles and gender norms are culturally specific and vary from one society to another.

It is common knowledge that inequalities do exist between men and women, on the one hand, and among different groups of women, on the other. In Kenya as in other developing countries, these inequalities and the social construction of female gender identity are often mediated and reproduced through ethnic and regional politics, contemporary economic systems and patriarchal structures. In Africa, women have been noted to be largely in the rural and other related activities. However, over the past two decades, women have continued to take up both formal and informal non-agricultural activities. During the Beijing Women's Conference in 1995, it was observed that although women continue to work in agriculture, they have become increasingly involved in micro, small and medium enterprises.

Women make significant contribution to the urban economy through wage employment in both the formal and informal sectors (Maina 1998). Research by the World Bank shows that, while the promotion of women employed outside agriculture has declined, the female labour participation rate in the urban informal sector has not only grown but, in some cases, has exceeded the male participation rate (World Bank 1989). Other studies reveal that women have entered the labour force through the micro enterprise sector because of the comparative ease of entry and limited access to other forms of employment opportunities. Kenya's estimates indicated that women constitute 46% of entrepreneurs and 40% employees (McCormick 1992). This ranges from professional owners of registered businesses, small-scale businesses, hawkers and casual labourers. However, women have been noted to earn less income in their economic activities in comparison with men. This is partly due to having less resources (capital, information and skills), limited mobility because of their gender roles, and lack of access and control of resources as opposed to men.

Despite the efforts being put in place to ensure gender equality, women and men differ from each other in terms of power, status and freedom. A study in Kenya's informal sector (McCormick 1992), notes that gender tends to influence levels of production and business enterprise among women and men. This is noted to be due to the patriarchal household arrangement, which remains a prominent feature of African economies. Sex stereotyping of occupations and training opportunities limit women's choices by blocking their entry into some types of enterprises. Women tend to dominate enterprises, which are labelled as "traditional businesses", such as tailoring, dressmaking, knitting and embroidery, clothes and hair-care, amongst others. Few women enter into manufacturing or other technically oriented activities such as masonry, mechanics, carpentry and welding where profits are higher. In another study, McCormick (1988) argues that lack of women in activities other than textiles is an indication of serious inequality of opportunities affecting many poor women.

Apart from gender inequality, women still face numerous problems that limit their effective participation and performance in the economy. While examining the work of women in the informal/micro- enterprise sector, it is important to remember that poor women are a doubly disadvantaged group, disadvantaged both as a result of their poverty and of their gender. Most of the financial institutions, which purport to support the poor, have in actual fact exploited them and they have ended up being worse off than they were before the support. The reasons given for women's failure in small and micro enterprise sector are the women's poor status, low position of power, poor project planning, extremely high workload and multiple responsibilities. Experience has shown that it is necessary to tackle these aspects in tandem with micro-enterprise businesses if these businesses are to contribute meaningfully to the women's daily struggle and to the strategic aim of empowerment. In order to address the empowerment of women, it is important to recognise the barriers they face in entering and working in the small and micro enterprise sector.

2.1.1 Barriers Women Face in entering the Informal/Micro Enterprise Sector

There are various barriers that hinder women into entering or participating in the informal or micro enterprise sector in Kenya. These are discussed in detail as follows:

a. Cultural Factors

The roots of marginalisation of women in Kenya go deep into the traditional cultures. Women are always placed second to men. The full dignity of a woman is never fully recognised unless she is affiliated to a man- usually a husband. Women's performance of domestic work, especially the care of children within the home, both expresses their dependence and subordination within the marriage and also weakens their position within the labour market. Women in most cases remain marginalized at the household level. Cultural attitudes towards them often restrict their mobility and activities outside the home. Usually, more lucrative and valued occupations are male-only preserves. Women's restricted mobility has had severe implications on them, particularly on their ability to market their products, and they have, in most cases, relied on middle men

(Oxfam 1990). Women are still expected to return home at a specified time in order to attend to their family responsibilities. There is a general attitude that a woman (especially a married one) who frequently returns home late from work is neglecting her traditional roles as mother or wife. Women have triple roles, namely, reproductive, productive and community, which means that they find it difficult to participate in busy economic enterprises – pregnancy, childbirth or illness of a dependant can seriously interrupt income-generating activities. This makes women prefer home-based enterprises because they may wish to be near their children. Their subordinate role in life means that they are also reluctant to venture into areas unknown to them, and they suffer tremendously from lack of initiative, independence and confidence, which make it difficult for them to try out new ventures.

The majority of these women do not have access and control to the factors of production, for example, land and other assets suitable for collateral in business start-up transactions as required by most financial institutions. This contributes to their lack of independent sources of capital to invest in business and they are not able to accumulate adequate capital funds for starting business. Prevailing gender inequalities and power relations inhibit women from entering into small-scale businesses. They still need permission from their husbands before they can engage in any commercial activity or attend business meetings or business management programmes. It is usually conceived by the society that men have been breadwinners in the families. It is, therefore, unnatural for women to have interest in businesses, since the husbands are supposed to provide for them. These social attitudes and restrictions are indicative of the social inequalities in gender relations.

b. Skills and knowledge

Women's participation in the informal sector business presents unique problems as compared to men's due to the socialization process they undergo. This socialization does not equip them with a prerequisite for business operation owing to the fact that they have not been included in training, and they receive less education than men. According to (UNESCO/Kenya, 1991), the imbalance in formal education began with the restrictive colonial practices and continued to and beyond independence. This imbalance continues to secondary, technical school and even university level. The same study (UNESCO/Kenya, 1991) show that there are only a few girls completing higher education, even after enrolling in large numbers at primary level. This has been attributed to the fact that some of them are married off at an early age or they drop out of school to enable their brothers to complete school, as tradition favours education for boys than for girls. The scenario is even worse at the university level, where the number of girls registered at local universities is dismal. (UNESCO/Kenya, 1991) point out that lack of access to education hampers women to embark upon non-traditional entrepreneurial activity. It also hampers women to link up with technologies of entrepreneurial activities, and limits them in linking up with technological innovation in productions.

Women are unable to penetrate into organisations and institutions that are influential in policy and programme development for small-scale enterprises. The vast majority of informal (small scale business) entrepreneurs are, and will remain, copiers. Many entrepreneurs, both women and men, seem to be unfamiliar with new technologies or have no way of gauging the appropriateness of different technologies. Although the market is dynamic and changes quickly to different tastes, the ability especially of women to respond to quick innovations is restricted because of lack of marketing information and skills. Thus, duplicity undermines their businesses since they produce the same products, which compete with each other. In certain instances, information on small and micro enterprises on lending services is not well disseminated to reach women. McCormick's (1992) study on gender participation and performance in Nairobi's small scale manufacturing sector showed concentration of women by percentage in various industries as follows:

- 80% in trade, hotels and restaurants;
- 13.2% in personal and social and community services;
- 5.7% in financial and business sector; and
- 1.9% in manufacturing.

She observed that women are absent from the construction and transport sectors. She attributed this to men's diverse choice of occupation due to prior education and good opportunities for acquiring skills on the job and ability to meet capital requirements when starting business.

Small and micro-enterprise activities of women usually revolve around the skills and knowledge gained through their traditional roles as household and child care providers as pointed out elsewhere. The serious limitation of these firms (garment making, embroidery, and food processing, amongst others) is that they tend to be among the least remunerative and least capitalised small and micro-enterprises. Women are not able to diversify or engage in more productive enterprises because of low skills level. Women managed businesses have deficiencies in managerial skills. They lack marketing strategies and costing/pricing policies basically owing to the low levels of education and training. Studies conducted by (Central Bureau of Statistics, et al. 1999) showed that women lacked in most entrepreneurial skills compared to men, as shown in Table, 2.1.

Table 2.1: Type of First Training received by Entrepreneurs by Gender 1995-1999 (%)

Training	Men	Women	Total number of men and women receiving training
None	79.6	88.4	84.9
Management	2.3	1.1	1.7
Technical	11.7	6.1	8.7
Marketing	0.5	0.5	0.5
Informal	2.3	1.1	1.6
Consultancy	0.5	0.4	0.5
Counselling	1.8	1.7	1.7
Others	1.2	0.7	1.0
Total	100	100	100

Source: National MSE Baseline Survey 1999

The above table indicates that in some cases women still receive very little training compared to men, despite the fact that training is very important for a growing enterprise. This reflects on the position of women in relation to training, whether in business or in any other field – they receive little training as compared to men because of insubordination of their gender.

c. Security

This constitutes the most pressing problem facing basically all women going into business. Generally, all lending institutions require collateral for securing loans, while most of the women do not have any, owing to the gender stereotyping that women are not supposed to own property as mentioned elsewhere. The inheritance rights in Kenya have been reviewed to include women. However, women rarely have rights over land inheritance. This makes them lack title deeds, used as security for securing loans in the banks. Most women, apart from failing to get collateral, do not know how to prepare bankable proposals because of poor education and training. Banks and other financial institutions tend to favour formal small-scale enterprises, which require large sums of money like Kshs500,000 and above, as opposed to the informal small-scale businesses, which usually require less than Kshs100,000. These institutions tend to be very conservative when dealing with informal sector borrowers whom they consider risky and posing high credit delivery costs. The banks' stringent security requirements are partly due to lack of adequate knowledge about the borrowers' ability and credit history. Informal small-scale business operators are not fully aware of the packages and procedures available within the banking system.

d. Legal Issues

Most women small-scale traders encounter problem with the law. Harassment is by far the most significant. Most women, vending on the city streets, have experienced harassment by local authority officials. Local authority officials harass women especially on the streets, while administration officials harass women in the slum areas. In market areas, local authorities prefer licensing traders on a daily basis. This method exposes vendors, especially those selling on the streets next to markets, to manipulation by corrupt law enforcement agents. In most instances, there is a daily fee set for licences and the officers are left to determine how much each vendor should pay. The bureaucratic bottlenecks encountered in licensing procedures, prohibit women into entering businesses. They (women) are even harassed by trade licensing officers, who accuse them of operating their business illegally and in the wrong business premises. Studies conducted by KREP (1998), showed that most businesses are not registered and operate without registration or any license. This is the source of harassment of many enterprises with the local authorities, who confiscate goods and incarcerate the traders. Women suffer most, especially those with small children, since they are arrested and put in cells with their children, and there are no adequate measures taken to give the children their basic needs like food, and proper bedding while in the cells.

Bureaucratic procedures of acquiring a licence usually put off a majority of the women, who have to undertake domestic chores as well as queue for days on end at the local authority, waiting to get a licence. This is why the majority choose to operate without a licence, which has become a costly affair, because of the amounts of monies paid in terms of bribes to the city council 'askaris' and to the local Chief.

In summary, the barriers women face while engaging in micro enterprise are summarised in Table 2.2.

Table 2.2: Summary of Constraints Women Face in Small and Micro Enterprise Projects

Gender constraints	Effect
Societal norms and attitudes create stereotypes that devalue women's work and contribute to family income	Policy and project designers do not recognise the real value of women's economic contribution
Lower levels of formal education, often	Greater difficulty for the women to

semi or illiterate	complete business plans to enable them get loans from banks and other financial institutions
Less likely to own land or property (often for legal and socio-cultural reasons)	Less able to meet collateral requirements that are based on ownership
Dual role of income earned and housekeeper	Significantly curtails time and mobility
No policy and administrative mechanisms are in place to guide projects	Gender related mechanisms (policy and administrative)
Poor access to technology – This includes insufficient sources of technical information and skills among the women entrepreneurs	Likely to cause poor returns for women in small and micro enterprise programmes
Unconducive legal environment – includes cumbersome and centralised registration requirements, harassment from the local authorities and multiple and expensive licensing requirements	Policy planners, trade officers and local authorities do not value the contribution of women in the informal sector

(Source: IDS Bulletin 1998)

2.2 Micro Finance Institutions Assisting Women In Micro Credit In Nairobi

Poverty alleviation is one of the most important challenges facing policy makers in Kenya. Poverty alleviation has featured as a priority developmental goal, because more than half of the population live in abject poverty. Provision of micro-credit has been widely recognised as an instrument for achieving the object of poverty reduction (GOK 2001). The attractive feature of micro-credit in Kenya is its ability to address the credit needs of the poor. Micro finance institutions in Kenya have developed strategies for providing collateral free loans to poor and assetless households. The country has been going through the experience of an extensive system of micro credit involving many organisations. A number of government organisations have been involved in the micro-credit sector for more than two decades. During the last one and half decades, there has been a phenomenal growth of the coverage of micro credit. With the passage of time, the micro credit institutions are facing challenges and are operating in a changing economic environment. Therefore, an evaluation of the programmes for micro-credit and the contribution of such credit to the empowerment of women and poverty alleviation in Kenya is called for. Attempts to alleviate some of the problems facing women entrepreneurs have been aimed at promoting private enterprise and self-employment. The Kenya government, in collaboration with some non-governmental organisations, has committed itself to assisting women improve their status through micro-credit.

A majority (KREP 1998) of the micro-credit recipients in Nairobi are women. It is expected that women's access to micro-credit will reduce gender inequality and will empower them. Many of the micro-finance institutions provide other inputs in additional to credit. These inputs are expected to reinforce the impact of micro-credit on the empowerment of women. The four micro finance institutions use the group-based method in availing credit to women. A group must have about 25 –30 members, who must save a certain amount of money, for eight weeks, upon formation before they can start receiving loans. The institution makes sure that the group does not withdraw this money because it acts as security when they do not repay the loan. Usually there is an agreement between the micro finance institution and the group members that the money can only be withdrawn to repay loans that have been defaulted. This study focussed specifically on the women empowerment, taking place as a result of the activities of the micro-finance-institutions, highlighting the various aspects of changes in women's status.

a. Kenya Women Finance Trust (KWFT)

This is a woman - led, women serving and non-profit making organisation. It was founded in 1981 by Kenyan professional women in banking, business, management and law. It was started to facilitate access to sustainable financial and non-financial services to economically active, low-income women entrepreneurs. It is an affiliate of the Women's World Banking, formed after the International Women's Year Conference in Mexico in 1975. Its main objective is to advance and promote the direct participation of economically active women in viable businesses to improve their economic and social status through provision of sustainable financial and other non-financial services. This is done through access to credit and other non-financial services to the largest number of women entrepreneurs. It promotes savings mobilisation amongst the women members as one of its objectives. KWFT has improved women's access to credit facilities in many parts of the country, and it is very popular with women. KWFT eligibility criteria include women of 18 years and above, who must be holders of a Kenyan identity card and willing to use their savings as collateral to co-guarantee other members of the group, when they take loans. In addition, the woman must be a member of KWFT Biashara Credit Scheme. The average number of members in a group is 20. KWFT gives special loans to women for their hospitalisation or that of their nuclear family member, for fire on the business or residential premises and for school fees. Apart from these services, KWFT undertakes training for women entrepreneurs in business management. Currently, together with a bank operating in Kenya, KWFT has been operating a credit scheme for individual women, who require more money than that offered in Biashara Credit Scheme. The loans are administered through the bank with KWFT providing security for the women. According to KWFT, loan amounts for their clients are as follows: first loan Kshs15,000, second loan Kshs30,000, and so on. The clients are charged 1% application fee, 2% disbursement fee and 2 % insurance fee on the loans.

Table 2.3: Nairobi Region membership and Loanees at KWFT as at March 2002

Membership	Nairobi
Total Number of members	3,130
Number of active members	2,883

Number of inactive members	247
Number of drop-outs 2002	839
Number of new members in 2002	1,081
Number of groups	230
Disbursement	
Number of loans in 2002	
First loans	701
Repeat loans	1,212
Total disbursed	1,913
Amounts disbursed 2002	
First loans in Kshs	15,820,000
Repeat loans in Kshs	54,058,000
Total	**69,878,000**

(Source: KWFT 2001 Annual Report)

Table 2.3 gives a summary of KWFT loans profile in Nairobi. The Institution has been able to disburse over 69 million Kenya shillings to women entrepreneurs over the last two years.

b. Small and Micro Enterprise Programme (SMEP)

The National Council of Churches of Kenya (NCCK) set up the Small and Micro Enterprise Programme, in 1975. This initiative was a response to the desperate need of the poor people in the slums of Nairobi who had been evicted from their homes. NCCK began by giving these people relief food, but to promote sustenance, it started giving repayable grants to enable the displaced people set up small businesses. This was on realisation that the majority of poor Kenyans (Onyango 1989) have no access for credit and banking services. SMEP was started in 1975 as Small Scale Business Enterprise (SSBE)project, but changed to its current name when it delinked itself from NCCK and acquired its own legal status as a non-profit making company. Its mission is to contribute to the alleviation of poverty by providing financial and non-financial services to the micro and small enterprise sector in Kenya. Some of the objectives of SMEP are as follows:

- To promote the development of income generating activities in the informal sector.
- To improve business entrepreneur's management ability in the informal sector.
- To increase job opportunities and raise income of the target beneficiaries.
- To improve the living standards of entrepreneurs.

SMEP's outreach programme is based on the credit policy guidelines, which are based on group solidarity method. Clients are organised in groups of up to 30 people who guarantee each other's loan, hence no collateral is required for SMEP loans. These groups are known as "Kikundi cha Wanabiashara (KIWA). The level of loan is first loan Kshs20,000, second loan Kshs40,000 and third loan at Kshs50,000, and so on. The clients are charged 1% application fee, 2% disbursement fee and 2% insurance fed on the loans 2%. SMEP provides working capital loans to low income economically active people. In addition, SMEP offers consumer loans to existing clients to cater for emergencies such as medical bills, school fees or urgent business orders. It has introduced a medical scheme with Health Plan for the entrepreneurs, this being a benefit to them and their families.

Table 2.4: SMEP client base since 1998

Year	Clients	Portfolio Amount	% of Women to Men
1998	5,143	58,704,638	65%
1999	6,128	96,304,825	60%
2000	11,869	164,415,858	60%
2001	13,911	192,545,940	56%

(Source: SMEP Annual Report 2001)

Table 2.4 shows that most of the clients from SMEP are women, though the number decreased from 65% in 1998 to 56% in 2001. This has been attributed to the fact that the small nature of women's businesses (they are usually very small) has been affected by the national economic situation. They, however, hold bigger loans than men, since they are more women getting loans than men. They hold 70% of SMEP loans. So far, SMEP has been able to disburse Kshs54 million to women during the last two years.

Nairobi area, which covers Kiambu, Machakos, Kajiado and Nairobi itself, had a total of 137 groups during the first four months of the year 2002. Among these, there were 2,082 women entrepreneurs and 1,489 men, giving a total of 3,571 clients during the same period. However, there were high numbers of women who have received loans as opposed to men (SMEP 2001). What then has been the impact of the loans to the women?

c. Kenya Rural Enterprise Programme (KREP)

Kenya Rural Enterprise Programme is a formal micro finance institution specialising in micro finance. Its operations are aimed at providing loans and savings to very small businesses like the jua kali and to low-income households and individuals. Recently, the KREP became a bank, the first micro finance commercial bank in Kenya. This bank is part of the KREP Group, which is a development organisation involved in research, advisory services and the development of micro finance. Its mission is to empower low-income people, and serve as a catalyst for them to increase their participation in the development process, thereby enhancing the quality of their life. Some of its main objectives include:

- To alleviate poverty through the expansion of access to appropriate financial products for low-income people.
- To generate employment and increase income earning opportunities among low-income communities

KREP offers loans to group based 'Juhudi/Chikola', which are micro finance loans with minimum loans of Kshs15,000 per person in a group. 'Katikati' based loans are advanced to individual entrepreneurs with viable businesses to the tune of Kshs100,000. Other loans include retail loans given to people with viable businesses. KREP has been giving loans for more than ten years, with the goal of enhancing the capacity of the people and their businesses, to create more jobs for the poor. A study conducted by KREP (1994) itself, showed that the firms assisted by it had increased their level of employment by 11.5% after receiving loans. Those firms, which had received two loans, had significantly grown faster at 16.9%. Overall, firms assisted by KREP at that time grew from an average of 2.09% to 2.33% per firm. On average, KREP gives loans to more women than men. This was after the realisation that women form the core in the informal sector and they cannot be ignored. KREP has conducted various studies on the growth of micro finance sector, and the impact the sector has had on employment. Though there are no studies specifically focussing on women only businesses, KREP has undertaken several studies which give the impact of micro credit on the gender. Currently, KREP has been able to loan out over Kshs100 million to women entrepreneurs only, wither through the KREP bank or through their micro credit groups. This is far much higher than the amount loaned to men, in the last two years (KREP, 2001). This is discussed elsewhere in this project.

d. Undugu Society of Kenya (USK)

The Undugu Society of Kenya works with low-income urban communities in Nairobi in a development mode aimed at encouraging such communities to take responsibilities of their own social and economic improvement. Employment creation is one of the activities that have been identified in an attempt to make these communities economically stable. Undugu operates area offices in the three slum areas of Kibera, Mathare and Pumwani, where credit facilities are availed to entrepreneurs, a majority (90%) of who are women from the slum areas (Undugu Society of Kenya, 2001). The clientele comprises of women, who migrated to the slum areas, either with their husbands or as single mothers. These women are discriminated upon by financial institutions on the basis of poverty. They cannot afford security to secure loans. Undugu gives these women loans in form of groups (minimalist approach), usually between 25 and 30 members, who co-guarantee one another. Undugu has been giving loans to women since 1989. Currently, there are 212 women who have been supported in Pumwani, and 80 in Kibera. All these combined have been loaned a total of approximately Kshs2,000,000 (Undugu Society of Kenya 2001). Through these loans, the women have been able to save approximately Kshs1,200,00 million.

These micro finance institutions have had an impact in the empowerment of women. Although there are certain hiccups mentioned in chapter three, it is rather obvious that micro credit from these institutions has assisted women in various ways.

2.3 Theoretical Framework

Gender is the basic organising principle in societies, particularly in the division of labour in families and the communities. Gender is socially constructed and it refers to the social roles and relationships of men and women and the forces that perpetuate and change these gender relations. Women's roles in the society include reproduction, work that entails caring of the family, and production, which relates to the production of income, and community roles that are for the benefit of the whole community.

In the 1970s, the work of development centred on women and development, that is, looking at women as a marginalized group, and trying to bring them into the mainstream of development. In the 1980s, the focus of development changed to equitable development because of the shift in development from Women in Development (WID) to Gender and Development (GAD). This represented awareness that for any development to be sustainable, it must include both men and women, and the focus of one gender makes them become even more marginalized in development. GAD lays emphasis on the women's strategic goals and greater gender equality, as opposed to WID, which emphasised increased efficiency in meeting developmental goals. The premise of this framework (GAD), starts with the premise that there is unequal relationship between men and women because of the patriarchal nature of the societies, based on the cultures and other historical aspects.

Women's development through micro enterprises should be seen as a process whereby they can attain gradual control over resources and in the management, production and marketing and financing of goods and services (Oxfam 1990). This approach recognises that the economic enterprises have a potential to effect positive changes in different areas related to women's status as long as the micro credit activities have an impact on:

- Changes in the sexual division of labour in the public or private areas.
- The skills development for women enhances their productive capacity.
- Women's right to training and education.
- Access for women to new credit and financing opportunities.
- The development of leadership skills amongst women.
- Access for women to decision-making processes.
- Women challenging unequal relationship in the private sphere.
- Women's control of finances and management of their enterprises.

A framework for analysing women empowerment outlined above will be adapted from the IDS Bulletin (1998). This framework, which outlines the effects of micro credit on the empowerment of women, is based on Sara Longwe's Empowerment Model (March et al. 2000). Longwe defines women's empowerment as enabling women to take an equal place with men, and to participate equally in the development process in order to achieve control over the factors of production on equal basis with men. The framework emphasises that empowerment cannot be given; it must be self-generated. All that a gender transformatory policy can do is to provide women with the enabling resources, which will allow them to take greater control of their own lives and devise strategies and alliances to help them get there. Longwe asserts that it is not only important to assess the levels of women's empowerment which a development intervention seeks to address. It is also important to identify the extent to which the project objectives are concerned with the women's development, to establish whether women's issues are ignored or recognised. The framework has two weaknesses, that is, it does not include time as a variable, since it realises that gender analysis change over a long period of time. It does not specify whether development interventions should target women-only, men-only, or mixed groups. Women's empowerment must be the concern of both women and men, and the degree to which the project is defined as potentially empowering women is defined by the extent to which it addresses women's issues (March, C. et al. 2000).

It has, therefore, been found necessary to incorporate Caroline Moser, Strategic Gender Needs Framework, so as to see how time affect the roles of women in the society.

Caroline Moser identifies the triple role for low-income women in most societies. These roles consist of reproductive, productive and community managing activities. Reproductive roles involve childcare and maintenance of the household and its members, including child bearing. Productive roles involve production of goods and services for consumption and trade, while community management activities include the collective organisation of social events and services. These include ceremonies and celebrations within the community. The framework recognises that women perform reproductive and community management activities, alongside their productive work, and the framework make visible work that tends to be invisible. Ultimately, it aims to ensure that tasks are equally valued (March et al. 2000). For example, women's reproductive workload can prevent them from participating in development projects. When they participate, the additional time spent in businesses or trainings means less time spent on other tasks such as childcare or food preparation. The framework further recognises that women have particular needs which differ from those of men as a group. This is not only because of their triple roles, but also because of the subordinate position to men in most societies (March et al 2000). These needs are classified as strategic and practical gender needs. Practical needs are those which, if they are met, would assist women in their current activities. These include water provision, health provision and provision of housing and basic services. The strategic gender needs include gender division of labour, power, issues that deal with legal rights, domestic violence, women's control over their own bodies and equal wages amongst others. These needs, if they were met, would enable women to transform existing imbalances of power between women and men (March, C.et al. 2000).

Both Longwe's and Moser's frameworks aim at the achievement of empowerment and equality of women. The two frameworks have been used in this study to complement each other – whereas the Longwe framework does not look at how men and women relate, Moser's framework emphasises what men and women do and resources available to them, and looks at powers within the households. Moser looks deeply into the different roles women and men play in the society, and states that they have different needs. The combination of these frameworks helps in analysing women's empowerment, which shows a complete interlink of one level with the other. The frameworks allow for empirically based investigation of connection between women's diverse individual and collective strategies at different levels, rather than imposing a preconceived idea of material concerns. The frameworks propose that for any empowerment to be realised, the needs of women should be met, and actualised.

2.4 Assumptions

The following assumptions guided this study:

- The loans advanced to the women in micro credit went into business as per their original plan.
- The loans empowered the women socially and economically, and their position in decision making at the family and community level improved.
- The women invested the business profits into their businesses or diversified into other businesses.

2.5 Conclusion

This chapter has defined the background of the study. Relevant previous works on micro credit have been discussed. The chapter has raised key questions which were investigated in this study. The chapter also spelt out major questions and the theoretical framework which guided the study. The frameworks used are drawn from the works of Longwe and Moser. These help to explain distinctive similarities in the empowerment of women.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the various methods and instruments used during the study. The items discussed include the research site, research design and research methods/techniques.

3.1 Research Site

Nairobi is the capital city of Kenya and it is situated on the highlands east of the Great Rift Valley. It has an area of about 693 square kilometres. The city is one of the eight provinces of Kenya, and it is divided into seven administrative districts referred to as divisions. It is composed of eight constituencies, namely, Westlands, Kamukunji, Starehe, Kasarani, Makadara, Embakasi, Langata and Dagoretti. It has a total population of 2,143,254 million with 989,426 and 1,153,828 females and males, respectively (GOK 1999). The breakdown of this population by gender and division is shown in Table 3.1

Table 3.1 Population Census of Nairobi by Gender and Division

Division	Population figures	Population figures	Total population figures
	Female	Male	
Makadara	108,773	88,661	197,434
Central	129,464	105,478	234,942
Kasarani	183,320	155,605	338,925
Embakasi	227,098	207,786	434,884
Pumwani	109,809	92,402	202,211
Westlands	111,209	96,401	207,610
Dagoretti	125,072	115,437	240,409
Kibera	159,083	127,656	89,086
Total	1,153,828	989,426	2,143,254

(Source: GOK 1999).

The population density of Nairobi has been relatively stable since 1979. This is shown in Table 3.2.

Table 3.2 Growth Rate of the Population in Nairobi for the since 1969

Province	1969-79	1979-89	1989-99
Nairobi	4.9%	4.7%	4.8%

(Source: GOK 1999)

Though the population has been relatively stable in Nairobi, it is the highest in all the urban centres of Kenya, most probably because it is the capital city, and people from rural areas tend to move into Nairobi in search of jobs.

3.2 Research Design

This study was done in four main phases, namely, exploration, data collection, data analysis, and data interpretation and presentation. Each of these phases was designed to perform a particular role. For instance, phase one (exploration), was designed to provide background information to the study. It involved pre-visits to the research site. The objective of this phase was to identify the research problem, the women groups/individuals as well as to generate clues useful for the construction/formulation of sensible interview questions which were used during the data collection phase. Phase two involved the collection of data. It involved mainly Focus Group Discussions (FGDs), interviews, direct observation and library research. Phase three involved data analysis. It was designed to provide crucial as well as relevant information for the sake of interpretation and presentation of the research findings. It involved sorting, classifying, identifying, describing, assessing and defining the collected data. Phase four involved the interpretation and presentation of the data. This phase was aimed at answering questions raised in the research problem.

3.3 The Population and Study Sample

Ten micro credit women groups and five successful businesswomen, who had received micro credit loans from KREP, KWFT, SMEP and Undugu Society of Kenya formed the basic study population. Four micro credit managers from the four micro finance institutions, constituted the population sample for key informant interviews. The above four MFIs were selected because of their direct involvement and long history (over fifteen years) in dealing with small and micro enterprises. They have also a large pool of clients as compared to those from other MFIs in Nairobi. Their operations are based in their area offices, located in Kawangware, Pumwani, Buruburu, Nairobi West and Kibera, which cover all constituencies in Nairobi.

With the assistance of the micro credit officers, an effort was made to reach all micro credit entrepreneurs, being women operating in Nairobi, and those who have been supported by the MFIs in the last five years. In all, a total of two hundred and five women entrepreneurs operating in Nairobi were reached. A further four key informants were reached. These were credit managers in these MFIs.

3.4 Data collection

Data collection was aimed at obtaining relevant information to the study. This exercise involved the collection of both primary and secondary data. The exercise was carried out between June and July 2002.

Ten women groups, five individual women and four credit managers were targeted in primary data collection. Focus Group Discussions (FGDs), direct observation, library research and interviews were the main methods employed during the collection of the data because of their appropriateness as far as the study was concerned.

Ten Focus Group Discussions (FGDs) were conducted. These consisted of a minimum of eight and a maximum of twelve members. The women in the Focus Group Discussions were selected during the weekly group meetings, whereby they repaid the loans. The discussions were aimed at evaluating/assessing the impact of loans/credit services advanced to these groups in developing or running their micro enterprise business ventures. Focus group discussions were organised in the form of a mini-symposium where group members sat together to discuss freely among themselves, the specific topics or issues of interest to the researcher. A focus group discussion guide (see Appendix iii) was used to facilitate the discussions. During the discussions, each member of the group was accorded a chance to contribute her views freely. The researcher moderated all the discussions for the purpose of maintaining focus among the group members, while the assistant recorded the proceedings. The FGDs as a method of data collection was deemed appropriate in this study because of its relevance and suitability.

- Individual experience was clearly demonstrated.
- Individual memory and knowledge was checked by other members.
- Helped in the identification of individuals or groups who were more affected negatively or positively.
- It enabled the researcher to come up with general suggestions, opinions, views or recommendations.
- It enabled the researcher to grasp the participant's first reactions to sensitive issues.

Five individual women were selected for interviews during the data collection phase. These were the women who had developed their businesses to macro level after receiving micro-credit loans. The criterion for selecting these women depended mainly on their achievement in their enterprises. The object of this sample was to interview individuals who have been positively affected by the loans received.

A questionnaire containing mainly open ended questions was designed to facilitate the interviews. A questionnaire, consisting of thirty-five questions covering most relevant aspects of the study, was administered by the researcher and her assistants.

Four individuals, as stated previously were selected and subjected to interviews through questionnaire. In this study, they were considered as key informants because of their knowledge and direct involvement in granting loans and monitoring the performance of these loans. Their selection in this study was therefore based mainly on their involvement and relevant knowledge of the whole process in micro financing of women credit groups, which were targeted in this study.

Direct observation was also an important method of data collection. As most anthropologists affirm, this method gives one an intuitive understanding and maximises the researcher's chance of making valid statements. The researcher was able to observe some of the women group members carrying out their businesses, particularly at the market places.

Documentary materials such as books, dissertations, theses and seminar papers were reviewed for secondary information. The method was useful in obtaining some basic data on the subject of study as well as relevant theoretical orientation. The researcher was able to identify some of the existing gaps related to the impact of micro credit on women. Finally, this method provided the yardstick of comparing what has been documented with the study findings.

3.4 Data Analysis

Data analysis was designed to provide crucial and relevant information from the data collected in relation to the study. It involved sorting, classifying, identifying, describing, as well as defining the collected data. All variables generated from Focus Group Discussions, questionnaires, observations and library research were categorised and analysed individually. Qualitative technique of data analysis was preferred for this study. Indeed, in a qualitative study, the researcher can identify the relations of the various decisions on behaviour at an individual level and get a clear picture of the adoption process (Khasiani 1992:3)

3.5 Data Interpretation and presentation

Data interpretation was aimed at answering questions or issues raised in the research problem. Data presentation was carried out in this study with the major purpose of communicating the results acquired from the research to the reader.

3.6 Problems Encountered in the Field

The researcher experienced some problems in the field which threatened the process of data collection. The researcher had wanted to meet the women credit groups during their weekly meetings. However, some of the women in the groups came late for the meetings, thereby delaying the data collection. The researcher had to wait sometimes from 9.00 a.m. to 3.00 p.m. for the women to turn up. At other times, the researcher waited for the women to repay their loans and attend other group functions before they could be involved in focus group discussions, thereby delaying the research.

Some key informants were attending to the clients during the interviews, and this delayed the data collection. One interview with a key informant was postponed halfway, to allow the informant to attend a meeting called by the local Member of Parliament.

3.7 Conclusion

This chapter has highlighted the methods employed in this research work. It has presented various techniques applied in each of the main stages in this project. These stages include exploration, data collection, data analysis and data interpretation and presentation. The usefulness of each technique has also been outlined.

CHAPTER FOUR

RESEARCH FINDINGS

4.0 Introduction

In this chapter, the main findings of the research project are reported. The first section of the chapter deals with the women's voices, being two case studies of two women interviewed, who have previously benefited from two micro finance institutions. Thereafter, findings on micro institutions empowerment of women are discussed. It expounds on the impact these institutions have had on women.

4.1 Micro Finance Institutions and Empowerment of Women

Empowerment of women, be it thorough micro finance institutions or in education, needs concerted efforts of a all stakeholders, right from the state, to give the necessary political will in form of the policy development and any other practices that promote inequalities amongst the men and women entrepreneurs. In order to effectively address gender concerns in micro finance sector, the micro finance institutions need to reorganise internally in terms of personnel, particularly the management structure. This should be reflective of both men and women who are sensitive to gender issues. The idea is to enable the micro finance institutions to have personnel who are committed and are in authority to be able to streamline gender issues in the micro finance policies. The institutions should closely network with the gender-based institutions for better incorporation of gender issues into their lending programmes. The following are findings, which the research came up with.

4.2.1 Voices from Women Clients

The voices of clients demonstrate the impact the micro credit has had on them. Their stories illustrate the many ways in which institutional credit and savings services have helped them start, diversify their enterprises, to increase their incomes, to improve the quality of their life and those of their dependants, and to create employment for others. The stories also describe how micro finance can help in hard times at household levels and the role it can play in promoting women's self-confidence. The two clients represent a majority of those who have benefited from micro credit. Their names have been changed to protect their identity. The study therefore uses pseudonyms.

- Theodora

Theodora runs a small shop in Kibera where she sells household wares and green vegetables. She started as a hawker in the nearby Adams Arcade, selling green vegetables to the residents of this area. However, she was unable to support her family of six, being a single mother, from the sales of hawking. She was then introduced to the Kenya Rural Enterprise Programme by her neighbour, and joined a group of thirty men and women. The programme gave her a small loan of Kshs15,000 which she used to increase her stock of green vegetables and the rest to rent a permanent shed for the business, as well as buying household wares like plastic cups, spoons, knives and steel wool. Her income increased from the sales of these products, and after repaying her loan, she took a second loan of Kshs30,000. She was now able, apart from increasing her stock level of household products, to put up three semi-permanent houses in Laini Saba Kibera for rentals. She wanted to do this so that she could rent two rooms and live in the other one. This way she did not have to pay rent. As Theodora expanded her business, she started looking for orders to supply vegetables in institutions in Nairobi. By this time, she was earning Kshs1,000 per week, excluding rentals from the two rooms, which brought a monthly income of Kshs700. She got two contracts to supply fruits and vegetables in two restaurants in the City centre. Her activities increased and she got a third loan of Kshs45,000 and she was earning Kshs2,500 per week. By late 1998, she was able to provide for her family and she had saved more than Kshs10,000, most of which was banked with the Post Office Savings Bank.

Theodora estimated that before she got the KREP loan, her hawking business used to generate Kshs400 per week. After her business prospered, she was able to put up her own permanent shed for the business, as well as putting up two more semi-permanent rooms for rentals. The rentals brought another Kshs2,800 per month, while the vegetable and household wares were netting another Kshs15,000 per month, after all the expenses had been deducted. Thus, in 3-4 years, Theodora was able to expand and diversify her household economy from a poor hawking business to a prospering set of micro-enterprise. Theodora expressed her success as follows "meeting with other women in the KREP groups, helped me to think beyond hawking and expand my horizons. I became confident and I was able to walk paths I would never have been able to walk as a simple single mother hawker".

- Mukami

Mukami runs a hairdressing saloon in Nairobi. She started as an employee in one of the many hairdressing saloons in the city centre, and decided that she would want to start her own business. Armed with her savings, she bought a drier, a steamer and other hairdressing accessories. She rented a kiosk and started receiving customers whom she had met in the course of her employment. One of the customers talked to her about the Kenya Women Finance Trust, and their credit programme. She was hesitant about borrowing money, but nevertheless enquired about the scheme from other beneficiaries. Armed with enough information, she went to KWFT's offices to enquire about the loans. She was advised to join a group of thirty women, which she joined and benefited from a first loan of Kshs15,000. Mukami bought hair products and a hair drier. She employed two girls to assist her in the business, so that she could cope with her clients. She increased her monthly income to a net profit of Kshs15,000. After she repaid the loan, she secured another one from the same MFI, and she was able to move from the kiosk to a permanent location, thus increasing her customers.

During the interview, Mukami expressed her satisfaction with the scheme by saying, "I never knew how to prepare a business plan and cash flow sheet. Now I can do it with all confidence. I have been able to take my daughter to secondary school and my son to a boarding school from the income I get from this business. I know with determination, I can make it. I am now independent and I do not have to rely on a man for income." Mukami is now registering with KWFT to get money from a bank, so that she can open a 'Kinyozi' alongside her hairdressing saloon. " I realised that many of my customers who want their hair cut short have to go to other places. I want to bring services closer to them, by offering a '*unisex Kinyozi*".

The two women have prospered and they are now confident, that they can get loans from the bank. Though these were the only cases documented in this study, there were many more interviewed, and they related the same scenario. In most cases, credit has enabled the borrowers to have ownership of the equipment used in the activity, like sewing machines, knitting machines, instead of hiring and thus has acted as an incentive for them to work hard to enhance their incomes. Increase in employment for many women has been reported in all micro finance institutions and an increase of women in the country's labour force. Increase in the labour force is also noticed amongst members who have not received credit, like family members and other employees, employed by those who have received finances from micro finance institutions. Case studies undertaken on women borrowers of micro-credit and other credit programmes narrate how the hard working women have been engaged in income earning activities and thereby increased the household income. Women have been able to invest incomes from small-scale businesses and they have been able to buy plots to build, thereby enabling them to own property of their own.

Micro finance institutions are expected to raise the welfare of the poor, especially women. They would help raise social welfare by promoting human capital investment in child-care and education. However, they cannot be the sole instruments of poverty reduction. Other factors like training contribute to the poverty reduction (IDS Bulletin, 1998). However, the most effective tool for assessing the benefits of a micro-credit programme is the measuring of its impact on the poor in terms of employment, income, consumption, assets, nutrition and children's schooling amongst other things. The immediate impact of having access to credit from a micro finance institution is on employment and consequently income. Income and employment effects may have impact on other outcomes mentioned above like education and nutrition. This study relied on information from the micro finance institutions, library research and from the clients, to assess the impact.

4.2.2 Impact of Micro Credit on the Women

This section reports the main findings of the research project. The first part presents the positive impact of credit on the women. The second part presents the negative impact of the micro finance and, lastly, crucial information from the key informants on effects of micro credit.

1. Positive Impact of Micro Credit on the Women

- There has been an increase in women's confidence and assertiveness. This was shown by the fact that, when women received loans, they had the power to make decisions on how to spend the loan money and the income thereof.
- The women have been able to get income from businesses, which they have invested in equipment and other assets.
- The women increased their skills and literacy, as a result of receiving training.
- The women were able to access markets when selling their commodities. They were able to move from one market or location to another to compare the prices of goods and services. This gave them an opportunity to explore new markets and hence new customers.
- Through the discussions, it was found that over 60% of the 120 women assisted by the micro finance institutions are from the poor urban slums. During the discussions, 60% stated that they have been able to take their

children to school from the profits they make from their businesses. Others said that they have been able to put up shelters for their businesses, as well as residential houses (Jasho group). One woman in focus group discussions, confessed that though the micro finance institutions do not allow them to invest in beer industry, she got more customers in beer business and therefore opened a bar, which has been doing very well. She hopes to expand and incorporate a butchery in future.

- There was noted improved health and nutrition for the family. The training received and the income level improved the diet in some homes, as a result of income, to purchase food.
- Some women (for example, Mukami) developed the ability and willingness to act as role models for other women entrepreneurs, particularly in lucrative and non-traditional occupations.
- The women have been able to learn how to develop business plans, which can enable them get loans from banks and other financial institutions.
- Most of the women (60%) in the focus group discussions reported that they have been able to diversify their businesses as the demand increased. They had expanded their businesses and even moved to permanent and bigger locations.
- Incomes have been reported to have increased and the women have control over this income, though most of it is used for the family. However, some women reported that they were able to invest in shares, like those of the Kenya Airways, and to build rental houses.
- The women have been able to manage the loans they have received. This was shown by the fact that they were able to repay their loans and get further credit from the micro finance institutions.
- Employment creation has been reported in some of the businesses. Although the figures were negligible, the women have been able to employ five family members. At least twenty women related this experience. This was further confirmed by KREP (1994), which indicated that in the period 1988-1992, the number of people employed by micro and small enterprise rose from 20.0% to 27.2%, showing the potential of growth in this sector.

- Training which has been given to women has challenged them to move to the banks for loans, as well as to open up new business ventures. Those subjected to focus group discussions reported that they were able to prepare proposals for their businesses, as stated elsewhere. Others said that they are able to calculate their profits and they price their products through looking at the expenditures and the profit margins. This was specifically expressed by one focus group discussion from Pumwani.
- More that 40% of the women subjected to focus group discussions, (50) reported that they were able to employ child minders for their children while they are doing businesses. However, these were found to be the more affluent ones, from observations, because they were running businesses in like hair saloons in affluent areas. Studies also conducted by (KREP 1998) amongst the women who have received micro finance support, indicate that some of them are now able to employ child minders while they attend businesses, thereby confirming the women's sentiments. This has increased their productive capacity in the micro finance sector, because they spend more time on their businesses.
- The women from Undugu micro credit groups told the researcher they have been able to save over Kshs2 million, which showed that the women have been empowered in savings mobilisation. They are able to save money for future purposes. The story was the same with the other groups from other institutions.
- Members of Jasho Kali were able to purchase two rental houses with three rooms, with the proceeds from the loans. The members contributed Kshs5,000 each, which was used to buy the two houses. The rental houses are used to generate income, though rentals are divided every year among the group members. The rooms have electricity and the group charges rentals of Kshs1,300 for each room per month, giving a total income of Kshs3,900. This translates into Kshs46,800 per year, which is divided amongst twenty-five group members. Each member gets Kshs1,872 per year. Though this does not seem a lot of money, it contributes towards fees and other household activities. Two women from the group told the

researcher that they used the money from the proceeds to pay school fees for children.

2. Other Findings

The above micro finance institutions have had women dropping out of the programmes, and this was attributed to high economic problems and calamities that have forced a 40% of the women in the focus group discussion sample out of businesses. These include fires, slow growth rate, meaning few customers in the business, demolitions of business structures and some women relocating to the rural areas with their families. The other reasons for dropping out were explained by the women as follows:

- Too much demand from the groups because of the weekly meetings as required by the micro finance institution policy procedures of all groups.
- Repayment rate: the weekly repayment terms of the loan drive some women out of businesses, because they are unable to accumulate enough funds to repay the loans weekly. They said that some weeks they have good businesses, whereas there are some weeks with lean businesses.
- High interest rates, which they complained take so much of their profits. These rates at 22% are, however, lower than the bank rates (KREP, 1998).
- Group members co-guaranteeing one another: Some women disappeared upon receiving loans, and this meant the group members re-paying the loans on behalf of those who had defaulted. The women thought this was unfair because this makes them stretch even further into poverty by paying for a loan they have not put into their businesses. One group from Undugu Society of Kenya collapsed because their savings were taken to recover the loans, which some members had not repaid for long. Two group members died leaving high debts while two others were unable to repay. The group had not taken out security for the loans and thus their savings had to be taken to repay the loans.
- Failure by the micro finance institutions to support women during the harsh economic times. They are required to repay loans, even when they

do not make any sales at all. When they fail to repay loans, their personal assets are sold to recover the same. This, they say, leaves them worse off than they were before they received the loans.

- Some complained of the loans taking too long to be approved, due to the fact that they are asked to wait for eight weeks after five members from the group have received the loans. This is usually used as a measure by the micro finance institutions to identify the early defaulters in a group, thus encouraging group pressure. Group pressure involves members pressurising the group members to repay loans so that they can also receive.
- One entrepreneur (Kanuku Kaba Thayu) told the interviewer that she had to give up beer business because of the bribery incidences involved. She said that the police came on a daily basis to her premises and if they did not receive a bribe, they would threaten to arrest her and she would end up bribing them. All her profits, as she said, went into bribes, so she decided to close that business and start a food kiosk.

Despite the above, the women subjected to focus group discussions and interviews, expressed satisfaction in KWFT, SMEP, KREP and the Undugu Society of Kenya. The told the researcher that they had been able to meet their family requirements since they received loans from the MFI's.

4.2.3 Problems Experienced by Women in Relation to the Businesses

Other problems the women face in the micro credit business world include the following:

- Competition from the big businesses, especially those buy in bulk. One group in Pumwani, Kyeni Cha Magadi's income has drastically reduced because of competition from the Indians in River Road. The women used to buy salt from Magadi and bring it to Nairobi for their customers. When the Indians realised that salt has a lot of income, especially that used for cattle, they started buying in bulk and thereby drove the women out of business. One woman, Syokau (not her real name), used to buy and sell over 100 bags within a month. Today, she can only manage to sell one bag per month. The Indians, who buy in bulk, usually reduce the prices, thereby driving out the small entrepreneurs, who cannot purchase in bulk and enjoy discounts. The small entrepreneur usually sells at a higher price than the Indians and so customers have shifted to the Indians.

- The harsh economic conditions have had an impact on the purchasing power of Kenyans. Kenyans are now buying basic commodities from the places where they can get them cheaply. Inflation has taken toll on the pockets of the Kenyans. Their purchasing power has gone down, as the economy has reported negative economic growth (-3%).
- The women felt that their husbands abandon them when they see that they are receiving income, and the leave family responsibilities to them. About fifteen women from the sample, told the researcher that their husbands had abandoned them and they had to seek alternative means to fend for their families.
- In some cases, domestic problems like sicknesses and deaths in the families have affected the entrepreneurs. HIV/AIDS in Pumwani has affected at least five women in one group. These women have had to take care of orphaned children of their children, straining their incomes.
- Harassment from the City Council 'askaris' has made some businesses close down. Demolition of kiosks and the temporary closure of businesses has had a negative effect on the women in the small enterprise sector. Those who sell their wares in the town centre have not been spared, and twenty women in the study sample have had their wares confiscated. Ten women in two groups, in the study sample, revealed that they had lost their wares on several occasions through the City Council raids on hawkers. Militarisation was cited as one of the worst forms of harassment women face, especially those operating on the streets.
- Corruption and money for the 'chiefs harambee' are other factors that have affected women in micro credit. The chiefs in places like Kawangware, Mathare and Kibera are in the habit of rounding up both women and men entrepreneurs and ask them for 'harambee' money. The

chiefs' 'askaris' also pass by the businesses on a daily basis to ask for bribes from the women.

- There was a problem cited in legislation against informal vending in the city streets. The groups felt that licences are very expensive and they take too long to acquire, especially hawkers licences. Thos caught in the streets are hauled into the City Council and Police cells, in many cases, they have to 'pay off' the 'askaris' to buy their freedom.
- Sixty percent of the 200 women interviewed from SMEP, Undugu and others, were of the opinion that the micro finance institutions should give loans to individuals and not groups, as members prefer to repay their loans and not of those members who have defaulted.

4.2.4 Findings from the Key Informants

The following information was obtained from the micro finance institutions' informants.

- Women repay loans better than men. They are responsible and reliable because they usually repay loans. At the KWFT, the repayment rate of loans amongst women is 98%, according to the informant. At SMEP, the 98% repayment rate is reflected on women entrepreneurs. They usually repay all their loans as opposed to men. The men's repayment rate, for example, in SMEP is usually 95%. Women fear being exposed to the chiefs when they do not pay.
- Peer pressure amongst women works better than among men. The women fear being reported to their husbands or chief that they are defaulting on their loans. This is basically a gender stereotype feeling that women fear their husbands and they would want to protect their image.
- The retrenchment has affected the informal sector because most of those retrenched (over 90%) ventured into the informal sector, thereby flooding the already strained sector.
- The harsh economic problems and other calamities have affected the businesses, especially in urban areas. Clients from SMEP last year experienced a fire outbreak because most of them from Pumwani (60%),

were based at Gikomba market. Demolition of kiosks affects clients from basically all micro finance institutions. The informants stated that government should exercise restraint when dealing with small entrepreneurs because they make them poorer by demolishing their business structures.

- One informant said that women pay better because of the family commitment. They would not want their household goods sold for not repaying the loan. The majority (80%) of women, according to the informants, never squander the money through drinking or gambling like their male counterparts. In cases where they divert, they divert the loans either to pay school fees or to pay rentals. They divert their money for family commitments. Men, on the other hand, can divert their money through drinking or undertaking a risky business without investigating the business first.
- The UNESCO/University of Nairobi credit programme, which was being administered by Undugu to the street family, has had certain benefits especially to the women. The informant from Undugu reported that in one group, 75% of the loans have been repaid whereas the other group has repaid the loan in full. The loans were given to street families, which were identified on the streets, the majority (the ratio being 7:3 women to men) were given loans. A few of these street families left the street, the number being 5 out of 25 identified clients. Mathare Kwarahuka has been the best group with all the loan repaid and members settling back at home. The Bidii Undugu failed in repaying the loans, according to the informant, because of the following:

  i. The group had a hangover of thinking that the loans were grants, hence they did not want to repay. They never took the loans seriously, and the concept of a loan was not fully explained to them.

  ii The loans were heavily subsidised and the interest charged was 10% instead of the 20% Undugu charges the other clients. The clients diverted the money to drinking or they disappeared after getting the loans.

iii There was very little capacity building undertaken and the UNESCO/University of Nairobi team seemed to be in a hurry to give out the loans because there was money. Those given the loans, especially the youths, just disappeared. Some women/girls (5%) of the 25 group members bought equipment with the loans like steamers and hair dryers for those in hairdressing and tailoring machines for those in tailoring businesses. It is worthy noting that some (45%) of the loanees are successful in the businesses they started.

(g) The women manage their money very well and they do not use it for leisure or drinking, like men. The informants said that the women would only divert the money for the family needs like rentals, food or school fees.

(h) The informants felt that access to credit and market are still limited. The women's bargaining power in terms of the price of their products leave a lot to be desired. They felt extensive training and education can fill this gap for the entrepreneurs.

(i) To ensure sustainability of micro credit institutions, the informants felt that more markets need to be opened up and the economic growth rate of the country improved. This would ensure that women get value for the goods they sell, and it would protect them from the stiff competition from the Asian community.

4.3 Conclusion

In conclusion, it can be said that though women have experienced various problems in the micro finance, they still made profit, which was shown by the benefits reaped from the loans. Sûpport in terms of training and education should be provided because 40% of the women in the study sample expressed a need for training, especially on market survey.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this final chapter of the research project, an attempt is made to reach conclusions based on the research findings. This will be followed by a list of recommendations for the micro finance institutions, which offer credit to entrepreneurs. The final section of the chapter suggests possible areas for future research.

5.1 Conclusions

Arising from the data presented and discussed, the following major conclusions can be made on micro finance institutions and women empowerment in Nairobi.

- The findings indicate that micro finance should be tapped as a strategy for sustained incomes and change of the stereotypic attitude that women cannot manage their own incomes. Caution must be taken not to use women who are to benefit from micro credit as a homogeneous group. For example, credit can reach very many people, especially the poorest of the poor in urban areas. However, in most areas where the population has low levels of income, amongst the street families and those affected by calamities like droughts, a better strategy of reaching them through micro credit can be devised. It must be admitted here that it is not only credit that can uplift the poor. There are certain mechanisms that must be put in place to allow the right climate. For example, expansion of the informal sector would perhaps extend the marketing products to the Common Market of Eastern and Southern Africa (COMESA) regions and out of the urban centres. The other mechanism should include the production of quality products that would compete in the foreign markets.

- In order to effectively address gender concerns in the micro finance sector, the institutions should also reorganise internally in terms of personnel and particularly in the management structure. This should be reflective of both men and women who are gender sensitive to gender issues. The idea is to enable the micro finance institutions to have personnel who are in authority committed to the streamlining of gender issues in the micro finance sector.
- All the women interviewed had some problems or complaints which they reported as having an impact on their businesses. The main problems cited related to the repayment schedules, which they said are too strict, and lack of proper guidance and follow-up form the MFIs. These findings showed an indication that the MFIs need to look into the repayment and follow-up schedules, for better monitoring of the impact they have had on the clients.
- All borrowers from the sample who operated tailoring and hair saloon had the best returns in terms of profits than those of petty trade like selling of perishable goods like 'sukuma wiki' and bananas.
- More that 60% of the study sample do not have any other source of income and depend on their business for livelihood. They viewed running business as a major step in their growth, because they can count on an income, whereby they do not rely on their spouses for money.
- Seventy percent of the loanees from the sample started their businesses from their own savings. Others turned to their relatives and friends for this support. This finding points to the significance of external sources (such as MFIs) for funding business ventures.
- The loanees from the four MFIs are mature people. The findings from the study indicated that 60% of the beneficiaries were over 35 years of age. This is an indication that most of the young generation are not adequately represented in the loan schemes of the MFIs.
- Twenty percent of the women in focus group discussions indicated that the weekly repayment schedule has forced them to borrow money from their spouses to repay the loans. The finding showed that the MFIs must lay down monitoring and evaluation tools, which look into the impact the

businesses have on the individual women. It would be fruitless to subject women to worse off situations than they were before receiving the loans.

5.2 Recommendations on Women Empowerment

Based on the research findings and conclusions therefore, the following recommendations are made:

- The micro finance institutions should look into the internal structures and make sure that there are women in decision-making process in the MFI's. The micro finance institutions are not gender sensitive in their structures, and this makes it difficult for them to address gender issues in micro credit.
- The institutions should look at the public they serve, not as a homogeneous group, but as a heterogeneous group that includes people who can be differentiated as women, youth, women with disabilities, age and education levels. This will help appreciate the need for alternative mechanism to be used to supplement the efforts that the institutions should undertake in sensitising the women and the public on issues of empowerment of women through micro credit.
- Micro finance institutions should get concerned about high repayment rates by women entrepreneurs despite the fact that some businesses recorded very low growth rates. It is therefore necessary for the MFIs to put in place monitoring and evaluating programmes for the growth of the financed businesses.

5.3 Recommendations for Future Research

Although there is substantial documentation on the nature and extent of women's participation in micro enterprise, there is scope for more research. Future research on this subject could focus on:

- A national study, to establish the impact of micro finance institutions and women's empowerment.

- The extent to which levels of education may empower loanees to repay their loans promptly.
- The role played by women role models in supporting other women entrepreneurs in the micro finance institutions.
- The best practices in empowering women, so that this information is documented for reference in various academic studies.
- Political and environmental factors affecting the empowerment of women in the micro finance sector.

5.4 Conclusion

In conclusion, the impact of micro finance institutions on women does not just affect women alone, but the family unit and society as well. Once women have better incomes, the nutrition in the household improves because they tend to give their families balanced diet. The impact of micro finance institutions on women's empowerment is not fully understood, especially at the national level because studies concentrate on the main urban areas.

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APPENDIX 1

Groups interviewed included:

1. Kanuku Kaba Thayu group
2. Kyeni Cha Magadi group
3. Bidii Undugu Group
4. Kitui Beba Twende group
5. Kangeto group
6. Bright Moon group
7. Talajio Self help Group
8. Tupendane Tusaidiane group
9. Jasho Kali group
10. Mathare Kwarahuka group

The interviewed women and Credit Managers (key informants) were from the four micro finance institutions, namely;

- Kenya Rural Enterprise Programme (KREP)
- Kenya Women Finance Trust (KWFT)
- Small and Micro Enterprise Programme (SMEP)
- Undugu Society of Kenya (USK).

APPENDIX 11

INTERVIEWS

1. Background information of the interviewee:

    a. Name...

    b. Marital status...

2. What is your level of formal education?

    a. none.........................
    b. Primary....................
    c. Secondary.................
    d. Diploma or University.......
    e. Adult literacy.......

(please tick one)

3. What is your total annual income from earnings, other than business? (Kshs..........)

4. What was the main source of your initial capital?

    a. own savings.......
    b. Savings of partners/business.........
    c. Gift from spouse............
    d. Gift from relatives.........
    e. Loan from an NGO.......
    f. Loan from a cooperative/money lender/bank
    g. Others (specify).......

(please indicate)

5. When did you start your business? Indicate the year........

6. How much capital did you use to start your business? (Kshs...........)

7. You are under a credit scheme. When did you become a client of this institution? (specify the year........)

8. How did you become a client of this institution? (explain...
....
....
....

9. How much credit did you use to:

a. Invest in the business (Kshs……….)
b. Meet family financial needs (Kshs…………….)
c. Deposit in a savings account (Kshs……………)
d. Other (specify………………...) (Kshs…………)

10. How many other micro finance institutions have you obtained credit from?

MFI	Year	Kshs
a…………………	…………	………………
b…………………	…………	………………
c…………………	…………	………………

12. Did you receive any other form of assistance from the MFI?

If the above is yes, in what form?

a. Training……………………
b. Marketing products…………
c. Others, specify…………………………

13. For the last one to two years, how would you say your business has been doing?

a. Very good………………..
b. Good……………………..
c. Satisfactory………………
d. Poorly……………………

14. Comment on your above answer
……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………
…………

15. Have you been able to repay your loan in full? If not, give reasons……………… ………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

16. How many employees did you employ when you invested the loan into the business?………………..

17. How much do you get from your daily sales? (Kshs………………)

18. How much do you save from your daily sales? (Kshs…………….)

19. Have you changed the nature of business since you started? If so, which one did you change to?………………………………

20. Why was there a need to change?
……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

21. How do you use your finances?

Item	Kshs
Food	………………
Rent	………………
School fees	………………
Water	………………
Transport	………………
Savings	………………
Other (specify)	………………

22. How much do you invest in business per month? (Kshs………….)

23. Who else contributes to your family requirements?……………………………… How much do they contribute in Kshs………. per month?

24. How many hours do you spend in your business per day?………………………

25. How many hours do you spend on household chores per day?
……………………………………………………………………………………

26. How often do you experience problems of the time between your domestic roles and business management?
    a. Always……….
    b. Sometimes……..
    c. Rarely…………
    d. Never…………

27. How would you say that your business has grown since you got finance?

    a. Very well……
    b. Well…………
    c. Poorly………
    d. Very poorly……..

28. What are the general problems that you encounter with regard to your business?

....
....

30. Are you able to meet most of your business needs now, than before you got finance?........

31. Why do you think so?...
....
....

32. What future plans do you have with regard to your business?
....
....

33. How best can the government authorities assist you?
....
....

34. How best can MFIs improve to offer better services?
....
....

35. Any other comment?
....
....

APPENDIX 111

GUIDING QUESTIONS FOR THE FOCUS GROUP DISCUSSION

Below is a summary of the questions addressed in focus group discussions.

1. The micro finance institutions.
2. The need for credit in business
3. How to identify group members.
4. Sources of information for micro finance institutions.
5. Women's perception of credit.
6. Opinions