INFLUENCE OF MICRO-FINANCE INSTITUTIONS GROUP LENDING MECHANISM ON ENTERPRISE DEVELOPMENT OF RURAL WOMEN IN TRANSNZOIA WEST SUB-COUNTY, KENYA

By

Wycliffe Mabonga

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DECLARATION

This project report is my original work and has not been presented for the award of a degree in any other university.

Wycliffe Mabonga Date

Reg. No: L50/73527/2014

This project report has been submitted for examination with the approval of the University Supervisor.

Mr Yona Sakaja **Date**

Lecturer,

Department of Extra-Mural Centre,

University of Nairobi

DEDICATION

I dedicate this project proposal to my wife Linet N. Mabonga, daughter Trizah Nasambu Mabonga and my parents.

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ABSTRACT

Group lending has received a great attention from economists and policymakers for its successful delivery of credit to poor borrowers and its role in alleviating poverty in the developing countries. While there is a host of theoretical models explaining the success of group lending, empirical research has lagged behind. The focus of this study was to establish the influence of micro finance institutions group lending mechanism on enterprise development among rural women in TransNzoia West sub-county, Kenya. The objectives of the study were to: evaluate the influence of joint liability on enterprise development of rural women; examine the influence of training on rural women enterprise development of rural women; determine the influence of the group representation on rural women enterprise development of rural women and assess the influence of the loan size on rural women enterprise development of rural women. The study utilized a descriptive survey research design. The study targeted the rural women development groups that access loans as a group within Trans Nzoia West County. The total target population comprised of 781 members and by using Krajcie and Morgan table of determining sample size, the sample size consisted of 260 respondents. There was also 8 key informants from the micro-finance institutions within TransNzoia County. Both open-ended and close-ended questionnaires were used, as well as an interview guide for the key informants. In this research, descriptive statistics was used. The questionnaires were edited first for accuracy, and completeness. The study used frequency distribution and percentages, and computer software-Statistical Package for Social Scientists (SPSS) as a tool of analyzing data, and to establish relationships between variables. The analyzed data was tabulated for presentation. The study established that joint liability mechanism was an effective mechanism of ensuring that borrowed funds were appropriately utilized mainly towards the development of their enterprises, and through it women group members had acquired various business linkages and networks. The study also established that most of the women group members had not attended any attended any technical/ entrepreneurial training on group borrowing for enterprise development despite it having an influence on the growth of the women owned enterprises in the Sub-County. The study further established that that through the numbers of the women group members they were able to easily access loans. Lastly, the study established that women groups got between Kshs 30,000 and Kshs 40,000 which was encouraging since such an amount could provide the women group enterprise with a strong base for development. Women groups' lack of collateral limited their access loans to initiate businesses. The study recommends that there should be some enhanced and standardized training for all the women group members who intend to develop enterprises. The loans should be remodeled towards more of individual lending than group lending since at enterprise development members in a group cannot have the same thinking level, attitude and commitment as there are personal differences. It is hoped that, the findings of this study will assist the government policy makers to focus more on micro finance institutions as a means of promoting development of women group enterprises as means of uplifting the socio-economic status of women in Kenya.

LIST OF ABBREVIATIONS AND ACRONYMS

C-YES	Constituency Youth Enterprise Scheme
SDGs	Sustainable Development Goals
MF	Monetary Fund
MFI	Micro Finance Institution
MSE	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
SHGs	Self Help Groups
SME's	Small and Medium Enterprises
UNFPA	United Nations Population Fund
YEDF	Youth Enterprise Development Fund
WEF	Women Enterprise Fund
UK	United Kingdom
GDP	Gross Domestic Product

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

In the enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises (European Commission, 2009). In Britain; SMEs are the backbone of the British economy (Rowe, 2008). In terms of UK turnover and Gross Domestic Product (GDP), UK SMEs account for 1.48 trillion sterling (British Pounds). SMEs (with at least 1 woman employee) outperform the large UK Corporations in terms of productivity despite having minimal resources, little support and being largely ignored. Similarly, Women-owned small businesses in the United States make a measurable contribution to the American economy. Sixteen percent of jobs in the United States are provided by women-owned small businesses, which alone contribute nearly three trillion dollars to the economy. In addition, their success rate is higher than that of other business segments, surpassing men-owned businesses in growth rate and rate of job creation. (Barbara El 2014).

In many parts of the world- for example, sub-Saharan Africa and South Asia, 75% of agricultural producers are women. Small and medium-sized enterprises (SMEs) are the backbone of Singapore’s economy, contributing 47% of the country’s GDP and generating 62% of available jobs (SMU,2008). According to Bekele and Worku (2008) women represent up to 30% of all small and medium enterprise (SMEs) owners in Ethiopia, yet have a 78% failure rate. This is because women – owned SMEs are particularly disadvantaged in meeting their business growth needs, facing such difficulties as: the inability to secure loans from formal lenders like commercial banks, poor managerial skills, low levels of education, and limited access to networking opportunities and information.

In addition to these, in Kenya, there are other factors that influence the initiation of women projects such as the level of entrepreneurial training. Walter and Dohse, (2009) define entrepreneurship training as the building of knowledge and skills in preparation for starting a business. Thus, the purpose of entrepreneurship training is very specific. Drucker (1985) argued that entrepreneurship is a practice and that “most of what you hear about entrepreneurship is all wrong .It’s not magic; it’s not mysterious; and it has nothing to do with genes.It’s a discipline and, like any discipline, it can be learned.” Agreeing with Drucker’s concept of entrepreneurship, then it follows that education and training can play a key role in its development. The level of education and training required to develop each of these skills will be highly dependent upon the levels of human capital that individuals might already possess before embarking upon their entrepreneurial journey. Indeed it has been argued that developing these skill-sets will engender enterprising persons who should be equipped to fulfill their potential and create their own futures, whether or not as entrepreneurs (NESTA, 2008).

In addition, joint liability reduces the information asymmetry between the SME and the financial institution (Chan and Kanatas, 1985). When a borrower has a project with a high probability of a high return, the collateral offered can signal the real value of a project. This signaling role is certainly important when the financial institution has limited information on the firm and the value of the project is estimated lower (Rothschild and Stiglitz, 1971). Thus collateral could have a *signaling value* for the bank when considering the creditworthiness of the firm (Bester 1985, 1987).

Similarly, group size and loan size have an influence on initiation of projects. Accessing finance has been identified as a key element for MSEs to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries. MSEs in rural areas are involved in group microcredit programmes that aid them to access finance easily and timely. Women in rural areas access microcredit as a group rather than individually since they are faced by various challenges (Kiragu and Sakwa, 2013).

In Kenya, women constitute 51% of the total population and they play very crucial roles as active contributors in the development of the economy but their contribution has been time and again limited by factors such as limited accessibility to financial services (Government of Kenya, 2003). In line with the global gender equality and women empowerment trends, the Government of Kenya as a signatory of the (MDG), enacted its gender policy in 2002 as a tool for implementing gender equality and women empowerment plans (Government of Kenya 2002). The Kenyan government recognizes the important roles women play in its economic and general development. One of the areas where women play crucial roles is the development of the informal sector in trade and industry.

Access to finance is an integral component in any enterprise. Accessing finance has been cited as a major constraint among entrepreneurs and more so women (Daniels et al, 2003; Kinyanjui & Munguti (1999) as quoted by St-Onge & Stevenson, 2005). This challenge is even more severe to women entrepreneurs in rural areas (Atieno, 2001). To address this challenge, microfinance institutions (MFIs) and microcredit programmes have developed group lending mechanism to essentially address the credit needs of the un-served and underserved entrepreneurs in the society (Ledgerwood, 1998). The ultimate goal of these institutions is to promote and enhance enterprise development in these markets (Hulme, 2000).

According to (Labie & Armendariz, 2011), group lending mechanism employs various parameters. Such features include: use of informal groups lending approach, joint/group liability, character based credit appraisal, group monitoring, step/progressive lending, structured weekly repayments and compulsory savings policy. All these features are aimed at creating an enabling environment for both the institutions and the enterprise to lend and borrow finances respectively. The MFIs employ this mechanism with an aim of enhancing enterprise growth and development. This study however focused on three key characteristics of this mechanism namely: joint liability, group monitoring and step/progressive lending. Due to lack of asset collaterals by the women entrepreneurs especially in rural areas (Mkpado & Arene, 2007), lending to them depends on the trust of the credit group members to enforce repayment.

It is this dependence on all group members to enhance good loan repayments and collective collateral in form of trust and savings from the group members that is commonly referred to as joint liability. This group lending factor directly relates to enterprise development because the system creates excessive pressure and places high financial burden on members in case of default (Gine & Karlan, 2009).

Paxton et al. (2000) notes that microcredit groups are formed based on homogeneity in ethnicity, occupation, income etc. According to Wydick (1999), members " knowledge of the individuals" enterprise performance is the variable assumed to measure monitoring activities within groups. As the group members may lose access to future credit in case the group defaults, they have an incentive to monitor each other and to enforce debt repayments by threatening with social sanctions (Wycklam & Wedley, 2003). However, this may pose a challenge especially to groups that are constituted in a homogeneous manner and hence this aspect will directly affect their enterprise development.

1.2 Statement of the Problem

Across developing countries, micro, small and medium enterprises (MSMEs) are turning to microfinance institutions (MFIs) for an array of financial services, the most common being microcredit (CGAP, 2006). This is because microcredit is acknowledged as one of the prime strategies to achieve the 1st and 3rd United Nations Sustainable Development Goals (SDGs) namely eradication of extreme poverty and hunger and promotion of gender equality and empowering women. This is because access to sustainable financial services enables enterprise owners to finance income, build assets, and reduce their vulnerability to external shocks (Ehigiamusoe, 2005). The MFIs employ group lending mechanism to meet the demands of these entrepreneurs.

According to Daniels et al, 2003, finding start-up finance for an enterprise is the biggest hurdle that many entrepreneurs go through. Even after getting started, getting sufficient finance to sustain enterprise growth, development and financial stability is also a challenge. Kulshrestha (2000) identified the lack of capital as a major constraint to the development of women owned enterprises in rural areas. However, the emergence of group lending mechanism as practiced widely by MFIs has eased the challenge of access to finance in rural areas (Hermes et al 2005).

This had not been any different with TransNzoia West Sub-county (Wanjala, 2014), hence the need for a study to find out the influence of MFIs group lending mechanism on enterprise development of rural women in the Sub-county. In this regard, this study aimed at generating in-depth information in understanding the factors influencing micro-finance institutions group lending mechanism on enterprise development of rural women in TransNzoia West Sub-County, Kenya.

1.3 Purpose of the study

The purpose of this study was to investigate the influence of group lending mechanism on enterprise development of rural women in TransNzoia West Sub-County, Kenya.

1.4 Objectives of the Study

This study sought to achieve the following objectives:

1 To evaluate the influence of joint liability on enterprise development of rural women in TransNzoia West Sub-County

2 To establish the influence of training on rural women enterprise development of rural women in TransNzoia West Sub-County

3 To determine the influence of the group representation on rural women enterprise development of rural women in TransNzoia West Sub-County

4 To asses the influence of the loan size on rural women enterprise development of rural women in TransNzoia West Sub-County

1.5 Research Questions

This study sought to answer the following questions:

1 What is the influence of joint liability on enterprise development of rural women in TransNzoia West Sub-County?

2 What is the influence of training on rural women enterprise development of rural women in TransNzoia West Sub-County?

3 What is the influence of the group representation on rural women enterprise development of rural women in TransNzoia West Sub-County?

4 What is the influence of the loan size on rural women enterprise development of rural women in TransNzoia West Sub-County?

1.6 Significance of the Study

This study guided the microfinance institutions in designing appropriate and relevant policies aimed at improving the overall enterprise development and the entrepreneurs' welfare. It also provided information and knowledge to the policy making organs of the Government on the possible ways that the rural women enterprises can benefit from the adopted group lending mechanism and improve their financial performance which similarly will improve the economic benefits of the country.

The study will be significant to scholars who will find it useful in accessing information on the effects of group lending mechanism on enterprise development of women in rural areas. Lastly, it will act as a guide to the researchers on the basis upon which further studies will be carried out on the broad subject of group lending and enterprise development.

1.7 Limitations of the study

Since the study only covered women group owned enterprises in TransNzoia West Sub- County, the findings may not be representative of all the women owned enterprises in the sub-county. Similarly, language was a barrier and as a result the problem was solved by an interpreter.

1.8 Delimitations of the study

As discussed in the previous section, an important limitation of a case study is related to its generalizability. Also, the analysis was based on a theoretical framework shaped by the researcher on the basis of a wide variety of works. There were other possible approaches, which might potentially have shed light on other aspects of the situation. It must also be noted that this study was a cross-sectional survey, and therefore provided a 'snapshot' of the situation at the time of research (Saunders et al 2009). However, while the interviews was conducted during a short period of time, the participants might have spent different periods of time in the loan groups, which diversifies the time/social tie development relationship among the sample. The cross-sectional design of the study is mainly dependent on the time resources of the given research project. Lastly, as the study takes a social constructivist approach, it is acknowledged that the researcher's own personal, cultural and historical background shapes his understanding of the subject material (Creswell 2009).

1.9 Assumptions of the study

The study assumed that group credit is available and its' utilized by the women groups on their projects in TransNzoia West Sub-County under existing policies and guidelines in the micro-finances. It was assumed that external forces operating from outside of the micro-finances such as bribery, tribalism and political considerations do not determine the women groups that access loans. The study further assumed that the project's officials were literate and that the beneficiaries (groups) were knowledgeable enough to manage this.

1.10 Definitions of significant terms

Group lending: In this study group lending is generally taken as giving credit to a group of people where the borrowers know each other very well.

Enterprise: Is a project undertaken or to be undertaken, especially one that is important or difficulty or that requires boldness or energy.

Joint liability: Refers to an obligation, including an obligation to repay a debt between two or more parties. A joint liability allows parties to share the risks associated with taking an additional debt, and to protect themselves in the event of legal litigation and lawsuits.

Group representation: These are members that serve as agents for others of the same classification.

Initiation of women owned retail projects: Starting projects that belong to and are run by women.

Loan size: This is the amount of money a borrower can borrow.

Microfinance: Refers to small scale financial services primarily credit and savings to people who operate small enterprises. It is a development intervention that has evolved over time to operate a commercially viable basis which aims at providing banking and financial services to the low income and poor people (K-REP Bank). Micro-insurance and Micro-Savings also fall under this category as components of microfinance.

Small and Medium Enterprises: Enterprises with between 10 to 30 full-time employees (excluding the technology/knowledge based enterprises) that are registered and/or licensed.

Training: Entrepreneurship training is the building of knowledge and skills in preparation for starting a business and running a business.

Women Enterprise Fund: An agency that provides accessible and affordable credit to support women to start or expand business for wealth and employment creation.

1.11 Organization of the study

The project is organized into five chapters. Chapter one covered the introductory part of the study. It also comprises of the background to the study; the statement of the problem; objective of the study and the significance of the study. Chapter two covered the review of the available literature. The review of literature critically analyzed what had been done about the topic vis-à-vis the objectives. From the review of literature a knowledge gap that this study intended to fill was also identified. The chapter also comprises of the theoretical and the conceptual framework. Chapter three outlines the methodology and tools used in the study. It pointed out the research designs used in the study, areas of study, the target population, sample size and sampling procedures and data collection and analysis procedures. This descriptive research sought to provide needed evidence on the influence of group lending mechanism on enterprise development of rural women in TransNzoia West Sub-County, Kenya. Chapter four dealt with the research findings and discussion as per the objectives of the study. Under each objective, data was presented as follows: introduction (what was done to get the data), presentation of the results, highlights of the results and lastly the interpretation and discussion of the results. Chapter five focuses on the summary of the findings and practical implications. It outlines the main findings of the study as drawn from the results in chapter four. These findings are closely tied to the objectives of the study. This chapter also provides the conclusions as well as the recommendations from the study which were systematically drawn in terms of contribution to practice.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of related theoretical and empirical literature according to the following subheadings in relation to the study objective: evaluate the influence of joint liability on enterprise development of rural women; determine the influence of group monitoring on enterprise development of rural women and lastly, to find out the influence of step/progressive lending on enterprise development of rural women.

2.2 Introduction to microfinance and group lending

Globally, microcredit has risen to prominence at a rapid speed after its large-scale success in the 1970s in Bangladesh with Grameen Bank. It central idea is that traditional banks find the poor too costly to serve due to their lack of steady income and collateral. Small amounts of affordable credit provided by microfinance institutions are assumed to give the poor an opportunity to develop small businesses and lift themselves out of poverty. Microfinance is largely directed at women borrowers, due to both social and financial considerations. Namely, poor women are generally the most disadvantaged social group in the context of credit availability. Also, they direct more of their income towards improving life for their whole family compared to men, which translates into stronger overall social impact. In addition, microfinance is commonly seen as a way to empower women within their families and communities. In the financial aspect, it has been shown that women's repayment rate is higher than men's, and they are therefore more trustworthy customers for microfinance institutions (Cheston and Kuhn 2002).

One of the prominent characteristics of the Grameen Bank was the use of group lending, which has been celebrated as a major innovation (Sengupta and Aubuchon 2008), enabling to borrow without material collateral. In that model, groups of approximately five people are formed voluntarily and the members are given loans in a consecutive order. Having accepted the Bank rules, the first two group members receive a loan. If they successfully repay their loans four to six weeks later, the next two receive loans; after another four to six weeks, the last person is offered a loan (Sengupta and Aubuchon 2008).

A very important aspect of the model is joint liability, which implies that if one member of the group does not repay, others have to pay for her, or otherwise all will be denied further financing (although originally only the latter clause was used by Grameen Bank) (Armendariz and Morduch 2010). Voluntary group formation reduces the risks of adverse selection and joint liability decreases moral hazard through peer monitoring, as group members are interested in having others repay on time. The group is also a part of a larger village group and repayments are made public for everyone, which significantly adds social pressure to repay. Thus, the model largely rests on using local information, peer support and peer pressure (Armendariz and Morduch 2010: 14), exploiting social capital in the community (Zephyr and Yunus 2004).

On the background on its rapid expansion, a number of problems have been voiced in relation with microfinance and group lending. Firstly, empirical studies have had mixed results as to its socioeconomic impact on the borrowers (Armendariz and Morduch 2010). In fact, many have been concerned with the poor entering a circle of debt as a result of microfinance programmes, and suffering negative social impacts within their families and communities. Also the real effect of microfinance on women's empowerment is questioned. Further, the strong shift from subsidized non-profit microcredit to for-profit microfinance institutions has been viewed with criticism, as their interest rates are often very high – along with their steep profits (Armendariz and Morduch 2010, Bateman 2010, Dichter and Harper 2007). The model of group lending has also attracted criticism in connection with its reliance on social capital, which may not always work as planned, and varies greatly between different regions and contexts.

2.3. Why Group Lending?

Poor individuals lack formal credit because lenders have little means of screening clients, monitoring the use of funds, or enforcing repayment. In recent years, many development organizations have used group lending to deliver credit to poor individuals. Group lending aims to pass off the screening, monitoring and enforcement of loans to the peers (Banerjee et al. 1994, Diamond, 1984; Ghatak and Guinnane, 1999; Stiglitz, 1993; Varian, 1990, Karlan, 2007).

Furthermore, group loans help formal lenders overcomes the prohibitively high fixed cost of delivering small loans. Group lending mechanisms provide incentives to the borrowers to monitor each other to see who can pay and who cannot. Armendariz de Aghion and Gollier (2000) and Armendariz de Aghion (1999) shows theoretically how peer monitoring alone, with random formation of groups, can help overcome adverse selection problems when monitoring is costly for lending institution itself. Strong social networks have lower monitoring cost, which results in more credit being extended. To enforce lending contracts, lending institutions typically resort to legal options, such as seizing property of the borrower or garnishing wages directly from the employer. In most poor countries, such punishments fail for one of the two reasons, either the legal infrastructure does not support such action, or the borrower has no sizeable assets or wages. De Soto (2000) and Besley and Coate (1995) discuss these issues at length. Group lending purports to overcome these failures by using people's desire to protect their social connections (and social capital) and avoid any possible repercussions. Such repercussions could be economic and result in reduced trading partners for one's business, and social and lead to loss of friends, or psychological and damage one's self-esteem.

Most recently, La Ferrara (2003) studies kin groups in Ghana and finds that punishment in exacted not only on those who default, but also on the kin of those who default, and that the threat of such punishment induces compliance in the short run. These studies demonstrate that the relationship between social connections and group lending outcomes is complicated and worthy of further study. Dean S. Karlan (2007) find that both cultural similarity and geographic concentration lead to improved group lending outcomes (specially, higher repayment rates savings rates, and returns on savings). There is also suggestive evidence that social connections help groups distinguish between true negative shocks and mere reneging, and that those who have negative shocks are forgiven and thus allowed to continue borrowing.

2.4 Joint liability and Enterprise Development

As described above, group lending is widely perceived to be based on the social ties between group members. As written by Zephyr and Yunus (2004), "social capital is exploited through "peer-lending," in which borrowers operate with the lender through groups, with individual borrower status dependent upon the performance of all group members". There are different approaches to social capital, which has attracted abundant theorizing and research. Some theoreticians view social capital as a collective asset, based on the norms and trust in a society or group, and study how specific groups build more or less social capital. Others analyze it on a relational level, focusing on how individuals access and use the embedded resources in their social networks (Lin 1999). In this study, the latter approach is taken, as the focus is on the individual loan group members. Thus, the project has its point of departure in individual loan group participants and how the group network enhances their entrepreneurship.

However, is group lending always dependent on pre-existing social ties? In fact, members of loan groups may not know each other beforehand, indicating that there are no direct ties to begin with. In many environments such as urban areas or sparsely populated rural regions, borrowers may not have much, if any, information about each other. For example, according to Zephyr and Yunus' (2004) account of microfinance attempts in the US, both urban and rural poor lacked social ties and trust that would enable the loan group to function properly. They emphasize the relevancy of context for microfinance on the example of a comparison between Bangladesh and Arkansas. The level of social ties is not the only important difference that may affect group lending in this case. In Bangladesh, access to microfinance may be the only option for the borrowers to alleviate their poverty, whereas in Arkansas it is an opportunity to become an entrepreneur, but not a matter of survival as the state provides the poor with basic financial support. These differing realities may have an impact on participation and repayment incentives. Also, the large difference between population densities of the two locations is significant, not only towards social capital and loan groups, but also regarding the presence of potential buyers of the goods and services provided by the new microenterprise.

Therefore, the relation between group lending and social capital may be less simple than envisioned in the original model. When borrowers self-select into groups only based on their acquaintance during a typical training program, they do potentially share knowledge and ideas "but strong pre-screening aspects of independently-formed groups, a key benefit for the Grameen Bank, are lost" (Zephyr and Yunus, 2004). In fact, social capital may not always exist between the members of a loan group at the moment of forming the group, but it can also be developed in the process, which in turn translates into better business results (Feigenberg et al 2010). Repeat interactions, regular meetings and common credit goals help participants create sustained economic ties and thereby facilitate cooperative behavior.

However, as pointed out in the previous section, group lending is also associated with a number of problems. The idea of social sanctions being imposed by the group has found adverse empirical backing (Armendariz and Morduch, 2007). For example, long-term Grameen borrowers have been found to have lower repayment rates because through leveraging social capital the threat of sanctions has been reduced (Dowla, 2006). Also, the creation of fruitful social ties in a loan group is not a given due to costly transportation to attend meetings and lack of contact outside the program (Zephyr and Yunus, 2004). Relations within the group can evolve in different ways, and feelings of reciprocity may not always be present. (Larance, 2001).

The value of the collateral offered by a firm also influences the credit rationing behaviour of a lending institution such as a bank (Ghosh et al, 1999). Collateral serves as the last resort for recovery of the loan in case of default, where the bank can sell the collateral obtained to recover the balance (or part) of the loan. Collateral reduces the information asymmetry between the SME and the financial institution (Chan and Kanatas, 1985). When a borrower has a project with a high probability of a high return, the collateral offered can signal the real value of a project. This signaling role is certainly important when the financial institution has limited information on the firm and the value of the project is estimated lower (Rothschild and Stiglitz, 1971).

Thus collateral could have a signaling value for the bank when considering the creditworthiness of the firm (Bester 1985, 1987). Also ex post, after obtaining the loan and offering the collateral, credit applicants wish to fulfil their obligations and repay on a timely basis in order to avoid losing the collateral. Thus, giving collateral can also solve the „moral hazard‟ problem by reducing the motives to switch to a higher risk project or do less effort to realize the proposed project (Boot et al., 1991). This implies that firms with a lot of intangible assets, which are difficult to monitor, might incur difficulties in obtaining bank finance (Longhofer and Santos, 2000).

Stiglitz and Weiss (1981) also considered if a higher value of collateral could reduce the risk and increase the return for the bank. In their model, they came to the conclusion that there is a positive „moral hazard‟ effect, causing collateral to increase the return for the bank. On the other hand, there is also a negative “adverse selection‟ effect working when an increasing demand for high value collateral by banks makes the average and marginal borrower to become more risky. Stiglitz and Weiss show that the negative adverse selection effect more than compensates the positive moral hazard effect. So contrary to the signaling theory, Stiglitz and Weiss (1981) conclude that increasing the demand for collateral will decrease the expected return for the bank, so that offering more collateral will not increase the supply of bank debt to firms. Theoretically, there is no consensus on the influence of collateral on credit rationing. Empirical studies (Atanasova and Wilson, 2004; Ogawa and Suzuki, 2000; Alphonse et al., 2004) mainly confirm the signaling theory.

2.5 Training and women operating retail projects.

Walter and Dohse, (2009) define entrepreneurship training as the building of knowledge and skills in preparation for starting a business. Thus, the purpose of entrepreneurship training is very specific. Drucker (1985) argued that entrepreneurship is a practice and that ,”most of what you hear about entrepreneurship is all wrong. It’s not magic; it’s not mysterious; and it has nothing to do with genes. It’s a discipline and, like any other discipline, it can be learned.” Agreeing with Drucker’s concept of entrepreneurship, then it follows that education and training can play a key role in its development. The level of education and training required to develop each of these skills will be highly dependent upon the levels of human capital that individuals might already possess before embarking upon their entrepreneurial journey. Indeed it has been argued that developing these skill-sets will engender enterprising persons who should be equipped to fulfill their potential and create their own futures, whether or not as entrepreneurs (NESTA, 2008).

Most authors agree, that experiential learning, or “learning by doing,” is more effective for developing entrepreneurial skills and attitudes than traditional methods like lectures (European Commission, 2008; Walter and Dohse, 2009). Several studies carried out in innovation-driven countries, including Singapore (Tan and Ng, 2006), Sweden (Rasmussen and Sørheim, 2005), and the United Kingdom (Raffo etal., 2002) show that entrepreneurs learn best with an experiential learning approach. It is now well-recognized that education and training opportunities play a key role in cultivating future entrepreneurs and in developing the abilities of existing entrepreneurs to grow their business to greater levels of success (Henry et al, 2003).

According to the European Commission (2008), the aim of entrepreneurship education and training should be to ‘develop entrepreneurial capacities and mindsets’ that benefit economies by fostering creativity, innovation and self-employment. Storey, (1994) argues that it is just a minimal group of enterprises germinating rapidly who provide the real increase in jobs and therefore it is these firms which policy makers should be converging upon. However, identifying how small businesses can be transformed into growth-orientated firms remains elusive and despite the magnitude of research on growth firms, researchers remain uncertain regarding why some firms grow and others do not when originating from similar circumstances. Ledgerwood (2000) urgued that the start-up businesses need more than financial services. They need skills, training or other inputs to make their enterprises a success. This training may not lead to increased production, profitability, job creation and re-investment

Hoy et al (1992) recorded that a wide variety of growth measures were used ranging from increased market share or enhanced venture capital funding, to growth in revenue, return on investment, or the number of customers of a firm. Within these studies, employment was generally the most accepted method of measuring growth. This occurs because the data is easily gathered, determined and categorized, and because this system is already frequently utilized to ordain firm size. Additionally, employment figures will be unaffected by inflationary adjustments and can be applied equally in cross-cultural studies, although difficulties may arise in determining how one measures part-time or seasonal employees. It is also worth noting that while a firm may increase its level of employment, it does not necessarily follow that it has expanded its market or financial success.

However, it is now broadly agreed that if a firm is to achieve sustained expansion, it must satisfy a number of requirements for growth - it must increase its sales, it must have access to additional resources, it must expand its management team, and it must extend its knowledge base. But each set of requirements establishes a different set of obstacles for the entrepreneur. They are therefore categorized as follows: External Barriers including: labor market conditions, market structure/competition, government policy, economic climate, legislation and access to markets and Internal Barriers including psychological/motivational factors, management capability, funding, shortage of orders, sales/marketing capacity and poor roduct/Service. However, the most frequently mentioned reasons for failure included: the founder's inability or unwillingness to change, lack of management skills, experience and know-how, not keeping complete and accurate records, having little focus in activities (attempting to be all things to all people), under-pricing, underestimating competition, poor marketing activities, weak financial control, lack of strategic planning, and inadequate liquidity. Many of these causes of firm failure could also be identified as barriers to firm growth and therefore might be considered in any training needs analysis that is developed regarding engendering firm growth.

2.6 Group Representation and Enterprise Development

The idea of microfinance, lending to the poor, was discovered by a Nobel Prize winner Dr. Mohammed Yunus of Bangladesh in the 1970‘s (Swope 2010; Banuri, 2006). Yunus combated poverty and provided resources to the poor through the Grameen Bank (Banuri 2006). The Grameen Bank‘s approach to poverty alleviation is known as microfinance. Before Yunus project, the poor were not allowed to access credit and loans due to the widespread belief that they could not repay. However through this project, it was revealed that poor people can be empowered to improve their own lives through microcredit (Swope 2010). Since the adaptation of microcredit in various parts of the world, there has been different empirical evidence about effects of microcredit to women empowerment. Through literature, some findings show positive and negative effects of microcredit towards empowering women.

Noreen (2011) argued that microcredit services lead to women empowerment by positively influencing women‘s decision making power at household level and their overall socioeconomic status. Although the process of empowerment varies from culture to culture, several types of changes are considered to be relevant in a wide range of cultures. Some of these changes include increased participation in decision making, more equitable status of women in the family and community, increased political power and rights, and increased self-esteem. (Hoque & Itohara 2009) reported that micro-credit is contributing to some extent in generating economic activities and participation in family decision making of the rural women.

Pitt et al (2003) argued that credit programs increase the role of women in household decision making and also have greater access to financial and economic resources. In addition it increases social networks and having greater freedom of mobility.

Access to credit is argued to have a potential contribution on improved resource base among women borrowers. Evidence reveals that micro credit provision can potentially enhance income generating activities and build assets and consequently improve status of women socially and economically. Mayoux (2000) extensively advocates that women‘s access to savings and credit creates economic empowerment associated with choices they make concerning credit and savings. It enables them to start their own economic activities, invest more in existing activities, acquire assets or raise their status in household economic activities through their visible capital contribution.

On their study Sultana and Hasan (2010) found out that women who had access to microcredit experienced income rise and able to save more money as compared to their counterparts. Another significant outcome revealed by the study was increase in the women‘s ownership of productive assets (cattle, goat, poultry, etc.) and non productive (jewelry, TV/radio, small vehicles and others households goods) as result of accessibility to credits because they could afford such assets through profits generated from their microenterprises.

Overall women‘s active role in decision making process in the public and household domain is also argued to improve when women participate in credit schemes. Kabeer (2004) and Malhotra, (2002) use the term agency referring to power within; which encompasses ones active role to formulate strategic choices and to control resources and decisions that influence important life outcomes.

Channeling credits through women may enable them to play an active role in intra household decision making, decrease potential household vulnerability and increase investment in family welfare especially in areas of children‘s nutrition and education. Consequently, social and political empowerment occur from a combination of women's increased economic activity and increased decision-making in the household as the two give women greater confidence and a sense of self-worth (IFAD 2008; Mayoux, 2005). Hashemi (1996) concludes that credit programs provide access to an important economic resource, and consequently enable women to bargain gender barriers, increase their control over their own lives, and improve their relative positions in their households.

In terms of public domain, Kuhn (1975) establishes that women joining microcredit institutions tend to realize more respect from their communities than they did before joining a microfinance program. Studies have shown that women are taking greater roles in giving advice within the community, organizing for social change, and participating in community meetings—in part because they are now able to contribute financially to community needs and social activities. In other cases, women‘s involvement in political affairs is also reported to increase. Citing Sebstad and Cohen report (Kuhn 1975) adds that lending schemes provide a means for women to know each other; a forum for learning leadership and public speaking skills; and a basis for development of trust, friendship and financial assistance.

While the empowering potential of microfinance programs remains strong, the evidence of challenges, ineffectiveness and limitations of the potential is equally compelling. Although microfinance has the ability to empower women, the connection is not straightforward or easy to make. Just handing money to women and giving them access to financial assets and resources does not create a sense of empowerment for women, thus there is a need to structure the microcredit schemes in such a way that the empowerment outcome is realized. Others argue more strongly that access to microcredit actually impacts women‘s empowerment experience negatively by leading to a certain kind of disempowerment (Kulkarni 2011).

Both men and women assume risks when taking out a loan—which becomes a debt with all of its accompanying stresses and responsibilities. In addition some studies of the impact of microfinance programs have raised legitimate concerns about the potentially negative impact that programs can have on women, particularly in highly restrictive environments. One often-reported concern is that clients' husbands or other household members take control of the woman‘s loans, yet the client herself retains responsibility for paying off the loans, thus increasing her level of stress and dependency (Goetz et al, 1996; Rahman, 1999). Johnson (2004) cited in Wrenn (2005) states that having women as key participants in microfinance projects does not automatically lead to empowerment; sometimes negative impacts can be witnessed. She refers to increased workloads, increased domestic violence and abuse.

Nevertheless, Mayoux (2000) notes gender and contextual constraints at all levels that continue to obstruct women from accessing credit programs, increasing or controlling incomes or challenging subordination. She asserts that where women are not able to significantly increase incomes under their control or negotiate changes in intra-household and community gender inequalities, they may become dependent on loans to continue in very low-paid occupations with heavier workloads and enjoying little benefit. Empirical study by Rahman (1999) on micro-credit program of the Grameen Bank reveals that, on the contrary loan repayment pressure to have inflicted an intense pressure among women clients resulting into loan recycling practices among the borrowers, increases tension and frustration among household members and produces institutional dominance over women in society.

Goetz and Gupta (1995) also present counter effects findings that access to credit in some cases may not bring any empowerment to women especially when it is the husbands who control the credit instead of the women themselves. Their study in rural Bangladesh on control over loan use revealed women‘s credit to be controlled by husbands, hence negating development objectives of lending to women (Nathan et al 2004).

2.7 Loan Size and Enterprise Development

Group microcredit and lending mechanism emerged around 36 years ago i.e from1976 in Bangladesh, in the enlightened hands and mind of Prof. Muhammad Yunus the founder of Grameen bank and a Nobel peace prize winner of 2006 (Narasaiah, 2006). Today, access to financial services in groups by the poor in developing countries is seen as a way of contributing to the achievement of the Millennium Development Goals (MDGs) in many ways (Anderson et al 2002; Mahjabeen, 2008). This mechanism is therefore being replicated by MFIs in many regions all over the world including Kenya (Mornduch & Armendariz, 2010). Accessing finance has been identified as a key element for MSEs to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries. MSEs in rural areas are involved in group microcredit programmes that aid them to access finance easily and timely. Women in rural areas access microcredit as a group rather than individually since they are faced by various challenges (Kiragu and Sakwa, 2013).

The granting of credit in small sums and/or for social purposes is something that has been part of the development of today's modern societies for quite a while and it is indeed this that led to the rising of microcredit as grants were now directed towards entrepreneurial activities more than social support in a revolving fund format. It is this revolving fund format that gave rise to the formation of microcredit groups and eventual onset of group lending mechanism (Gup, 2003).

Group lending mechanisms refers to the different methods used for the common goal of lending to low-income households that are different from the standard loan contracts. It is the establishment of institutes or networks with a system that would utilize the societal assets of the borrowers in the absence of physical possessions (Khawari, 2004). Previous literature has also established that women and more so from rural areas are the major beneficiaries of this model (Labie& Armendariz, 2011).

Entrepreneurship theory is closely connected to theory on networks and social ties. A network can be defined as a set of actors such as individuals, teams or organizations, connected by a set of ties (Borgatti and Foster 2003: 992). A considerable amount of research has been dedicated to the impact of networks on entrepreneurial outcomes since 1986 when Aldrich and Zimmer stated that "the entrepreneur is embedded in a social network that plays a critical role in the entrepreneurial process" (Hoang and Antoncic 2003: 168). The perspective of networks' impact on entrepreneurship is summarized in the 'network success hypothesis', which states that support from the personal network of a founder improves survival and growth of newly established businesses (Brüderl and Preisendörfer 1998).

The most common classification of entrepreneurial networks appears to be built on Granovetter's (1973, 1983) work in which he distinguishes between strong and weak ties as the structure of social networks. Strong ties between friends and family are likely to be of more assistance and more easily available, but weak ties with acquaintances provide more varied information from different social circles. Therefore, due to a broader spectrum, weak ties are crucial for an individual's opportunities in a society and to the knowledge that they have access to (Granovetter 1983).

According to Granovetter (1973), the strength of a tie can be measured based on factors such as the amount of time, emotional intensity, the intimacy, and reciprocal services between the people. It has also commonly been measured on the basis of the 'degree of friendship' so that if an entrepreneur describes her contact as a friend or close friend, the tie is considered strong, and if she describes the contact as a (loose) acquaintance, the tie is considered weak. The study of social ties is also closely related to the concept of social capital, which in general terms indicates the value of connections (Borgatti and Foster 2003). As mentioned above, there are different approaches to social capital, but in the context of entrepreneurship it is defined as the people the entrepreneur knows, or who are known by others that the entrepreneur knows, who contribute to her entrepreneurial goals (Burt 1992 in Greve and Salaff 2003).

Diversity is another aspect of entrepreneurial networks. In an organizational perspective, horizontal networks refer to connections between similar businesses, i.e. competitors, and vertical networks refer to contact along the value-added chain, from suppliers to end-users. Many resources are distributed along the vertical networks (O'Donnell et al 2001). In a personal network perspective, horizontal networks connect people of similar status of power (Larance 1998: 9). Vertical networks, on the other hand, refer to links between different social classes or groups, as well as links with the state, civil society and corporate sector (such as banks) (Rankin 2002). This implies, again, that there are many resources flowing in the vertical networks. Similarly to the factor of limited new information in circles of strong ties, few additional resources are likely to be found within horizontal networks.

A major issue in research has been the question of how networks impact entrepreneurship and which social ties are necessary for benefitting from networks. According to Jenssen (1999) and Foss (1994), social network has an important impact on the success of entrepreneurship start-up through resources. Similarly, according to Bull and Willard (1993), entrepreneurs are embedded in social contexts of complex networks within which their activity is facilitated or constrained by their existing linkages with resources and opportunities.

Based on the assumption that social networks impact entrepreneurship through resources, Jenssen and Koenig (2002) study the relative importance of strong and weak ties in the process. Based on previous literature they count finance, information, expertise, advice on handling bureaucracy, advice on accounting, advice on technology, social support, encouragement, access to market/customers, suppliers, production resources and labour to make up the possible entrepreneurial resources. They categorize these resources into three types: information, motivational resources and material resources (based on Kanter 1980).

Similar categorizations can also be found in other works. For example, Gomez and Santor (2001) (based on Sanders and Nee 1996) put forward three categories of social relations that affect self-employment success: instrumental support (similar to ‘material’), productive information, and psychological aid (similar to ‘motivation’). Also, Pollack et al (2012) state that contact with business-related social ties provides crucial support to entrepreneurs in the form of both structural support (access to relevant information and resources) and functional support (empathy, encouragement, feedback). Through such support, the entrepreneur is better able to survive difficult economic conditions and continue with the business. In a similar vein, Hoang and Antoncic (2003:166) assert that “[a] key benefit of networks for the entrepreneurial process is the access they provide to information and advice”. Jenssen and Koenig’s categorization, thus, finds support in other works, and it will be used in this study as an instrumental frame for analyzing the benefits obtained through different types of social ties.

The role of weak and strong ties in providing such entrepreneurial resources has been discussed extensively. In a comprehensive review on entrepreneurship and network literature, Hoang and Antoncic (2003) find that the results are mixed as to whether weak or strong ties are more useful for an entrepreneur. According to Jack (2005), a number of empirical studies attest to the importance of strong ties for entrepreneurship through support and motivation, but the theoretical literature continues to stress the effectiveness of weak ties. She also states that the effectiveness of a network is dependent on both types of ties as they lead to different resources. Similarly, Watson (2007) studies the relationship between SME owners' informal (strong ties) and formal (weak ties) networks and the survival and growth of the business. He states that whereas networks are in theory considered very beneficial for business, empirical evidence has not always been found to prove it. An interesting point raised is that there seems to be an optimum level or resources (such as time) that the entrepreneur should assign to networking in order to do it cost-effectively.

2.8 Research on group lending and entrepreneurship

The relation of social capital with group lending and with entrepreneurship has attracted abundant research. In particular, the effect of social capital on group repayment rates, and in lowering transaction costs of lending, has been investigated by many (Besley and Coate 1995, Zeller 1998, Cassar et al 2007, Karlan 2007, Van Bastelaer and Leathers 2006 among others). The creation of social capital through microfinance has seen less exploration (Anderson et al 2002), but a number of studies on the matter can be found (Larance 2001, Mosley et al 2004, Dowla 2006, Sanyal 2009, Feigenberg et al 2010). Several studies have found that participation in microcredit groups increases women's self-confidence (Hietalahti and Linden 2006, de Goey 2012).

On the other hand, the impact of accessing networks on business survival and success has been a popular topic, and numerous studies have examined the "causes and consequences of embeddedness in the entrepreneurial process" (Hoang and Antoncic 2003: 167). Hoang and Antoncic provide a review of such works, to which a number of later studies can be added (Greve and Salaff 2003, Pollack et al 2012, Watson 2007). However, studies specifically on the impact of participation in a loan group on entrepreneurship are much more difficult to find. A few of such are briefly reviewed below.

In their study of Bulgaria and the Philippines, Morris et al (2006) find that group lending in microfinance generates greater social capital and therefore leads to greater entrepreneurial success than individual lending. Through the increased social ties the entrepreneur has larger access to resources and knowledge necessary for the business, and also a safety net that she may not have had before. They emphasize that in an Eastern European transition context, where "social networks and ties are few and difficult to establish", group lending has the potential to support creating new ties and relationships, by breaking cultural and historical barriers (ibid: 354). It has also been found that entrepreneurship in Estonia has suffered from low social capital and trust in the society during the transition process (Venesaar in Höhmann and Welters 2002).

A study (Ellingsen and Lotherington 2006) conducted among the clients of the major Norwegian microcredit showed that finance was only the third most important reason for women to join the project, after competence and trust. The importance of belonging to a group was emphasized as it enabled the women to feel trusted as entrepreneurs, and this trust was important for their self-confidence, creativity and entrepreneurial spirit. Trust was developed within the group as members gained experiences with each other and reputations were formed. Access to networks provided by the group was for most participants crucial for the business start-up.

2.9 Theoretical Framework

The study will utilize the Lin's (2008) Social Capital Theory. Social capital plays an important role in microfinance. MFIs use the method of group lending with joint liability to reduce information asymmetries and increase repayment performance. The joint liability element is seen as an effective instrument to circumvent information asymmetries, because it incentivizes group members to use their social ties embedding their social capital to screen, monitor, and enforce loan repayment on their peers. In particular, in joint liability lending programs the members of a borrowing group act as guarantors for each other's loans. This encourages them to collect soft information from their social networks to screen and select each other.

Once the group is formed, borrowers use this information to monitor each other and ensure that peers are using the loan for the promised income-generating purpose (i.e. to mitigate ex-ante moral hazard problems), as well as to avoid strategic default (i.e. to mitigate ex-post moral hazard). To preserve their social capital, group members may curb their own moral hazard behavior. Thus, by being jointly liable for the repayment of a group loan, borrowers pledge their social capital embedded in their ties with other borrowers, i.e. they provide social collateral.

2.10 Conceptual framework

The study adopts the conception that micro-finance institutions act as tools formed to help fight high poverty levels particularly among the women majority of whom have either no or limited ability and capacity to access funds from formal commercial banks and other financial institutions. Accessibility of financial services like credit and other services like savings are considered very key for women and men alike in empowering them to run their own enterprises in the efforts to improve their livelihood strategies for the ultimate reduction of poverty. However due to constraining factors in the environment in which micro-finances operate, majority of the women are excluded from accessing credit facilities hence the need for sourcing of credits in groups. MFIs interact with the general environment composed of political, economical, socio-cultural, and institutionally based factors which impacts on accessibility of credit.

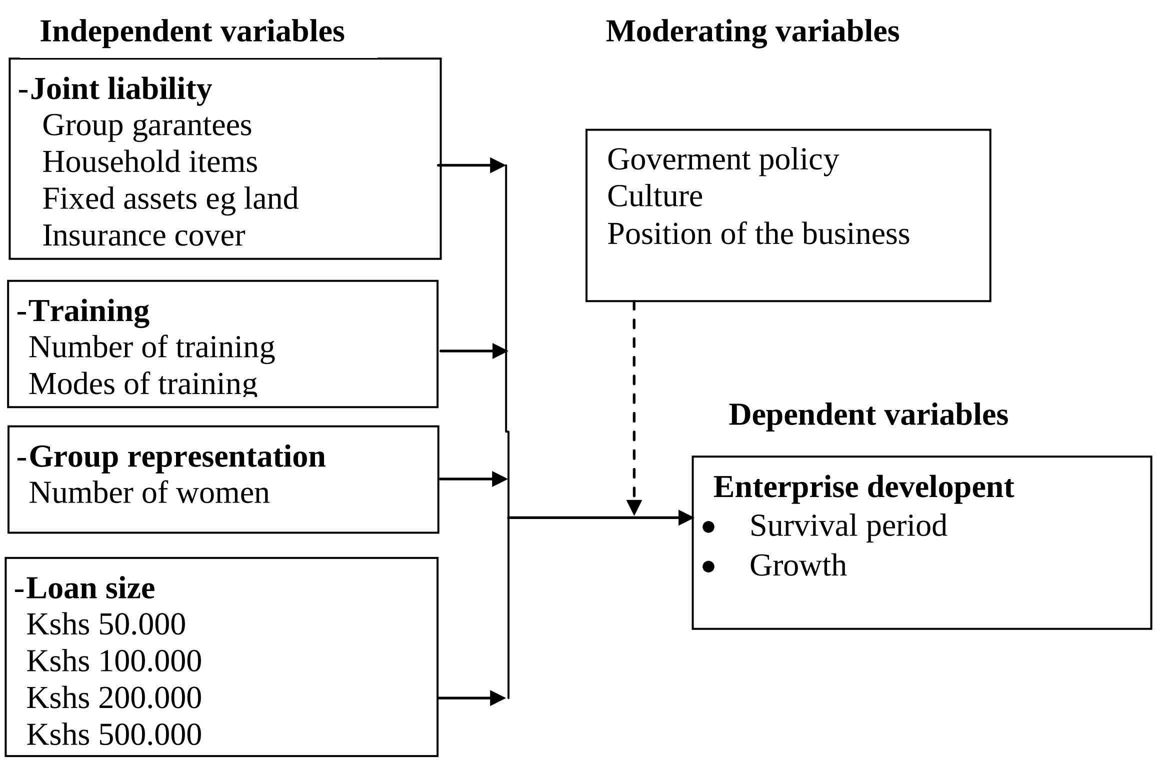

Figure 1: A conceptual framework of the linkages between variables in the study

The dependent variable is the women owned retail projects. The independent variable is the Women Enterprise Fund. The Gender, age, business experience, education level, professional entrepreneurial courses attended position of the business, political and community considerations among others, are important control variables in measuring the effect of the independent variable on the dependent variable.

2.11 Knowledge gap

Ghosh et al, (1999). and Longhofer and Santos, (2000) in their studies established that the value of the collateral offered by a firm also influences the credit rationing behaviour of a lending institution such as a bank. Their studies also found out that firms with a lot of intangible assets, which are difficult to monitor, might incur difficulties in obtaining bank finance but did not find out the influence of joint liabilities on rural womens' enterprise development that result from group lending.

European Commission (2008), observes that education and training should be to 'develop entrepreneurial capacities and mindsets' that benefit economies by fostering creativity, innovation and self-employment. The study failed does not seek to examine the influence of training has any influence on rural women' enterprise development as a result from group lending.

Kiragu and Sakwa, (2013) asserts that women in rural areas access microcredit as a group rather than individually since they are faced by various challenges. Despite this their study never specified the exact number in a group appropriate for enterprise development.

Ledgerwood (2000) also established that loan sizes tend to remain very small making the risk of business failure is high. Despite this, it failed to establish whether loan size has any influence on rural women' enterprise development as a result from group lending.

2.12 Summary of Literature Review.

In this chapter, literature related to the study has been discussed. It has focused on what researchers and scholars have found out about group lending mechanism on enterprise development of rural women. Joint liability on enterprise development, training, group representation and loan size on rural women enterprise development of rural women has been examined

In Kenya, women constitute about 51% of the total population and they play very crucial roles as active contributors in the development of the economy of this country. Therefore, it is in the interest of the government to support women development projects.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the proposed research design to be adopted, the target population, sample size, and procedures for selection of such samples. Also included in the chapter are research instruments and methods employed in data collection and analysis. Lastly it looks at the ethical issues and operationalization of variables.

3.2 Research Design

The study adopted a descriptive survey research design. Descriptive survey research design was also chosen because it involves collecting quantitative and qualitative data in order to answer questions or test hypotheses concerning the current status of the subjects of the study (Kerlinger, 2000). Kerlinger (2010) and Mugenda and Mugenda (2003) also note that the design seeks to identify the nature of factors involved in a given situation, determine the degree in which they exist and discover the links that exist between them. The research design was relevant in this study because it produced statistical information about determinants of group lending especially the ever changing and expanding women related activities. It aided the researcher in examining the attitudes, opinions, perception and characteristics of women who borrowed loans as a group towards development. The design also enabled the researcher to undertake a desk study in which relevant literature was studied and a field work to collect primary data using qualitative data collection methods.

3.3 Target Population

The study population comprised of all the 62 rural women enterprises that had a total membership of 781 women. The study also targeted the seven managers of the credit microfinance institutions in TransNzoia west Sub-county.

Table 3.1: Target population by divisions of TransNzoia west Sub-county

Divisions	Number of rural women projects	Number of members
Waitaluk	11	134
Saboti	9	112
Kiminini	14	156
Kinyoro	6	67
Central	22	312
Totals	62	781

3.4 Sample Size and Sample selection procedure

3.4.1 Sample size

Using Krejcie and Morgan table of determining sample size a total sample of 260 was obtained from all the five divisions in TransNzoia West Sub-county. The sample was proportionately distributed in the five divisions.

3.4.2 Sample selection procedure

Once the sample size of each division was known, simple random sample techniques was used to get those who participated in the study (respondents) in the sampled rural women development projects. A summary of the sample size is as shown in table 2.

Table 2: Sample size

Divisions	Number of rural women development enterprises	Number of members
Waitaluk	3	45
Saboti	4	37
Kiminini	5	52
Kinyoro	2	22
Central	8	104
Totals	22	260

The seven managers of the credit microfinance institutions in TransNzoia west Sub-county were purposively sampled for the study. They were purposively sampled because they were able to provide data on the joint liability, types of training, group representation and loan size towards group lending among the women.

3.5. Data Collection Instruments

Data collection instrument are tools used to collect data from respondents. Questionnaires and interview schedules were therefore be used to solicit data from the respondents. The study used two types of instruments, questionnaires for members of rural women development projects and interview schedules for the managers of the credit microfinance institutions.

Dwivedi (2006) defines a questionnaire as a device for securing answers to questions by using a set of questions. Questionnaires were used to collect data from the sampled women owned retail project members. Given that the respondents were literate and had no problem in reading and answering the questionnaire, use of questionnaires helped to save on time when the sample size was as big as in the case of the enterprise members. The questionnaires generated data on the type of loan advanced and how it had assisted them facilitate investment in their enterprises; how micro-finance handled their joint liability, how micro-finance had supported rural women training in their enterprises, how group lending had facilitated enterprise development and how micro-finance's loan size influenced enterprise development.

Interviews are the most common forms of data collection in qualitative research (Lichtman, 2010). Kvale (1996) argues that the aim of an interview is to gain open nuanced descriptions of different aspects of the subjects' life world. The interviews therefore gave the researcher the freedom to focus on the dimensions he thought important in micro-finance group lending mechanism and the rural women enterprise development and also assist him to keep the discussion on track so that the interview remains focused on the topic at hand. Thus interview schedules were used on the micro-finance lending mechanism and the MFI officials to provide data on the joint liability, rural women training, group lending and micro-finance's loan size.

3.5.1 Pilot testing of the instruments

A pilot was done on five youth owned projects in the sub-county under study. These youth owned projects were then not included in the main study. A data entry screen was developed using these questionnaires and their data keyed in and analyzed. Results were used to make necessary adjustments to the instruments (Polland, 2005). The main aim of piloting was to determine the accuracy and consistence of the instrument before they were used for actual data collection. This also helped the researcher to establish the extent the instruments measured accurately the attributes under investigation.

3.5.2 Validity

In this study, validity of the research instruments started at the design stage. According to Leedy and Ormrod (2005) and Silverman (2005) content and construct validity was supposed to be established by referring the instruments for professional judgment to check whether it measured what it claimed to measure. Thus, the researcher sought the advice of his supervisors and other experts from the Department of Extra Mural Studies- Kitale office, University of Nairobi to validate the instruments. Their corrections and suggestions were therefore used to produce the final copy of the questionnaire.

3.5.3 Reliability

The reliability of an instrument is the degree of consistency with which a research instrument measures whatever it is intended to measure and yields consistent results. It refers to the extent to which findings can be replicated by another researcher (Silverman 2005). To test the internal consistency of the items listed on the instrument used, the

Cronbach alpha coefficient was computed. Cronbach's alpha is a statistic coefficient (a value between 0 and 1) that is used to rate the reliability of an instrument such as a questionnaire.

This method randomly splits the data set into two and a score for each participant calculated from each half of the scale. If a scale is very reliable, respondents get same scores on either half of the scale so that, correlation of the two halves is very high. The advantage with using Cronbach's alpha is that the data is split into every possible way and the correlation coefficient for each split computed. The average of these coefficients is the value equivalent to this alpha (Cronbach, 1951).

Thus Cronbach's alpha of 0.82 was obtained for this study. The questionnaires were therefore used in the study. This is because a reliability correlation coefficient of ±0.70 and above indicates a high degree of internal consistency among the data collected and can be used for data collection of the final study (Kathuri & Pals, 1993).

3.6 Data collection procedure

A letter of approval was obtained from the school of Continuing and Distance Education (University of Nairobi).The letter was used to acquire a research permit from the National Commission of Science, Technology and Innovation (NACOSTI). The researcher then visited the Sub-County Commissioner of TransNzoia West Sub-County for field entry permission. The questionnaires were hand delivered by the researcher to the respondents and given time of around 40 minutes to respond to the questions.

Interviews were conducted by the researcher. All the respondents who took part in the interview were visited to explain the purpose of the study, and book appropriate dates for a one-on-one interview. This also created an opportunity to establish rapport with them.

3.7 Data analysis

The data obtained through the questionnaire was first checked for completeness. The 52 filled questionnaire were coded and all the data and analyzed through the Excel computer package to generate results. Visual aids in form of frequency tables, Bar graphs and pie charts were used to present the results. The study data was analyzed under three key categories which consequently constituted the objectives and variables for the study; these categories were joint liability, training, group monitoring and step/progressive lending and their effects on business development.

Interviews with the MFI’s credit managers and the field officer were auto taped and transcribed. A qualitative thematic strategy of data analysis was then employed. Inferences were made objectively and systematically by searching for emerging themes. The information was summarized under common themes and presented in the form of narratives. The analysis utilised the SPSS program version 17.

3.8 Ethical Consideration

Before the administration of the questionnaire, the researcher sought to be granted permission to conduct the study. Thus, after clearance from the School of Continuing and Distance Education, the researcher applied for a permit from the National Council of Science, Technology and Innovation (NACOSTI). The permit was a requirement by the NACOSTI for all research projects and was used to seek permission from the participants. Informed consent was sought from all respondents before data collection (Bogdan and Biklen, 1998). The researcher also ensured that there was confidentiality of the data, and individual names of SME officials were not revealed as data was aggregated during analysis and reporting.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The purpose of this study was to investigate the influence of group lending mechanism on enterprise development of rural women in TransNzoia West Sub-County, Kenya. The current chapter therefore is devoted to the presentation, analysis and interpretation of data based on the following four objectives of this study: to evaluate the influence of joint liability on enterprise development of rural women; to examine the influence of training on rural women enterprise development of rural women; to determine the influence of the group representation on rural women enterprise development of rural and lastly to assess the influence of the loan size on rural women enterprise development.

4.2 Questionnaire Response Rate

The study targeted 62 rural women enterprises in TransNzoia West Sub-County. These enterprises had a membership of 781 women. Owing to the spread of the rural women enterprises in TransNzoia West Sub-County, the study adopted a Stratified random sampling technique to select a total of 260 rural women enterprise owners. The enterprises were distributed among the five divisions (Kiminini, Waitaluk, Kinyoro, Central and Saboti) of TransNzoia West Sub-County. To this end, a total of 22 rural women group enterprises were expected to participate in the study. A response rate of 93.46% was therefore attained, with only 243 rural women enterprises group members managing to respond. According to Mugenda and Mugenda (1999), a response rate of 50% and above is adequate for analysis and reporting. This is reflected in the Table 4.2.1.

Table 4.2.1: Questionnaires administered to members of the rural women group enterprises

Divisions	Number of development enterprises selected	Number of respondent selected	Actual response	Response rate
Waitaluk	3	45	43	95.56
Saboti	4	37	36	97.28
Kiminini	5	52	49	94.23
Kinyoro	2	22	22	100
Central	8	104	93	89.42
Totals	22	260	243	93.46

The questionnaires were distributed at random to the members of the rural women group enterprises in the five divisions of TransNzoia West Sub-County. A total of 260 questionnaires were distributed according to the following divisions; Waitaluk 45, Saboti 37, Kiminini 52, Kinyoro 22 and Central 104. All the questionnaires sent out were not answered. The actual response was 43 (95.56%) for Waitaluk, 36 (97.28%) for Saboti, 49 (94.23%) for Kiminini, 22 (100%) for Kinyoro and 932 (89.4%) for Central. The total response rate stood at 93.46%. Kinyoro division had the least number of questionnaires and had a response rate of 100%. Thus from the total number of questionnaires (260) send out to the respondents only 243 of them were returned. This represented a return rate of 93.46%.

4.3 Background information of respondents

This section shows the respondent's background information as regards their type of business, business experience and age.

4.3.1 Type of business

The study sought to establish the type of enterprise that the rural women group members were engaged in. The findings are presented in Table 4.3.1.

Table 4.3.1: Type of business engaged in by the rural women group members

Type of business engaged in by the rural women group members	Frequency	Percentage
Second hand merchandise	28	11.52
Cereals	92	37.86
Service	43	17.70
Grocery	36	14.81
Retail shop	23	9.47
Others	21	8.64
Totals	243	100.00

Table 4.3.1 shows that majority of the respondents (37.86%) operates cereals businesses while 17.70% of the respondents operate service business such as MPESA, providing loans to other rural people, supplying water, firewood among others. The Groceries, retail shop and second hand merchandise businesses consisted of 14.21%, 9.47% and 11.52 % of the respondents respectively. There were other businesses such as tailoring, bodaboda business among others which accounted for 8.64% of the respondents. This implies that the rural women in TransNzoia West Sub-County had diversified their business and were not dependent on certain specific type of business.

4.3.2 Business Experience

The study also sought to establish the business experience of the rural women group members. The findings are presented in Table 4.3.2.

Table 4.3.2: The business experience of the rural women group members

No of Years	Frequency	Percentages
Less than 1 year	66	27.16
Between 1 and 3 years	98	40.33
Between 3 and 5	52	21.40
More than 5	27	11.11
Total	243	100.00

According to Table 4.3.2 observes that majority of respondents (40.33%) involved in group lending mechanisms have been in business for a period between 1-3 years. Only

11.11% of these women entrepreneurs had more than 5 years business experience while 21.40% had been in business for between 3- 5 years. A total of 27.16% of the respondents had less than 1 year experience in business. This implies that as most of the women entrepreneurs in TransNzoia Sub-County age in business (above 5 years), their enterprises also grow to small and even medium enterprises. At this point, the study found out that many women entrepreneurs outgrow the group lending mechanism leaving it to the micro and or inexperienced entrepreneurs hence the low percentage of those who have more than five years of experience. These finding lends credence to the findings of Churchill and Lewis (1983) who observed that confirm that majority of the women group members turn to MFIs to seek for microcredit with an aim of developing their own enterprises since they already have the confidence in them and are ready to embrace the next stage of enterprise growth.

4.3.3 Respondents' Age

The study sought to establish the age categories of the population engaged in small and medium enterprise in the study area. The findings are presented in Table 4.3.3.

Table 4.3.3: Respondents' Age Categories

Age bracket	Frequency	Percentage
18 – 25	32	13.16
26 – 35	131	53.91
36 – 45	56	23.05
46 – 55	18	7.41
Above 55	6	2.47
Total	243	100.00

From Table 4.3.3 it is observed that most respondents fall within the age bracket of 26-35 years as indicated by 53.91% of the respondents. Those who were above 55 years and between 46-55 years of age were only 2.47% and 7.41% respectively. This finding was supported by one of the managers of a credit microfinance institution who had the following to say:

> "..….most of those who are easily given loans are young for our institutions are always very careful not to give loans to the very elderly. The young have the energy to work hard. There is a higher chance that they will repay the loan as scheduled unlike the very elderly........"

This implies that the overall population engaging in the rural women groups' enterprises is youthful.

4.4 The Influence of Joint Liability Mechanism on Enterprise Development

This section shows the influence of joint liability mechanism on enterprise development. It looks at utilization of enterprise funds; provision of social support and timely access to resources; business linkages and partners/networks; the probability of accessing funds.

4.4.1 Utilization of Enterprise Funds

The study sought to establish whether women considered the joint liability mechanism as an effective mechanism of ensuring that borrowed funds were appropriately utilized towards the development of their enterprises. The findings are presented in Table 4.4.1.

Table 4.4.1: Influence of joint liability on borrowed funds in enterprise development

Do joint liability ensure that borrowed funds were used for enterprise development	Frequency	Percentage
Strongly agree	76	31.27
Agree	112	46.09
Not Sure	23	9.47
Disagree	21	8.64
Strongly disagree	11	4.53
Totals	243	100.00

According to Table 4.4.1 an overwhelming proportion (77.36%) of women either strongly agreed or agreed that joint liability mechanism was an effective mechanism of ensuring that borrowed funds were appropriately utilized mainly towards the development of their enterprises. Only a few (13.17%) respondents either strongly disagreed or disagreed that joint liability mechanism was an effective mechanism of ensuring that borrowed funds were appropriately utilized mainly towards the development of their enterprises. Despite this 9.47% of the respondents were undecided on whether this mechanism had an influence in the manner in which they utilized their borrowed funds. The study found out that it was a requirement among the women in TransNzoia West Sub-County to spell out their intended use of funds for the group members to actually ratify their credit application. This was aimed at ensuring that the funds will be used in an entrepreneurial venture that will lead to business development and eventual successful payment of the facility sought through collective responsibility. These findings correlate with those of Bezanko's (2010) study on the effects of group borrowing on SMEs growth in Rural Senegal.

4.4.2 Social Support and Access to Resources

The study sought to establish whether joint liability offered women social support and access to resource for enterprise development. The findings are presented in Table 4.4.2.

Table 4.4.2: Whether joint liability mechanism offered women some social support and access to resource for enterprise development

Do joint liability mechanism offer social support and timely access to resources	Frequency	Percentage
Strongly agree	177	72.84
Agree	21	8.64
Not Sure	11	4.53
Disagree	31	12.76
Strongly disagree	3	1.23
Totals	243	100.00

Findings of the study, as shown in Table 4.4.2 indicated that majority of the women entrepreneurs (81.48%) either strongly agreed or agreed that through this mechanism, they had accessed social support and timely access to resources needed for the development of their enterprise. Few of them (13.99%) either strongly disagreed or disagreed that through this mechanism, they had accessed social support and timely access to resources needed for the development of their enterprise. These results are in line with the findings of Brata, (2004), Lawal et al. (2009), Mkpado and Arene (2007), and Olomola (2002) who observed that social support has been found to have a positive relationship with the performance of women enterprises who were engaged in group lending methodology.

4.4.3 Business Linkages and Partners/Networks

The study also sought to establish whether joint liability increased linkages and business partners or networks for enterprise development. The findings are presented in Table 4.4.3.

Table 4.4.3: Whether joint liability mechanism increased linkages and business partnership or networks for enterprise development

Do joint liability mechanism increase linkages and business partners or networks	Frequency	Percentage
Strongly agree	123	50.62
Agree	66	27.16
Not Sure	21	8.64
Disagree	15	6.17
Strongly disagree	18	7.41
Totals	243	100.00

The results of the study as shown in Table 4.4.3 established that majority of women (77.78%) either strongly agreed or agreed that they had acquired various business linkages and networks due to the joint liability aspect in their microcredit groups. Few of the women (13.58%) however did not seem to have benefitted from the same. This finding was supported by one of the managers of a credit microfinance institution who had the following to say:

> “The joint liability mechanism works in a manner that women have joint and consistent meetings throughout the programme. It is through such forums and interactions that the women develop friendship bonds with other group members. These interactions have led to forging of new business linkages and network that enlighten and develop the entrepreneurs over time along their line of businesses and even leading to business diversification and...................................”

The foregoing results are a proof that besides providing easy access to credit, microcredit groups acts as a platform for business socialization as well due to their increased and in-depth interactions. These groups bring scores of entrepreneurs with diverse experiences together thus allowing them to learn from one another and in some cases to forge new business partnerships (Mohanty, 2005).

4.4.4 Probability of Accessing Funds

The study further sought to establish whether joint liability mechanism improved chances of accessing funds due to the aspect of joint liability in their group borrowing. The findings are presented in Table 4.4.4.

Table 4.4.4: Whether joint liability mechanism improved women chances of accessing funds for enterprise development

Do joint liability mechanism increases the probability of accessing funds	Frequency	Percentage
Strongly agree	114	46.91
Agree	83	34.16
Not Sure	4	1.64
Disagree	11	4.53
Strongly disagree	31	12.76
Totals	243	100.00

According to Table 4.4.4 it was observed that majority of the respondents (81.07%) either strongly agreed or agreed that group members had experienced improved chances of accessing funds due to the aspect of joint liability in their group borrowing. A minority (1.64%) were however undecided on whether the mechanism had contributed to their increased probability of accessing funds. Only 17.29% of the respondents either strongly disagreed or disagreed that group members had experienced improved chances of accessing funds due to the aspect of joint liability in their group borrowing. Similar findings have been documented by Conning (2000) who noted that joint liability lending models in microfinance is a celebrated contractual innovation that has achieved the perceptible miracle of enabling previously un-bankable or marginalized borrowers to lift themselves up by their bootstraps and create “social collateral” to replace the missing physical collateral that excluded them from access to more traditional forms of financial services, like credit and savings.

4.3 The influence of training on rural women enterprise development

In determining the influence of micro finance institutions group training on group borrowing for enterprises development, the researcher had to analyse data collected on micro finance institutions entrepreneurial trainings on group borrowing, reasons why the beneficiaries never attended group borrowing trainings and the influence these trainings had on group enterprises development. This is summarized in the following sub-sections.

4.5.1: Micro finance institutions entrepreneurial trainings on group borrowing for enterprise development

This research analyzed technical/ entrepreneurial trainings on group borrowing for enterprise development by rural women in TransNzoia West Sub-County. The results were presented in Table 4.5.1.

Table 4.5.1: Whether the rural women have attended any technical/ entrepreneurial training on group borrowing for enterprise development

Response	Waitaluk	Saboti	Kiminini	Kinyoro	Central	Total
Yes	12	11	14	8	32	77(31.69%)
No	31	25	35	14	61	166(68.31%)
Total	43	36	49	22	93	243(100%)

According to Table 4.5.1 majority (68.31%) of participants had not attended any attended any technical/ entrepreneurial training on group borrowing for enterprise development. Only 31.69% indicated that they had attended a technical/ entrepreneurial training organized by micro finance institutions on group borrowing for enterprise development. This finding was supported by one of the micro finance institutions officers who observed that:

> "….before we give the funds we encourage the members of the women groups to train on how they can utilize the borrowed funds. The focus of the training is majorly on the management of the fund during enterprise development but the problem is that very few women attend such trainings….."

This implied that most the women group members that ran group enterprises in TransNzoia West Sub-County had no technical/ entrepreneurial knowledge on enterprise development.

4.5.2: Reasons why members of the women owned enterprises had not attended any micro finance institutions technical training on enterprise development

The study also sought to establish why some women group entrepreneurs had not attended the micro finance institutions organized entrepreneurial training on business development. The data was collected in this regard, analyzed and presented as shown in Table 4.5.2.

Table 4.5.2: Reasons why some women entrepreneurs had not attended the entrepreneurial training on business development

Reason	Frequency	Percentage
Lacked finance to meet cost of training	56	23.05
Training only meant for women group officials	61	25.10
Lack of awareness of the MFI entrepreneurial trainings	22	9.05
There were no training opportunities	29	11.94
Time constraint	75	30.86
Totals	243	100.00

The results as shown in Table 4.5.2 indicated that; 11.94% of respondents stated that there were no training opportunities in the constituency. The study also established that enterprise initiation training offered by micro finance institutions targeted only women group officials hence leaving out members within the enterprise that could benefit more from such training. Thus a majority (25.10%) of the respondents observed that micro finance institutions trained only women group officials who then trained other members of the women groups, while 23.05% of the women lacked the finances to meet the training cost which was considered very expensive. A very small group of the respondents (9.05%) stated that there was no awareness of the micro finance institutions enterprise development trainings within the Sub-County. This implies that nonattendance of enterprise initiation trainings led to lack of technical knowledge, inadequate managerial skills, lack of planning and lack of market research in the women group owned enterprises hence poor uptake of women enterprise funds for business development. The findings were similar to a study carried out by Woldie (2008), on perceptions of business challenges facing Malaysian SMEs, which indicated that factors related to human capital were observed to be the greatest challenge facing the business development. The factors were indicated by dominance of unskilled workforce in the industry and lack of motivation among the workforce, there was also lack of managerial and marketing skills as well as low labour productivity.

4.5.3: Influence of micro finance institutions trainings on development of women owned enterprises

To determine the influence of micro finance institutions trainings on development of women group enterprises, the researcher asked the respondents to state whether training(s) had an influence on the development of their business or not. The results are as summarized in Table 4.5.3.

Table 4.5.3: Response on whether micro finance institutions trainings had an influence on development of women group owned enterprises

Response	Waitaluk	Saboti	Kiminini	Kinyoro	Central	Total
Yes	34	24	37	13	69	177(72.84%)
No	9	12	12	9	24.	66(27.16%)
Total	43	36	49	22	93	243(100%)

According to Table 4.5.3 majority (72.84%) of respondents observed that the trainings organized by micro finance institutions had a positive impact on development of their businesses. Majority (28.40%) of those who observed that micro finance institutions training had a positive impact on development of their businesses came from Central division. Only 27.16% observed that the trainings had no influence on development of their businesses.

The researcher further asked the respondents to state the type of influence these trainings had on their business. The results are as summarized in Table 4.5.4.

Table 4.5.4: The type of influence micro finance institutions trainings had on women owned enterprises

Influence of micro finance institutions trainings	Frequency	Percentage
Initiation	107	16.90
Growth	185	29.22
Customer retention	32	5.06
Marketing	115	18.17
Survival	126	19.91
Planning	68	10.74
Total	633	100.00

NB: The total exceeds the sample size due multiple responses

The results as shown in Table 4.5.4 indicate that majority (29.22%) of respondents felt that micro finance institutions trainings had an influence on the growth of the women owned enterprises in the Sub-County. A good number (19.91%) of the respondents observed that micro finance institutions trainings had an influence on the survival of the women owned enterprises in the Sub-County. A very small group of the respondents (5.06%) micro finance institutions trainings influenced customer retention among the women owned enterprises in the Sub-County. This implies that micro finance institutions trainings are critical to enterprise development.

4.6 Influence of the group representation on rural women enterprise development

The study sought to establish whether group representation for women groups enhanced for enterprise development. The findings are presented in Table 4.6.1.

Table 4.6.1: Whether establish whether group representation for women groups enhanced for enterprise development.

whether group representation for women groups enhanced for enterprise development	Frequency	Percentage
Strongly agree	177	72.84
Agree	21	8.64
Not Sure	11	4.53
Disagree	31	12.76
Strongly disagree	3	1.23
Total	243	100.00

Findings of the study, as shown in Table 4.6.1, indicate that majority of the women entrepreneurs (72.84%) either strongly agreed or agreed that through their numbers they were able to easily access loans. They easily pulled their resources together to apply for a loan from the micro finance institutions. Micro finance institutions were also easily willing to provide loans to women groups than individuals. This implies that rural women groups easily accessed loans from micro finance institutions for enterprise development as a group than individuals. This finding corroborates Olomola (2002) who observed that group representation plays a major role on women social support and access of loans for enterprise development. Despite this a few of them (13.99%) either strongly disagreed or disagreed that through this mechanism, they had easily accessed loans from micro finance institutions. They believed its other factors that determined whether they could get loans for enterprise development from micro finance institutions other than group representation.

4.7 Influence of the loan size on rural women enterprise development

Credit terms which include cost of loan/interest rates, amount of loan disbursed, repayment schedule, collateral, and credit period have been viewed by researchers as vital in influencing the size of the loan one receives for enterprise initiation.

4.7.1 Loan sizes

The loan sizes in most cases affect the nature of business women initiate. Small loan size is often advanced by the micro finance institutions or banks as a way of minimizing risks. However, when the clients are not given adequate funds to cater for their business development needs, they tend to resort to multiple borrowing. This in turn affects their repayment and increases the risks of the loan. To determine the amount of loan provided by micro finance institutions to women group owned enterprises, the researcher asked the respondents to state the amount of loan provided to them for development of the business. The results are as summarized in Table 4.7.1.

Table 4.7.1: Amount of loan provided by micro finance institutions to women group enterprises for enterprise development

Response	Frequency	Percentage
Kshs Less than10,000	8	3.29
Kshs 10,000- 20,000	43	17.70
Kshs 20,000-30,000	77	31.69
Kshs 30,000-40,000	91	37.45
Kshs 40,000-50,000	13	5.35
Over Kshs 50,000	11	4.53
Total	243	100.00

Majority of the respondents (37.45%) observed that they got between Kshs 30,000 and Kshs 40,000 which was encouraging since such an amount could provide the women group enterprise with a strong base for development. Though there were some disparities in the awarding of the loans in the five divisions, majority of the women group owned enterprises were getting between Kshs 30,000 - 40,000. Some of the members observed that the loan was enough for enterprise development while others indicated that it was not. This is in line with the findings by George (2008) who indicated that sometimes the loans issued by micro finance institutions are too small to make an impact on women's business development.

4.7.2 Loan repayment period

To determine the perception of the respondents as to whether the loan repayment period given by micro finance institutions for enterprise development was adequate or not, the researcher asked them to state whether the repayment period was adequate or not. The responses are summarized in Table 4.7.2.

Table 4.7.2: Whether the loan repayment period given by micro finance institutions to women owned enterprise was adequate or not

Response	Frequency	Percentage
Adequate	166	68.31
Not Sure	8	3.29
Not adequate	69	28.40
Total	243	100

According to Table 4.7.2 the respondents believed that the loan period given by micro finance institutions for enterprise development was adequate (68.31%) and could be repaid by their business. Only a few (28.40%) felt that the loan period was too small to have repaid it. This concurs with Woolcock (2002), who argued that a long loan period may make the client to be extravagant and end up failing to pay back the loan. Jackobson

(2003) also indicated that the loan period should always depend on the amount of loan advanced to the intending borrower. Clients taking small loans should not be given very long repayment period. From the research findings since the majority of the clients were dealing in small businesses and taking small loans, they need a short loan period for regular recapitalization.

4.7.3 Loan collateral

Collaterals play a major role in loan acquisition in Kenya. The researcher thus asked the respondents to state whether collaterals influenced the micro finance institutions loan they received at enterprise development. The results are as summarized in Table 4.7.3

Table 4.7.3: Whether collaterals play a major role in loan acquisition

Response	Frequency	Percentage
Yes	136	55.97
No	46	18.93
Don’t know	61	25.10
Total	243	100.00

Majority of the respondents (47.55%) observed that lack of collateral by women entrepreneurs limit some to access loans to initiate businesses. This was supported by an interview on field officers who observed that very few members in the society can stand as guarantors to the members intending to borrow funds from micro finance institutions to initiate enterprise. The regional micro finance institutions coordinator observed that members use social collateral where they do not have to be with physical properties in order to access loans from micro finance institutions. In this case a percentage is deducted from their loan on the disbursement day and retained by micro finance institutions to act as security. In addition, a client has to be with guarantors from the clients who are already accessing loan services. This concurs with Woolcock, (2002) and Atieno (2009), who indicated that micro finance institutions do not insist on physical collateral, the group guarantee loan act as collateral for group borrowers. Findings by Wenner (2006), were true when he indicated that if physical collateral were a requirement for borrowing, most micro finance institutions clientele would be unable to participate

4.7.4 Loan repayment schedule

In the formal banking structure the loan repayment schedule is embodied in the contract before a client is advanced with a loan. Thus, respondents were asked whether the repayment schedule set by micro finance institutions was conducive to women group owned enterprises. The results are as indicated in Table 4.7.4.

Table 4.7.4: Whether the repayment schedule set by micro finance institutions influence enterprise development of women owned enterprises

Response	Frequency	Percentage
Yes	152	62.55%
No	91	37.45%
Total	243	100

The findings as shown in Table 4.7.4 indicate that the loan repayment schedule was not conducive (62.59%) to the women group owned enterprises. They have always had to pay back the first loan installment two month after disbursement. This has forced some of the women groups to use part of the loan to meet the first loan installment which greatly undercapitalizes the businesses for the women group entrepreneurs. This concurs with the findings by Snodgrass and Sebstad,(2002) who indicated that the inflexible and non-negotiable repayment schedules of micro finance institutions implies little assistance in copying with stress events and financial shocks suffered by members.

4.7.5 Interest rates and other charges attached on loans used in enterprise initiation

To determine whether the loan size accessed by the women owned enterprises had an influence on the interest rates charged, the researcher asked the respondents to whether it was true or not that loan size influenced the interest rates charged by micro finance institutions in TransNzoia West County.

Table 4.7.5: Whether loan size accessed by the women group owned enterprises had an influence on the interest rates charged

Response	Frequency	Percentage
Yes	179	73.67
No	49	20.16
Don’t know	15	6.17
Total	243	100

According to Table 4.7.5 most of the respondents (76.22%) felt that interest rates charged by micro finance institutions affect the nature of the transactions such as the size of the loan. In an attempt to identify borrowers with high probability of repayment, financial institutions tend to set interest rates that an individual is willing to pay as a screening devise. However this was based on comparison with other sources of financing such as the individual money lenders but the real interest rate was high that is over 28% per annum. This concurs with Nissanke and Aryeety (2004); who indicated that micro finance institutions maintain a wider interest rate charged to their customers. This is further confirmed by Lehmann et al (2004) who revealed that micro finance institutions charge higher interest rates where their sustainability comes from the poor paying high interest rates. Stevenson & St-Onge (2005) also observes that even where microfinance institutions have come in to address the issue of access to credit, their focus has largely been poverty reduction, rather than enterprise development and growth. Their loan sizes have therefore tended to be too small to support growth.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

In view of data analysis and results presentation, the findings are hereby summarized as per the objectives of the study. This study sought to find out the effects of group lending mechanisms on enterprise development of rural women. This was done in line with four key major mechanisms including: joint liability; training; group representation and loan size. The study therefore sought to achieve the following objectives: to evaluate the influence of joint liability on enterprise development of rural women; to examine the influence of training on rural women enterprise development of rural women; to determine the influence of the group representation on rural women enterprise development of rural and lastly to assess the influence of the loan size on rural women enterprise development.

5.2 Summary for Research Findings

The study established that most of the respondents (40.33%) involved in group lending mechanisms have been in business for a period between 1-3 years. Most respondents fall within the age bracket of 26-35 years as indicated by 53.91% of the respondents.

An overwhelming proportion (77.36%) of women either strongly agreed or agreed that joint liability mechanism was an effective mechanism of ensuring that borrowed funds were appropriately utilized mainly towards the development of their enterprises. Findings of the study showed that majority of the women entrepreneurs (81.48%) either strongly agreed or agreed that through this mechanism, they had accessed social support and timely access to resources needed for the development of their enterprise. The study established that majority of women (77.78%) either strongly agreed or agreed that they had acquired various business linkages and networks due to the joint liability aspect in their microcredit groups. Majority of the respondents (81.07%) either strongly agreed or agreed that group members had experienced improved chances of accessing funds due to the aspect of joint liability in their group borrowing.

The study established that most of the most of respondents (68.31%) had not attended any attended any technical/ entrepreneurial training on group borrowing for enterprise development. Majority (72.84%) of respondents also observed that the trainings organized by micro finance institutions had a positive impact on development of their businesses. The study further established that most of the most of respondents (29.22%) felt that micro finance institutions trainings had an influence on the growth of the women owned enterprises in the Sub-County.

The study established that most of the most of the women entrepreneurs (72.84%) either strongly agreed or agreed that through their numbers they were able to easily access loans. They easily pulled their resources together to apply for a loan from the micro finance institutions. Micro finance institutions were also easily willing to provide loans to women groups than individuals. This implies that rural women groups easily accessed loans from micro finance institutions for enterprise development as a group than individuals.

Majority of the respondents (37.45%) observed that they got between Kshs 30,000 and Kshs 40,000 which was encouraging since such an amount could provide the women group enterprise with a strong base for development. Most of the respondents believed that the loan period given by micro finance institutions for enterprise development was adequate (68.31%) and could be repaid by their business. The study also established that most of the most of respondents (47.55%) observed that lack of collateral by women entrepreneurs limit some to access loans to initiate businesses. The loan repayment schedule was not conducive (62.59%) to the women group owned enterprises. They have always had to pay back the first loan installment two month after disbursement. This has forced some of the women groups to use part of the loan to meet the first loan installment which greatly undercapitalizes the businesses for the women group entrepreneurs. The study also established that most of the most of respondents (76.22%) felt that interest rates charged by micro finance institutions affect the nature of the transactions such as the size of the loan.

5.3 Conclusions

The study established that joint liability mechanism was an effective mechanism of ensuring that borrowed funds were appropriately utilized mainly towards the development of their enterprises. The study also established that majority of women group members had acquired various business linkages and networks due to the joint liability aspect in their microcredit groups. The study further established that many group members had experienced improved chances of accessing funds due to the aspect of joint liability in their group borrowing.

The study established that most of the women group members had not attended any attended any technical/ entrepreneurial training on group borrowing for enterprise development. It also established that the trainings organized by micro finance institutions had a positive impact on development of their businesses. The study further established that micro finance institutions trainings had an influence on the growth of the women owned enterprises in the Sub-County.

The study established that that through the numbers of the women group members they were able to easily access loans. They easily pulled their resources together to apply for a loan from the micro finance institutions. Micro finance institutions were also easily willing to provide loans to women groups than individuals.

The study established that women groups got between Kshs 30,000 and Kshs 40,000 which was encouraging since such an amount could provide the women group enterprise with a strong base for development. The study also established that most women groups' lack of collateral that limit them to access loans to initiate businesses. They have always had to pay back the first loan installment two month after disbursement. This has forced some of the women groups to use part of the loan to meet the first loan installment which greatly undercapitalizes the businesses for the women group entrepreneurs. The study further established that interest rates charged by micro finance institutions affect the nature of the transactions such as the size of the loan.

5.4 Recommendations

Based on the stated conclusions, the study recommends that the joint liability mechanism continue to be employed among the rural women entrepreneurs as it has greatly uplifted the challenge of accessing finance. The study also recommends that the micro finance institutions should not delegate all the tasks to the group leaders' including basic entrepreneurial training/coaching and business plan as this may not always be effectively carried out especially among the entrepreneurial groups formed in a homogeneous manner.

5.5 Areas for Further Research

From the findings of the study, there is need for further research to determine if the same will be replicated in other regions including urban areas. The study also noted a strict adherence of the step/progressive lending mechanism on the previous borrowings and not on the current performance of an enterprise. There is need for further research therefore to determine the effect of this mechanism on the development of rapidly growing rural enterprises.

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APPENDIX I: LETTER OF TRANSMITAL

University of Nairobi,

P.O. Private Bag,

Kitale-Kenya

Dear Respondent,

RE:INTRODUCTORY LETTER FOR DATA COLLECTION.

My name is Wycliffe Mabonga. I am a student at the University of Nairobi undertaking a degree in Masters of Arts in Project Planning and Management. I am undertaking a research project entitled: "**The influence of group lending mechanism on enterprise development of rural women in TransNzoia West Sub-County, Kenya".** You have been selected to participate in this study to obtain your perceptions and views regarding various aspects of the women development projects. There are no good or wrong answers but your honest participation in answering the questions will assist in establishing the influence of women enterprise development fund policy implementation on women project development in TransNzoia West Sub-County, Kenya. The information provided will be treated confidentially.

Thank you in advance.

Signature………………………………...   date…………………….……..…

Wycliffe Mabonga,

MA student.

University of Nairobi.

APPENDIX II: QUESTIONNAIRE TO THE RESPONDENTS

Instructions: Please Tick (√) or fill in the appropriate answer in the spaces provided.

Section A: Demographic Information.

1. Which type of business are you engaged in?

Second hand merchandise	( )
Cereals	( )
Service	( )
Grocery	( )
Retail shop	( )
Others	( )

2. How long have been running your business?

Less than 1 year	( )
Between 1 and 3 years	( )
Between 3 and 5	( )
More than 5	( )

3. What is your age?

18 – 25	( )
26 – 35	( )
36 – 45	( )
46 – 55	( )
Above 55	( )

Section B: Joint liability

4. How do joint liability influence on borrowed funds in enterprise development?

Strongly agree	( )
Agree	( )
Not Sure	( )
Disagree	( )
Strongly disagree	( )

5. To what extend do you agree or disagree that joint liability mechanism offer social support and timely access to resources

Strongly agree	( )
Agree	( )
Not Sure	( )
Disagree	( )
Strongly disagree	( )

6. To what extend do you agree or disagree that joint liability mechanism increase linkages and business partners or networks

Strongly agree ( )

Agree ( )

Not Sure ( )

Disagree ( )

Strongly disagree ( )

7. To what extend do you agree or disagree that joint liability mechanism increases the probability of accessing funds

Strongly agree ( )

Agree ( )

Not Sure ( )

Disagree ( )

Strongly disagree ( )

Section C: Training

8. Have you ever attended any technical/ entrepreneurial training on group borrowing for enterprise development?

Yes ( )

No ( )

9. If No why have you not attended any entrepreneurial training on business development

Lacked finance to meet cost of training ( )

Training only meant for women group officials ( )

Lack of awareness of the MFI entrepreneurial trainings ( )

There were no training opportunities ( )

Time constraint ( )

10. If Yes did micro finance institutions trainings had an influence on development of women group owned enterprises?

Yes ( )

No ( )

11. How has micro finance institutions trainings influenced your enterprises

Initiation ( )

Growth ( )

Customer retention ( )

Marketing ( )

Survival ( )

Planning ( )

Section D: Group Representation

12. Have group representation enhanced for enterprise development

Strongly agree ( )

Agree ( )

Not Sure ( )

Disagree ( )

Strongly disagree ( )

SECTION E: Loan Size

13. How much loan have your group been provided with by micro finance institutions for enterprise development

Kshs Less than10,000 ( )

Kshs 10,000- 20,000 ( )

Kshs 20,000-30,000 ( )

Kshs 30,000-40,000 ( )

Kshs 40,000-50,000 ( )

Over Kshs 50,000 ( )

14. Was the loan repayment period given by micro finance institutions to your group adequate or not?

Adequate ( )

Not Sure ( )

Not adequate ( )

15. Did collaterals play a major role in your loan acquisition

Yes ( )

No ( )

Don't know ( )

16. Did the repayment schedule set by micro finance institutions influence the development of your enterprises

Yes ( )

No ( )

Don't know ( )

17. Did the loan size accessed by your group enterprises have an influence on the interest rates charged

Yes ( )

No ( )

Don't know ( )

APPENDIX III: INTERVIEW SCHEDULE

Instructions: Please Tick (√) or fill in the appropriate answer in the spaces provided.

Section A: Demographic Information.

1. Gender Male-( ) Female-( )

2. Age Bracket

i) 18-23 ( ) ii) 24-29 ( ) iii) 30-35 ( )

3. Level of education

i) Primary ( ) ii) Secondary ( )

iii) Tertiary/College ( ) iv) University ( )

4. Marital status

i) Single ( ) ii) Married ( )

iii) Separated/divorced ( ) iv) Widowed ( )

Section B:

4. In your view, has the group lending helped the rural women in uplifting their standards of living? If so, how?

----

5. In your opinion is the loan processing period for groups adequate? Yes ( ) No ( ).

If not, what can be done to be more efficient?

----

6. In your view, are the policies and guidelines of the group lending friendly to the loan applicants?

If not, what should be amended to improve them?

----

7. In your opinion, do the rural women groups always meet their goals and objectives as set out in their application forms?---

8. Do you consider the initial loan amount adequate considering the number of people required per group?---

9. Has the government done enough to educate and inform the rural women of the availability of the group lending? If yes how?

----

10. For the unsuccessful applicants, what can be done to ensure they are not left out?

----

11. When you do the reviews of the follow-ups, how do you rate the overall impact of the group lending on rural women development in TransNzoia west sub-county in the mid-term?

i) Excellent ( )

ii) Good ( )

iii) Fair ( )

iv) Poor ( )

12.When it comes to Enterprise development, do you feel the group credit is really encouraging innovations by the rural women ?If so, how

----

13. In your opinion, is marketing of the products a hindrance to growth of enterprises? If so, what can be done

----

14. What general suggestions would you offer that would make the group lending more effective and efficient?

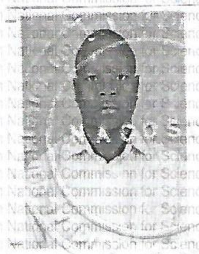
Thank you.

THIS IS TO CERTIFY THAT:
MR. WYCLIFFE MABONGA MABONGA
of UNIVERSITY OF NAIROBI, 1017-3200 kitale,has been permitted to conduct research in *Transnzoia County*

on the topic: *INFLUENCE OF MICRO-FINANCE INSTITUTIONS GROUP LENDING MECHANISM ON ENTERPRISE DEVELOPMENT OF RURAL WOMEN IN TRANSNZOIA WEST SUB-COUNTY, KENYA*

for the period ending:
6th November,2015

Permit No : NACOSTI/P/15/5441/6004
Date Of Issue : 19th June,2015
Fee Recieved :Ksh 1,000



....
Applicant's Signature

....
Director General
National Commission for Science, Technology & Innovation

NACOSTI

NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,
2241349,310571,2219420
Fax: +254-20-318245,318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date: **19th June, 2015**

NACOSTI/P/15/5441/6004

Wycliffe Mabonga Mabonga
University of Nairobi
P.O Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Influence of micro-finance institutions group lending mechanism on enterprise development of rural women in Transnzoia West Sub-County, Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Trans Nzoia County** for a period ending **6th November, 2015.**

You are advised to report to **the County Commissioners and the County Directors of Education, Trans Nzoia County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

Shussein
SAID HUSSEIN
FOR: DIRECTOR-GENERAL/CEO

Copy to

The County Commissioner
Trans Nzoia County.

The County Director of Education
Trans Nzoia County.