

**MICRO FINANCE INSTITUTIONS LENDING PROCEDURES
IN ENHANCING ENTREPRENEURSHIP PROJECTS AMONG
WOMEN: CASE OF KENYA WOMEN FINANCE TRUST IN
KAWANGWARE, NAIROBI CITY COUNTY, KENYA**

BY

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**A Research Project Report Submitted in Partial Fulfillment of the Requirements
for the Award of the Degree of Master of Arts in Project Planning and Management of
the University of Nairobi.**

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DECLARATION

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

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This research project report has been presented for examination with my approval as the University Supervisor.

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DEDICATION

This project is dedicated to my parents, Mr. John Kariuki and Mrs. Margaret Kariuki. Thank you for your ceaseless and limitless encouragement and support that you have always and relentlessly given me.

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|--------------|--|
| AMFI | Association of Microfinance Institutions |
| CBK | Central Bank of Kenya |
| EC | European Commission |
| GDP | Gross Domestic Product |
| IBM | International Business Machine |
| ICT | Information and Communication Technology |
| ILO | International Labour Organization |
| KES | Kenya Shillings |
| KNBS | Kenya Bureau of Statistics |
| KWFT | Kenya Women Finance Trust |
| MDG | Millennium Development Goals |
| MFI | Microfinance Institutions |
| MSE | Micro and Small Enterprises |
| NGO | Non-Governmental Organizations |
| SACCO | Savings and Credit Cooperative Societies |
| SMES | Small and Medium Enterprises |
| SPSS | Statistical Package for Social Studies |
| USA | United States of America |
| WEF | Women Enterprise Fund |

ABSTRACT

Women entrepreneurs have by large benefitted from the emergence of the Micro Financial Institution. For quite some time, women have been obscured from participating fully in entrepreneurship projects due to challenging in acquiring credit to facilitate their start up and working capital. Microfinance provides a solution for them. However, the lending procedure of the MFIs has not been favoring the women. This is due to the way the MFIs have structured their credit policies. In as much as women want to feature in ventures, inadequate capital limits their entrepreneurial performance. This project seeks to assess how the lending procedures of MFI enhance women entrepreneurial projects in Kenya. This study has a purpose of assessing how micro finance institutions lending procedures in enhancing entrepreneurship projects among women; Case of KWFT in Kawangware, Nairobi City County, Kenya. This research is guided by the following specific objectives: To establish how interest rates enhances entrepreneurship projects among women, to determine how lending period enhances entrepreneurship projects among women, to assess how availability of credit enhances entrepreneurship projects among women, to determine how amount of credit enhances entrepreneurship projects among women. The study adopts a descriptive research design and primary data was collected by administration of questionnaires. The study has a target population of 650 respondents' women in Kawangware who have or are accessing KWFT funds. The study has sample size of 242 which selected from the target population through stratified sampling techniques. The study's instruments for data collection were a questionnaire which was self-administered by the help of two research assistants. The data was analyzed in excel and presented in frequency tables and percentages. The study established that the most influencing factors on enhancement of women entrepreneurship project is availability of credit and interest rates increases. This is because the interest rate is the cost of using the borrowed funds. The study found out that interest rates in turn are majorly influenced by the credit policy of the microfinance and the market rates. The study also established that there was no relationship between the interest rates and the availability of collateral or guarantors. Interest rates are principally market driven. This is closely followed by amount of credit and lending period. Of importance, is the fact that most respondents to some extent agreed that all factors being investigated had an influence on the enhancement of women entrepreneurship projects in Kenya. The study thus concludes that there is a positive relationship between the microfinance interest rates and enhancement of entrepreneurship among women in Kenya, the case of Kawangware in Nairobi City County. The study recommends that MFIs grant women credit on favorable terms and also women entrepreneurs should join groups and seek government funding such as the women enterprise fund that specifically caters for their financial needs.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Microfinance institutions are gaining acceptance in Kenyan Banking industry. Their presence and role in the economy cannot be overlooked. Ideally they have acquired a fair share of the financial institutions and markets. Interestingly, they are growing in numbers and also by the number of customers they serve not to mention their increasing power in the financial services market. According to Hardy (2003) Micro-finance institutions are specialized providers of financial services to the small and medium enterprises in Kenya. Perhaps this implies that the MFIs majorly aim at meeting the financial services needs of a target market characterized by inadequate collateral security, with no formal settings and whose operations are generally lower compared to the big corporations.

Globally microfinances are regarded as the tools of steering countries from poverty and plights. It is through their products and services that women and youths are included in economic developments. In the USA, the existence of women enterprising has been growing. According to Baum and Singh (2005), women enterprises, are growing at the rate of above 35 % and accounts for 3.3 million dollars of income each income year and also creates over 20 million employment opportunities.

The success of women credit “giving” was originated by the Grameen Bank of Bangladesh in the 1970s. Due to this success many more microfinance developed with an aim of tapping this new emerging market. Haris (2010) notes, that the program worldwide has reached over 113 million people who were deemed as “unbankable” in the four decades. This clearly shows how the importance of MFIs and women entrepreneurship cannot be overlooked

In a report published by the European Commission, it is cited that, women and youth projects play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. Some 23 million SMEs provide around 75million jobs and represent about 98% of all enterprises (European Commission,

2005). Tangible available evidence indicates that SMEs account for over half of the economic growth for most countries in Asia, particularly in Bangladesh, Malaysia, members of former Soviet Union and China (United Nations, 2011).

The World Bank (2007), documents that above 75% of agricultural producers are women particularly in Sub-Saharan Africa. This means that the contribution of women to improving the economies is of paramount importance despite the many challenges they face as contrasted to their male counterparts.

It is evident that women entrepreneurs are faced by a world of challenges. These problems limit their growth in business. Of great influence, are culture and traditions and perceptions and religions. An estimated 49 % of small businesses were initiated by women in Ethiopia (Ethiopia Central Statistics, 2006). Nevertheless, they are prone to collapsing due to gender specific problems such as lack of security to guarantee credit and stiff competition from the larger businesses.

Rieneke (2010) idealizes that the concept of microfinance is not known in Africa. The “susus” are such arrangements in Ghana. He further cites that women entrepreneurs in Africa are making a tangible difference in their countries’ economies. That they create job opportunities and provide revenue to the governments is a fact. However they face challenges in accessing the small finances due to lack of collateral securities. This hampers their projects performance.

According to the Government of Kenya’s Economic Survey (2008), nearly 48 % of the small businesses are owned by women. This is a large portion indicating that women entrepreneurship is increasing over time. Additionally the government documents that these contribute an estimated 20 percent to Kenya’s GDP. In the same year about 462,000 jobs were created of which 445,000 originated from the small business in the informal sector. Also, it is a valuable observation that 85 percent of women enterprises are in this sector. Nevertheless ILO (2007), most of the Kenya working population, of about 2 million people is youths who are unemployed. These young men and women are rendered out of the labor market due to a variety of reasons, for instance inadequate working experiences. The second best option is to venture in business. According to

White & Kenyon (2006), this has the effect of ensuring and bringing forth a better placed youth population as contrasted to a case where they are traumatized by statuses characterized by of lack of jobs and dwelling in scorching poverty.

In 2007, the Central bank of Kenya made a report indicating the existence of 5,122 registered Savings and Credit Co-operatives Societies (SACCOs), 42 Commercial banking institutions, and 2 mortgage finance companies and 1 non-banking financial institution. There were 3,460 legally constituted microfinance service providers in Kenya, 56 of which were microfinance institutions, (CBK, 2007). Despite the enactment of the Microfinance Act (2006), and the rapid growth of Microfinance, of about 40 commercial banks and hundreds of SACCOs, 35.2 % of Kenyans are in need of financial services because they are inadvertently been unable to access the formal financial services offered by conventional banks and another 30.2 % are entirely excluded from accessing any financial services. It is estimated that there are 3.8 million Kenyans depend entirely on NGOs and cooperatives for financial services, while another estimated 1.1 million depend on informal associations and groups for similar services countrywide. The exclusion from financial service is solved by MFIs because they do offer microfinance that does not necessarily require the borrower to have collateral security. It is important for the MFIs to consider streamlining their lending procedures such that they may tap the portion of the population that is deemed unbankable by the conventional lenders. Thus MFIs can and have a potential of bridging the gap between the social classes, if they can grant loans to all classes as long as they have business motives that are genuine and economically viable. Women have ideas but they remain in paper due to lack or inadequate possession of capital to commercialize them.

1.1.1 Microfinance Institutions

There is no single definition of the term Micro finance that is regarded as exhaustive. The Central Bank of Kenya Act of 2007, defines an MFI as an organization involved in the provision of thrift, credit and other financial services and products to the low income earners and small & medium enterprises (SMEs). To this end,

microfinances tend to provide financial services to the low income portion of the population. Micro finance is therefore, the provision of financial services to the poor who do not have access to capital and financial services.

A more precise definition describes micro finance as the provision of appropriate financial service to the significant numbers of low income, economically active people with an objective to alleviate poverty. Association of Microfinance Institutions (AMFI, 2013), which is the global body the MFIs umbrella, defines microfinance to include “services such as savings, deposits, and insurance services, other financial instruments and product aimed at the poor or low income people. Consequently, they provide financial services to those without large lending ability owing to their low resource endowment, low credit rating by other traditional lenders and few or lack of collaterals. This has the effect of ensuring that even those not in a position to borrow from the conventional banks can secure funds to further their business motives.

In Kenya, for generations, women have been obscured from venturing into business owing to primitive cultural beliefs. More often than not, women have been left to do household chores. However, in the past one decade this phenomenon is changing and they are actively involved in building the nation. They invest and when they do so, they do it greatly. But, accessing credit limits the expansion of women projects due to the fact that they have few or lack title deeds and property to secure loans with.

According to Brau and Woller (2004), MFI is an institution that makes both formal and informal arrangements of offering financial services to the poor who traditionally have been excluded from the formal financial systems. Evidently, all investors need financing, whether they large are scale or small scale. Commercial banks prefer lending to incorporated companies due to their perpetuity. Women SMEs fail to meet the credit ratings of banks; hence they find solitude from the MFIs. MFIs in Kenya are characterized by providing loans to solidarity groups of several people, using the opportunity for everyone in the group to secure the credit facility as collateral, with peer pressure as an additional incentive to ensure repayment. By charging lower higher interest rates than the ruling market rates, these institutions attracts more customers than the traditional commercial banks (Nair, 2001), thus increasing their chance of

continuity. Kaoma (2001) asserts that MFIs with examples from Zambia, Kenya, South Africa, Mali and Zimbabwe, establish a link between both poverty eradication and the empowerment and equality of women, which are two of the eight major Millennium Development Goals (MDGs). Microfinance institutions are critical to Africa's dire quest for solutions to the continent's development challenges.

They are an important ingredient to providing answers to poverty questions and they offer solutions to the problems of stagnating economy and delayed prosperity that is a common phenomenon among Africa states. Their areas of business are of great impact to rural Africa, which is not only the home to the bulk of the continent's population, but also doubles as the source of the vast majority of Africa's poor and disillusioned individuals.

The Government of Kenya appreciates the significant contributions played by women in fostering the economic growth. It is for this reason that women are encouraged to venture into business and exploit their full capacity through. The initiation of the Women Enterprise Fund (WEF) by the government in 2006 is a clear manifestation that the role of women in economy development should not and cannot be undermined. This noble initiative was basically instituted to narrow down the existing disparities between men and women (GOK, 2008). In other words this move was meant to create an enabling environment for women to be entrepreneurs. Consequently, this curbs the limited access to financing challenge that women had been facing. By so doing women could access capital and ultimately aid in poverty reduction. It is important to note that KWFT is legally endorsed to cater for the women entrepreneurs in Kenya. Being one of the first movers MFIs in Kenya the institutions stands a better chance in keeping this dream alive. More importantly MFIs may lend with or without collaterals. MFIs also face quite a pool of challenges. By providing financial services to the low income earners expose them to a great deal of risks. There exists a chance of loan defaulting from the customers hence losses to the institutions due to low priced collaterals. Their operations have to be sustainable ensuring all costs of funding the loans are recovered together with their administrative costs.

1.1.2 Women Entrepreneurship in Projects.

For Kenya to live to full realization of her Vision 2030, women must be supported and empowered to sustainably start, carry and remain in business. According to A. Fujimori (2005), Micro Credit is the driving force, allowing women in developing countries to create survival strategies and promote development. This is the most promising aspect of private initiative at the bottom of the economic ladder. However, this has not always been the case. This research proposal seeks to assess microfinance lending procedures in enhancing women entrepreneurship in Kenya.

The ILO (2008), identifies that inaccessibility of credit is a major hurdle to the wellbeing of women enterprises, particularly because the owners of such enterprises lack collateral security that is demanded by most commercial banks in order to provide funds for the businesses. Entrepreneurs start business with an aim of meeting various needs. These needs maybe the societal needs and the individuals needs too. Once a venture is instituted it is expected to remain in operations in the foreseeable future. However, women enterprises' statistics indicate that three out of every five new small scale businesses fail after very few months of their inception (KNBS, 2007).

Amyx (2005), points that women enterprises, do fail majorly due to the negative perception by potential customers. Ideally it would be a challenge to an SME to compete for the scarce resources offered by suppliers of inputs of production. Most people prefer dealing with already established businesses as the risk of default in financial responsibilities is minimal as contrasted to the SMEs during their inception. Larger businesses always take a greater percentage of all finances and leave the small ones with no funds to expand. Deciding to venture in income generating vocations presents two chances that is success or failure. Owing to their small sizes and less cushion small enterprises may fail after a miscalculated step. In most cases they are started by owners who may play the role of a manager and may happen to possess limited managerial skills.

Small scale businesses are a driving force to economic growth, job creation, poverty reduction in developing countries. Despite the many challenges facing them the small businesses possess tools of enhancing development. These small enterprises are mostly

owned by women and youths. According Harris et al, (2006) and Saucer 2005), small businesses have the means through which accelerated economic growth and industrialization have been achieved. They are a major source of entrepreneurial skills, innovation and employment. Some 23 million SMEs provide around 75million jobs and represent about 98% of all enterprises (European Commission, 2005). Naidu and Chand (2012), identifies financing problems as to include the difficulty to access borrowing both bank loans or otherwise, say from building societies, inadequate working capital that compromises on their going concern rendering them technically insolvent, high start-up costs such as licensing fees and inability to service bank loans due to high interest rates. As a fact owner of such business lack collateral security to bond in exchange for loans.

Wanjohi (2010), noted that there is limited access to financial resources available to smaller enterprises compared to larger enterprises which negatively affect their survival, growth and profitability. Additionally women enterprises may be hampered by competition for loanable funds from the ending institutions. It is true to suffice that commercial banks generally provide loans to those whose credit rating is high. Women businesses may not pass the criterion for such loans. It is for this reason that women-owned enterprises tend to prefer MFIs to traditional banks. A peculiar nature of the MFIs is providing loans without the need for security, for instance the group loans, popularly called “Chamaa loans” in Kenya.

1.2. Statement of the Problem

Accessing credit is a critical contributing factor to the success of entrepreneurship activities in any economy (Oketch, 2008). That, there are many sources of working capital is a fact. However, loans are the most common. Quaye (2011), MFIs increases the level of operations for the small scale enterprises in the third world countries by providing credit as and when the owners need it. However, the escalating interest rates limit the returns of women projects in that most profits are channeled towards the loan interest charge (Mwongera, 2014). To this extent, these financial institutions may be considered to be providing micro finance, both in services and products to the lowly endowed in the economy. It is an interesting phenomenon to suffice that MFIs exist in a world full of competitions from conventional banks and other similar institutions.

However, they thrive amidst all odds, because they reach the “unreachable” in terms of financial needs. The interests charges are a cost to the business as contrasted with own capital. This hence “eats into” the profit of the women owned business and reduces the income for the owners.

This study proposal seeks to establish how lending period by MFIs influences the well-being of women entrepreneurial projects in Kawangware, Nairobi City County, Kenya. The availability of loanable funds from MFIs to women entrepreneurs is a challenge due to low deposits possessions. This therefore makes the lending period be fixed to a lesser time period, particularly for the first loan most MFIs set it at not more than 18 months (KWFT, 2015). Lack of access to credit is almost universally indicated as a key problem for SME’s. Other financial challenges include high cost of credit, high bank charges and fees and short repayment periods (Wanjohi and Mugure, 2008). Where the loan period is short, it implies large installments to cater for both the principal and the interest. This may hamper the amount of working capital in possession of the owners of the small business. The longer the lending period the better the situation since it means smaller amount of installments, other factors held constant.

Notwithstanding the significances of the SME, statistics indicate that three out of every five new small scale businesses fail after very few months of their inception due to lack of credit (KNBS, 2007). The availability of credit for women to venture in business is at stake. They have few or no collaterals to secure the loan. Due to this shortcoming they access little credit due to the high default risk (Amyx, 2005). Women entrepreneurship is very crucial towards the achievement of both the Vision 2030 that navigates Kenya to a changed, a new and a better state and enhances the realization of the Millennium Development Goals (MDGs). Lack or inadequate of access to finance has been cited as the subtle reason that limits women venturing into business. They have the will to start, and remain in business but limitation in financing poses a challenge. This mismatch is perhaps solved by the MFIs. However, women have not been able to access these funds due to most MFIs offering credits that are not specifically suited to them (Llanto & Fukui, 2003).

Insufficient operating capital, lack of access to funds, and inability to make strategic plans have been cited as the major challenges to the success of these types of businesses (Longnecker *et al*, 2006). KNBS (2007), cites that women are about 51 % of the nation's population. This therefore, indicates that their contribution to nation building should and cannot be overlooked. However, this has not been the case. Women entrepreneurs lack collateral security to mortgage as to qualify for credit provision by the lending institutions. The amount of credit awarded is hence low (Okeeth, 2008). In the event that they access credit, the interest rates includes a premium rate due to the high risk of defaulting associated to small business enterprises, which are commonly started by the youth and women. This study seeks to assess how interest rates and the amount of credit enhance the performance of women entrepreneurship, the case of KWFT in Kawangware, Nairobi City County.

1.3. Purpose of the Study

The purpose of this study is to assess how micro finance institutions lending procedures enhances entrepreneurship projects among women; Case of KWFT in Kawangware, Nairobi City County, Kenya.

1.4. Objectives of the Study

This study is guided by the following objectives

1. To establish how interest rates enhances entrepreneurship projects among women in Kawangware, Nairobi City County.
2. To determine how lending period enhances entrepreneurship projects among women in Kawangware, Nairobi City County.
3. To assess how availability of credit enhances entrepreneurship projects among women in Kawangware, Nairobi City County.
4. To determine how amount of credit enhances entrepreneurship projects among women in Kawangware, Nairobi City County.

1.5. Research Questions

This study seeks to answer the following research questions;

1. How do interest rates enhance entrepreneurship projects among women in Kawangware, Nairobi City County?
2. How do lending period enhance entrepreneurship projects among women in Kawangware, Nairobi City County?
3. How does availability of credit enhance entrepreneurship projects among women in Kawangware, Nairobi City County?
4. How do amount of credit enhance entrepreneurship projects among women in Kawangware, Nairobi City County?

1.6. Significance of the Study

This study has the following benefits; the researcher hopes that women entrepreneurs in Nairobi City County may find invaluable advice that will be documented.

It is also hoped that, youths may find this study useful in that information contained herein is current and reflects what is happening on the business realm. For this very reason, they may get insights on how to access finance easily and manage finance costs to improve profits and profitability of their businesses.

Students may use the findings of this study to extract information for further future studies involving women entrepreneurship in Kenya. From an academic point of view the insights of this research would contribute to the development of this line of research specifically in the third world countries.

The findings of this study may be useful to business advisors, MFIs managers who may apply the findings and interpretations of this study in solving real time challenges facing women entrepreneurs. They may get insights on how to streamline their lending procedures in order to reach more women investors.

The government may use the findings of this research to educate women entrepreneurs on how to improve and better the performance of their ventures. Given the importance of

women participation in building the economy of this nation, the findings would help in lowering failures of such entities.

This research study may be of importance to the business world. A variety of stakeholders in Women enterprising may find this research important. It is hoped that this project may not only end in an academic end but also foster the development of women entrepreneurship projects in Kenya.

1.7. Basic Assumptions of the Study

This research assumes that the respondents' responses will be true and honest. To mitigate this, the researcher explained to the respondents the need for the data and why they should respond in truthfulness. More so, the research assumes that the respondents will participate voluntarily and will be willing to respond within the budgeted time. To counter this, the researcher issued the questionnaires in good time. It will also be assumed that the KWFT will grant permission for this study to be conducted in their name. To mitigate this, the researcher used the introduction letter from the University.

1.8. Limitations of the Study

This study has the limitation that information may not be readily available from KWFT. The researcher sought help from the manager to get information from the microfinance particularly in evaluating the validity of the data collection tools and also the research used credit officers as research assistants.

It is anticipated that there will be a language barrier since some of the respondents may not know how to read or write in English language in which this research project is written. To mitigate this shortcoming the researcher employed research assistants who acted as interpreters in such circumstances.

1.9. De-limitations of the Study

Delimitations define the scope and boundaries of a certain study (Leeds, 2010). This research was delimited in terms of the scope of the problem, population,

sample size and the objectives. Participation of this study is delimited to women entrepreneurs who are currently running enterprises in Nairobi City County and whose source of financing is KWFT. Having noted that, the researcher wishes to caution that enterprises owned by men, partially owned by men and women, not funded by the KWFT, not within Kawangware, in Nairobi City County was not involved in the study. This study is delimited to women entrepreneurs since the role of women in the economy is changing from the domestic chores to active participation in businesses. Also, it is true to suffice that addressing the plight of women in as far as running of business is concerned will help them enhance their entrepreneurship projects. There is a peculiar phenomenon that women are not entirely borrowing on the Women Enterprise Fund, Uwezo fund and the Youth Fund. This is perhaps because of the fact that the WEF requires a group to borrow and the amount to be borrowed is restricted to specific figures depending on the nature of businesses. Also it is substantial to evidence that it is complex to find like-minded fellows among the borrowers in order to access the funds. Thus, they find it viable and reasonable to borrow from the MFIs that give credit facility to both individual and groups. Further MFIs are more established than the funds established by the government. This study concentrated on Nairobi because it is easier to get information from the headquarters of KWFT. The study chooses to study on women because women are facing a variety of challenges in entrepreneurship projects.

1.10. Definition of Significance Terms Used in the Study

Enhancing Entrepreneurship projects- this is the creation of an enabling environment for entrepreneurs to start remain and prosper in business.

Micro Finance Institutions lending procedures- these are the processes and factors that dictate the granting of loans by MFIs. Interest is charged as a cost of acquiring finance and as such it affects the profits of the business. The lending period is the time period to repay the principal and the interest charge and also influence the amount of installment to be repaid on monthly basis. The availability of credit is how frequent the borrower can access credit as and when they need it. The amount of credit implies how much money a borrower can be granted at single point in time.

Interest rates- this is the cost of getting a loan from the lender as expressed as a percentage of the principal borrowed. It may be fixed or fluctuating as influenced by inflation rates, nature of the loan, and the nature of the borrower's business and availability of collateral to secure the loan.

Lending period- this is the time period that a loan is to be repaid in as determined by the amount borrowed, the nature of borrower business, lender's policy and interest rates

Availability of credit- this is the existence and possession loanable funds by a lending institutions. Credit is influenced by the amount of deposits, frequency of deposit by customers, return on the lenders investments and the regulator statutory reserves.

Amount of credit- this refers to the money requirements by a borrower to further their business motives. It is primarily determined by the size of the business, the nature of the business undertaking, and the lenders policy and risk preference of the borrower.

1.11. Organization of the Study

This research study is organized in five chapters. Chapter one contains the background to the research study, presents the statement of problem, objectives, research questions and research hypothesis. Also, the chapter has the significance, justifications, limitations and delimitations of the study. Chapter two comprises the literature review on the different aspects subtle to the assessment of lending procedures by microfinance institutions and their impact on women entrepreneurship. The chapter is organized into: the concept of microfinance institutions lending procedure, interest rates and enhancement of entrepreneurship projects, lending period and enhancement of entrepreneurship projects availability of credit and enhancement of entrepreneurship projects and amount of credit and enhancement of entrepreneurship projects. Also the chapter has a theoretical framework, conceptual framework and a summary of literature review. Chapter three outlines the methodology adopted by the study in collecting and analyzing data while encompassing the following themes: introduction to the chapter, research design, target population, sample size and sampling techniques, data collection procedure, data analysis techniques, ethical considerations and operationalization of the variables. Chapter four describes the

data analysis and presentation. Chapter five harbors the summary of findings, discussions, conclusions recommendations and ultimately suggestions for further research

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature which is related to the study based on the following thematic areas: the concept of microfinance institutions lending procedure, interest rates and enhancement of entrepreneurship projects, lending period and enhancement of entrepreneurship projects availability of credit and enhancement of entrepreneurship projects and amount of credit and enhancement of entrepreneurship projects. Also the chapter has a theoretical framework, conceptual framework and a summary of literature review.

2.2 The Concept of Microfinance Institutions Lending Procedures

According to Ronge, Ndirangu and Nyangito (2002), the provision of financial services, technology upgrading, complements the beneficial effects of a truly enabling business environment. There is a dire need for business to access financial services in order to keep running. Entrepreneurial activities are moves taken by bold people who turn chaos in the market into income generating activities. These windows of opportunities are limitless and it is primarily the venture's business to study the market and identify them.

The World Bank (2008) cites that women make significant contributions to the growth of national income through the small businesses they establish. Women are undeniably the major actors in the informal sectors whose contributions in the economy of developing countries can be overlooked.

Microfinance advances small loans to small scale business people who usually run their business in the informal sector. These MFIs are characterized by less strict loan requirements as contrasted to the conventional banks. According to Athane (2011), these microfinances are the reason for creation of a sustained small scale business sector, in that they offer credit without necessarily asking for collateral security. Kimathi (2009), identifies that the unavailability of huge collaterals is one of the most impacting

challenge that face women entrepreneurs. Consequently MFIs exist to solve this situation by granting security-free loans.

In as much as the MFIs would wish to award loans to a large clientele, there is a risk; a risk of defaulting on the loans repayment. This is due to the nature of the informal sector that is technically defined by a highly mutating environment. MFIs therefore, have to cushion themselves by awarding group loans to women entrepreneurs (Athane, 2011). To this end, therefore the risk of failing to service the loans is significantly reduced due to peer guarantee. There are some microfinance that do not offer credit to individuals but rather to groups commonly known as “Chama” in Kenya.

It is crucial to recognize that the MFIs are in business too. This hence necessitates them to charge an interest to the loans they offer. The interest rate is the cost of using the borrowers for a given time period. Legally it is not possible for one to get something for nothing. There must be a consideration. This consideration for the loan is expressed as a percentage of the principal and is usually paid in installments together with the principal. The loans have accompanying policy. This policy specifies the credit period and interest charges. According to Ross, Westerfield and Jordan (2008), credit period is influenced by the value of collateral, the size of the account and the competition in the market. Microfinance are expected to charge a lower interest should there be normalcies in the market. However, they tend and end charging higher interest rates due to market imperfections (Atieno, 2013).

All this factors of determining who to award loans, how much and on what terms and conditions are the composites of the Microfinance lending procedures. There has to be a credit evaluation of the borrower, charging of interest, determining the credit period and the amount of credit. All this dictates if a given MFI will give a loan to a customer or not. This study seeks to assess how this procedure enhances the development of women entrepreneurial projects in Kenya.

2.3 Interest Rates and Enhancement of Entrepreneurship Projects

Interest rate is the rate at which the cost of borrowing is expressed. It is basically a percentage of the principal. In factoring where to borrow, the borrower must consider the

nature of the rate, whether flat rate or charged on reducing balance. According to Babihuga (2003), interest rates are defined a price charged to a borrower for using money that does not belong to them. Hence to a borrower this is a cost that should be borne and it is not avoidable as far as they need the credit facility. Notably interest charges are gifts that lenders receive for being kind enough to forego their current consumption in order to grant the borrower the funds. Consequently, therefore they would wish to charge as highly as they can.

Kamau and Ngugi(2014), did a study on the factors affecting the growth of small and medium enterprises dairy farmers in Kenya. The study adopted a descriptive research design whose population was all the dairy farmers in Kenya. The study was a case study and data was collected by use of questionnaires. The study had an objective of assessing how interest rates affect the development of enterprises among the dairy farmers. The study established that most at 90 % enterprises collapse during their first year of start-up due to limitations of working capital. The study identified that more secure loans are charged lower interests. Also the study identified that a majority of women (73%) deemed interest rates to be unreasonably high. In the event that interest charges are high and fluctuate at different times, it follows therefore that the finance cost eats up the profit of the business. This research will seek to identify how interest rates enhance entrepreneurship projects among women in Kenya. It is valid to put the MFIs will inadvertently prefer to award loans to that sector that will pay higher interests since it is their income.

Kariuki (2010), on her study “The impact of Interest Rate Liberalization Financial Savings: The case of Kenya”, cites that the accessibility and appropriateness of the banking services emerge as important in determining how the SMEs perform. The study had an overall objective of establishing how interest rates both for saving and loans affected the business in the country of which a majority 87 % confirmed to the positive. This is because lending funds from financial institutions attracts a charge of the business properties as security. Her study had the objective of finding out if interest rates liberalization had a real impact on the amount of deposits made, hence saving improved and thus more funds were available for lending particularly by the MFIs that depends on members’ deposits. This study was descriptive study design whose population of study

was all the small business in the whole of the Republic of Kenya. This study is relevant to our case because it helps get insights on how lending rates affect the running of businesses. It is important to note that interest rates have the feature of compromising on the financial performance of all projects, those of women included. This current research aims at assessing how the interest charges enhance the entrepreneurship of women projects.

World Bank (2014), in a report by a task force on facilitating SMEs financing through improved credit reports cites that higher fees and interest charged on loans may make the loans inaccessible to SMEs. The reports further cite that when SMEs are unable to secure loans due to lack of collateral security, their operations are hampered. This task force met in Rome, Italy in March 2013. The respondents were representatives of various first, second and third world Central Banks. The task force through discussions found out that for SMEs to meet their financing needs they need to do so by obtaining more favorable interest rates and in general better terms and conditions. The task force also advocated for women inclusivity in business among the third world countries. Importantly the task force recognized the role of MFIs on fostering the enhancement of projects among the youth and women. This study aims to find out how the interest charges affect the performance of women projects in Kenya.

Additionally, these charges may hamper the development of women entrepreneurship projects as they are so high. Interest rates are ‘a price lenders expect to receive for exchanging current claims for greater future claims. It is also a price that borrowers pay for the goods and services extended to them by the lenders (Julian, 1986).

2.4 Lending Period and Enhancement of Entrepreneurship Projects

Kiraka, Kobia and Katwala (2013), conducted a case study on women enterprise fund. The study had an objective of assessing how the lending period affected the running and performance of women owned businesses. The study targeted all women owned business which had benefitted by the WEF. Data was analyzed using SPSS. The study found out that the projects benefitted, majorly in post lending period because by then they had already completed repaying the loan. The research also documents that there were more

business undertaking, for instance access to a wider market, more products and services during post pay period. This research will seek to assess how the lending period affects the entrepreneurship projects owned by women in Kenya.

A study by Mbogo and Ashika(2012), had sought to assess the factors influencing product innovations among microfinance institutions in Kenya. The study adopted a descriptive research design of the case of all registered by Association of Microfinance institutions. The study cites that lack of adequate finance, poor risk management, inadequate distribution channels and stiff competitive pressure reduces the performance of microfinance. To curb this problem the microfinances are forced to offer small scale loans with low valued collateral with short collection periods. Their credit policies are coined in a way that they do not discourage borrowing but rather acts a marketing tool for the loans. An MFI has to structure its credit policy in a manner that they can access a lot of clients. Product innovation and market development should be done by the microfinance in order to attract even the traditionally sidelined areas of business.

Hasnah Haron *et al* (2013), conducted a study on “Factors Influencing Small Medium Enterprises (SMES) in Obtaining Loan”. The study has an overall objective of finding out the factors that influence the acquiring credit by small business from lending institutions. The population for their study was based on all the credit officers in commercial banks that were responsible for providing loan for SMEs Malaysia. Data was collected by 63 questionnaires that were answered by bank managers in the sampling frame. They found out that in Malaysia SMEs are regarded as a high risk group by banks. The result of this regard is that they are charged an interest rate premium to cover this risk. The study also found that the lending period was short due to the risk of default involved. Also banks are not willing to offer loans to Small and medium enterprises due to the risk involved. This current study aims at finding out the influence of lending period on the enhancement of projects among women in Kenya.

The lending period has an influence on the loan amount. According to Atieno (2011), the creation of institutional networks that enable women to access funds is important. The lending period should be structured in a way that it fosters borrowing. Consideration of

loan period depends on various factors including nature of collateral and amount of loan disbursed. The provision of financial services to women is critical in that the enterprises they run provide employment opportunities, either directly or indirectly. There are a variety of factors that impede the full realization of this goal as far as women enterprising are concerned. First, there may be lengthy credit application procedures and this may hamper the credit awarding to the business people. In the event that the credit evaluation is longer than the basic timelines, then opportunities that brought the need to financing may elapse. Apparently this is the common scenario among many MFIs.

Namuye (2013), idealizes that the debt collection rate for microfinance in Kenya is almost 100 percent. There are strict lending and collection procedures that the credit officers of such institutions adhere to. There is a firm policy that guides on loan period. The loan period does influence the profits of an enterprise particularly in the short run. More importantly is the feature of group lending where member guarantees each other. This micro chamaa loans basically helps even those individuals with a risk adverse preference. While under the umbrella of the group, they can access credit thereby enhancement their entrepreneurial projects. When the borrowers are in a group, the lending period may be shorter since they pay larger installments as compared to the group.

2.5 Availability of Credit and Enhancement of Entrepreneurship Projects

The research 'Gender, institutions and access to finance and the development of SME in Kenya was done by Atieno(2012). The research had an objective of assessing the importance of institutional networks among women owned businesses. The study adopted a descriptive research design and primary data was collected by use of questionnaire. Data was analyzed through Excel and presentation done in graphs, tables and percentages. The study found out that the availability of support institutions was important in ensuring that women could get credit. These support institutions include groups and associations that aim at providing cushion and guarantees among the borrowers. The availability of credit is influenced by the risk rating of the borrower. Where the women are in group they act as guarantors to each other. Thus, they can access

more money that may foster their ventures. This research aims at finding out how availability of credit enhances the projects owned by women in Kenya.

Ndubi and Karanja(2008), carried out a research titled “towards gender equity and poverty eradication” . The research was cases study whose population were the women in Miguta Catholic parish. The study adopted descriptive research design and data was collected by use of questionnaires. Data analysis was done in Microsoft excel. The research found out that the possession of complete and accurate information is necessary in accessing credit. It is so true to suffice that there may be women in need of business loans but the non-existence of information prevents them from accessing the loans. Further the study found out that the poor and other vulnerable people such as women, youth and the unemployed has limitations to available credit due to social cultural shortcomings. For instance they have over time been unable to own land hence fining it to access credit hence impairing their wellbeing in business. This study will see to assess how availability of credit enhances the entrepreneurship projects among women in Kenya.

A research on effect of MFIs on growth of SMEs in Kumasi in Ghana was done by Quaye (2011). The research had sought to assess if availability of credit had an influence of the financial wellbeing of small enterprises. The research adopted a purposive sampling and data was analyzed through the use of SPSS and Excel. The research found out that there is a positive relationship between the availability of credit and financial performance. This perhaps is an indication that credit is a subtle factor in determining if entrepreneurship projects are successful. This research aims at establishing if the availability of credit has any effect on the enhancement of women entrepreneurship projects in Kenya.

Credit is the money to be lent by the lender to the borrower. In this instant case credit refer to the money in possession of microfinance institutions and is available for lending under its curling credit policy. According to Yunus (1998), micro credit are small long term loans on simple terms whose target market are the poor who can make income if provided with favorable conditions. The bank has to find ways of accumulating funds other than the contributed funds by founders to grant loans. Principally, microfinance

works like a savings and credit societies only that microfinance has no members but account holders just like the conventional banks

But then how do microfinances obtain their credit? Micro-saving is one of the main sources of deposits for these institutions (J. Hotch 2010). Importantly, these financial institutions also accept deposits from households. These savings accounts are arranged in such a way that they earn interest to the saver, hence encouraging those with surplus funds to bank with the institutions. Consequently these deposits can be loaned to borrowers at, a higher rate than the one awarded to depositors.

The KWFT website shows that the microfinance has variety of saving accounts. The Tausi Saving Accounts aims at enabling parents accumulate money for their children that are below 18 years. Tegemeo Savings accounts is for those who want to see their balance grow and earn interest. This account is for individuals, joint arrangements and groups as well as entities. Inuka Savings accounts is specially structured to suit those who need money regularly. The Riziki Fixed Deposit is for those who want to save and has a minimum balance of KES 5,000. Tujijenge Group Account is for women who want to grow and at the same time can acquire loans through the account.

2.6 Amount of Credit and the Enhancement of Entrepreneurship Projects

According to Mwongera(2014), on factors influencing access to microfinance by young women entrepreneurs, the amount of credit granted depends on the nature of business undertaking, interest rates charges and the availability of collateral. This study had purposed to investigate on factors influencing access to microfinance credit by women. The study adopted a descriptive research design and data was analyzed by use of SPSS version 17.0. The study found out that young women could not obtain a sufficient amount of credit due to limitations of collateral security. The implication of this observation is that there is no single universal factor that determines the amount of credit to borrowers. A series of factors are assessed. It is therefore logical to expect where the borrower has flexible collateral the credit amount may be higher. The finance need of projects also differ from customer to customer. The loan amount granted by microfinance depends on terms and conditions. Notably, the borrower seeking must be engaged in an income

generating project. KWFT requires guarantors in case of individual loans and six month bank statement prior to date or application for a loan consideration must be presented.

Idomu (2011), carried out a research on impact of microfinance on SMEs in Nigeria. The general objective of the research was to assess the impact of microfinance on the financial performance of small businesses. The research adopted a simple random to pick a representative sample of 100 samples out of the study population. The study found out that the amount of credit awarded to borrowers was limited due lack of or inadequate security among the owners of small enterprises. Further the research established that the government needs to streamline the legal requirements for MFIs to ensure they thrive beside the stiff competition from the conventional lenders. This research will seek to identify if the amount of credit given by the MFIs has a relationship with the enhancement of entrepreneurship projects among women in Kenya.

Wanjohi and Mugure (2008), conducted a study on “Factors affecting the growth of MSEs in rural areas of Kenya: A case of ICT firms in Kiserian Township, Kajiado District of Kenya. Research Paper. They found that there is limited access to financial resources available to smaller enterprises compared to larger enterprises which negatively affect their survival, growth and profitability. Their population of study were all SMEs in the Kiserian Municipality where a descriptive research design was used. Data collection was done by administration of questionnaires among other objectives they sought to evaluate on the extent selective factors affected the growth of micro and small enterprises. The study found out that the amount of credit affected the scale of operations of enterprises, especially those managed by women and youths. The study further established that ownership of properties were unfavoring the youth and women and thus, could have titles to secure loans from lending institutions including the microfinance. This study will seek to find out how amount of credit granted enhances the women entrepreneurship projects in Kenya.

2.7 Theoretical Framework

This study is grounded in the following theory: Classical Feminist Theories. This theory relies on the fact that for women to have equality in treatment they must be feminists.

That for them to join the working class, own businesses, make money and command respect like their male counterparts they must struggle for their rights. According to Ackery (1995), women must struggle against capitalism to gain economic liberation. Interestingly men control a mass of the private property while women are left to run the communal economic resources and households' possessions. The emergence of capitalism basically led to the alienation of women from men where men were awarded the favor of making income while the women engaged in subsistence production. But over the years, things had to change and they changed allowing women found ways of venturing into business to make fortunes for themselves. Feminism defined is a situational existence where women demand for inclusion in all sectors of the economy.

Related to this theory is the psychological theory that illustrates women entrepreneurship as a factor of personal traits, motives and incentives. These theories were developed by Mclelland and Winter (1971), and indicate that people seek entrepreneurial projects as motivated by the need for achievement. Importantly women after being sidelined for long have risen with a passion and motive to unleash their potential and to this goal they do participate in business. This theory indicates that perhaps the only psychological factor that can make one start a venture is achievement motivation. The availability of investing opportunities and likelihood of taking up in those opportunities depends on the responsibilities of the individuals towards family and the economy. According to this theory women given credit can be good in business. This theory argues further that access to credit enables women to stand and enhance their chances of success in business. Khandler, (2003) idealizes that a simple collective household model considers two partners who act in good faith trying to make better the utility of the other partners without compromising on their own utility. This perhaps, explain why men advocate for women to be in business. This therefore means that the household economic decision is made rationally among the partners enhancing the partners roles in enterprising and hence women inclusion in entrepreneurship projects. From the discussions we can put it that women are engaging in business activities for a variety of reason.

2.8 Conceptual Framework

This study is guided by the following conceptual framework

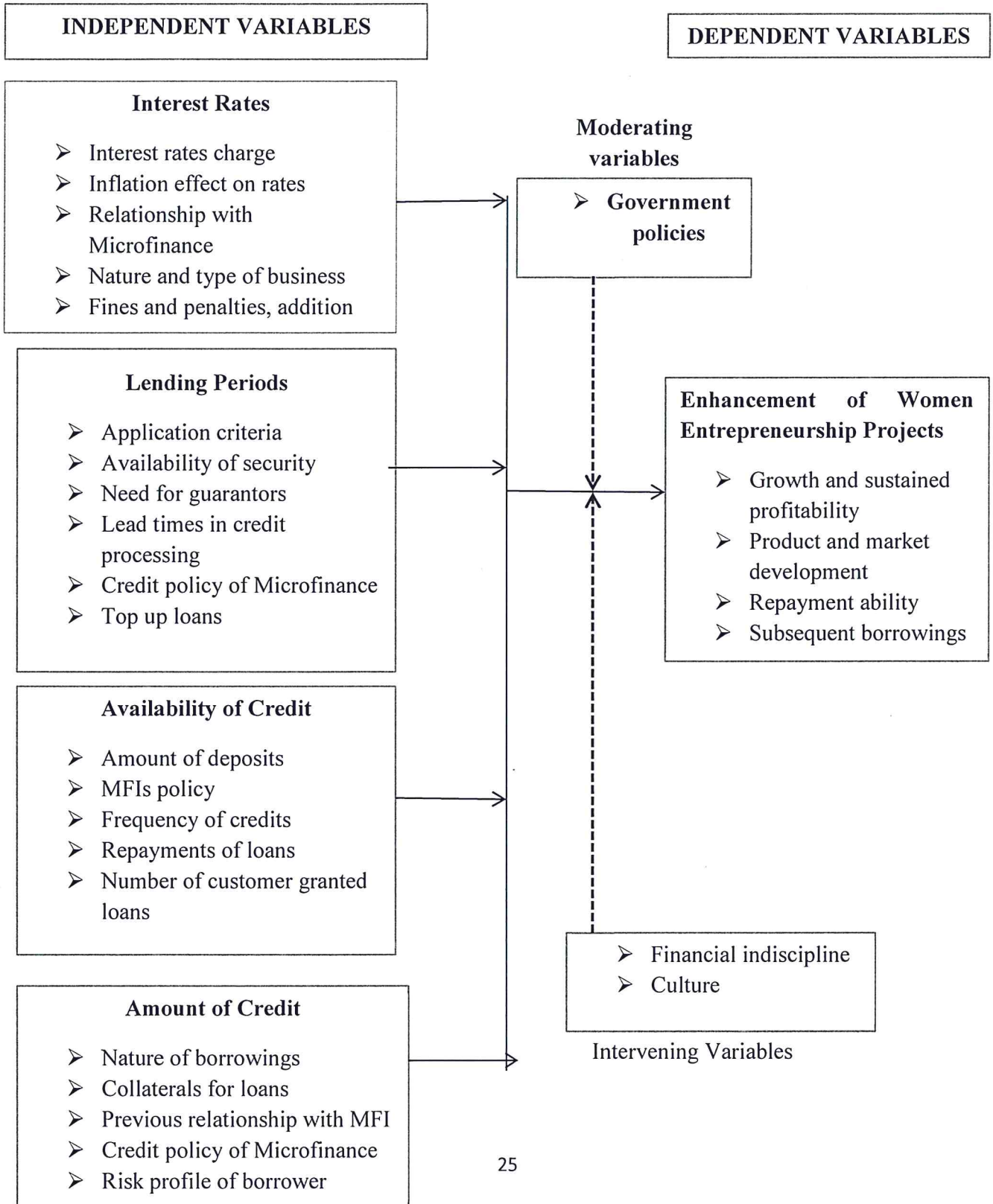


Figure 1: Conceptual Framework

Interest charges are the main cost of external financing. Where these rates are fluctuations at alarming rates, women owned businesses are at a major disadvantage. These increases and adjustments are necessitated by inflation hence increasing the charges for accessing these financial aids. This adversely affects the wellbeing of the business. Also, women owned enterprises may be hampered by fines and penalties when they fail to service the loan installments as and when they fall due. Nature and type of business coupled with the relationship a borrower had with the MFI also influences the interest rates. Where the borrower is known and had a good prior credit record, interest charge may be lower and conversely an interest premium is charged.

The lending period also may affect the well-being of the business in that if it is too short then huge sums of money are paid as installments hence less funds are available for ploughing back. The availability of flexible collateral also dictates the lending period in that if it is highly liquid the lending period may be longer and vice versa. The credit policy of the MFI largely specifies on the loan terms including the lending period. The lead times, that is the time lag between loan application and loan processing may also reduce the grace period for loans it is serviced in less time. All other factors kept constant a loan with a longer repayment period are better.

Availability of credit depends on the deposits and the central bank loans an MFI may be having. The more the deposits the more money will be available for loaning. The number of borrowers seeking credit also affects the availability of credit for any individual borrower. The frequency of credit also determines the availability of lending money and also the faster the existing loans are repaid, and then new borrowers can access the credit.

The credit policy for an MFI determines how much should a borrower be granted and on what period. Also the nature and risk profile of the borrower is factored in determining on what amount will be granted. The amount of credit is crucial in that it will influence the scale of operations and investments to be undertaken by the borrower. If the borrower has a flexible security, it follows therefore that the loan granted is larger and vice versa.

The government policy may also influence on the enhancement of women entrepreneurship projects by offering a conducive environment for MFIs to run their

business. Entrepreneurial skills are also important as it may affect, in partial, the role of MFIs to projects enhancements. The presence of awareness of information in the banking institution may foster the carrying out of projects by women in Kenya.

Financial discipline will affect the way the women utilize the borrowed funds from the MFIs to enhance their entrepreneurship projects. Borrowed funds when used for business are thus a booster to the projects. Notably, there are some women who access the funds from MFIs but send it on household purchasing thereby limiting their profitability and wellbeing of the projects.

The culture of the community under which the women ran their projects also influences on the wellbeing of the business. There are some expectations from members of the community on the nature of the businesses that women engage in. It follows, therefore that, the culture can boost the projects and enhance their survival if they are regarded as “acceptable”.

When all these factors are working in an environment they either provide positive or negative results. If positive the projects grow in size and profitability, more products are developed and new markets explored. Also the project can access subsequent loans and repay with ease. This study will seek to assess how the MFI lending procedure enhances the entrepreneurship of women projects in Kenya.

2.9 Summary of Literature Review

Table 2.1: Summary of Literature Review

| Variable | Indicator | Author (Year) | Title of The Study | Findings | Knowledge Gaps |
|----------------|--|------------------------|---|---|---|
| Interest rates | <ul style="list-style-type: none"> ➤ Lack of collateral security | Kamau and Ngugi (2014) | Factors affecting the growth of small and medium enterprises dairy farmers in Kenya | The study identified that more secure loans are charged lower interests | In as much as the study established that interest rates are influenced by collateral security, the study did not seek to assess how interest rates charges affects entrepreneurship projects |
| Interest rates | <ul style="list-style-type: none"> ➤ Interest rates charges ➤ Liberalization of interest rates | Kariuki (2010) | The impact of Interest Rate Liberalization Financial Savings: The case of Kenya | The study found out that a majority of the respondents indicated that interest rates influenced how they ran their operations and liberation had a positive relation with savings | The study found out that liberation was advantageous to savers but fails to assess the role on interest rates on entrepreneurs. This research seeks to assess how interest rates enhance women entrepreneurship projects. |

| | | | | | |
|----------------|--|----------------------------------|--|--|---|
| Interest rates | <ul style="list-style-type: none"> ➤ Interest rates ➤ Collateral security ➤ Nature of business | World Bank (2014), | A task Force on facilitating SMEs financing through improved credit reports cites that higher fees and interest charged on loans may make the loans inaccessible to SMEs | The taskforce found that higher fees and interest charged on loans may make the loans inaccessible to SMEs | Importantly the task force recognized the role of MFIs on fostering the enhancement of projects among the youth and women. However, the task force did not expressly study on how interest rates enhance entrepreneurship projects among women which this study seeks to asses. |
| Lending period | <ul style="list-style-type: none"> ➤ Repayment period ➤ Cost of finance ➤ Additional loans/credit | Kiraka, Kobia and Katwala (2013) | A case study on Women Enterprise Fund | The study found out that the projects benefitted, majorly in post lending period because by then they had already completed repaying the loan. | The research failed to articulate on the effect of lending period on the overall enhancement of entrepreneurship project which this study seeks to asses among women entrepreneurs |

| | | | | | |
|----------------|--|----------------------------------|--|--|---|
| Lending period | <ul style="list-style-type: none"> ➤ Inadequate distribution ➤ Repayment period | Mbogo and Ashika (2012) | An assessment the factors influencing product innovations among microfinance institutions in Kenya | The study cites that lack of adequate finance, poor risk management, inadequate distribution channels and stiff competitive pressure reduces the performance of a microfinance | The study concentrated on the MFIs point of view and not on the entrepreneurs perspectives |
| Lending period | <ul style="list-style-type: none"> ➤ Lending period ➤ Default on loans | Hasnah Haron <i>et al</i> (2013) | Factors Influencing Small Medium Enterprises (SMES) in Obtaining Loan | The study found that the lending period was short due to the risk of default involved | As much as the study found out the correlation between loan period and default risk, it fails to articulate the effect of lending period on the wellbeing or otherwise of the entrepreneurship projects |
| Lending Period | <ul style="list-style-type: none"> ➤ Lack of collateral ➤ Lengthy application procedures and | Macharia and Wanjiru (1998) | Formal credit financing for small scale | The study found out that there are a number of factors | This study identified the factors inhibiting the growth of women-owned |

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|------------------------|---|-------------------------|---|--|--|
| | <ul style="list-style-type: none"> ➤ Lack of awareness to existing microfinance products | | enterprises in Kenya | affecting women entrepreneurs in Nyeri. Limited start-up capital, lengthy application procedures and limitations to awareness to microfinance products and services | businesses without assessing how the lending procedure affects the projects |
| Availability of credit | <ul style="list-style-type: none"> ➤ Availability of credit ➤ Number of customers | Ndubi and Karanja(2008) | Towards gender equity and poverty eradication: case study whose population were the women in Miguta Catholic parish | The research found out that the possession of complete and accurate information is necessary in accessing credit. | The study provides invaluable information on the factor being assessed. However, it does not fully cover on the extent to which the availability of credit does enhance entrepreneurship projects among women |
| Availability of credit | <ul style="list-style-type: none"> ➤ Collateral security ➤ Amount of deposits ➤ Frequency of credits | Atieno (2012). | Gender, institutions and access to finance and the development of SME in Kenya | This study found out that microfinance has been effective in stimulating the economic activity and hence improving the standards of living of the poor portion of the population. To this end this means that poverty has been reduced and | In as much as this research found out that microfinance finance leads to women empowerment and participation in business activities, it fails to highlight on the lending procedures of the microfinance with respect to credit policy of microfinance and its effect on women entrepreneurial projects. |

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|------------------------|---|--|---|---|--|
| | | | | the plight of women in the society addressed where socially, economically and politically women have been empowered. | |
| Amount of Credit | <ul style="list-style-type: none"> ➤ Lack of collateral security ➤ Limited amount to borrow | Creation of viable employment in Kenya(a focus on women SMEs) | Makokha,(2006) | Women have variety of financial social needs that divert their working capital and that they sometimes have to scale down their businesses to meet social obligations like school fees and health care. | This study identifies that women have a variety of roles to play both in business and in social circles. More so, they engage in small and micro enterprises with an aim of solving societal problems, however this research fails to describe how the nature of their business affects their access to credit and consequent impact on their projects |
| Availability of credit | <ul style="list-style-type: none"> ➤ Repayment of loans and ➤ Available credit to borrowers | Quaye (2011). | A research on effect of MFIs on growth of SMEs in Kumasi in Ghana | The study found that there is appositive relation between available loanable funds and the financial performance of small and Medium Enterprises | The study however fall short of assessing how availability of credit enhances the entrepreneurship projects |

| | | | | | |
|------------------|---|-----------------|---|--|---|
| Amount of credit | <ul style="list-style-type: none"> ➤ Collaterals for borrowing | Mwongera (2014) | Factors influencing access to microfinance by young women entrepreneurs | The study found out that young women could not obtain a sufficient amount of credit due to limitations of collateral security | The study concentrated on young women while disregarding elderly entrepreneur's women who may provide a varied feedback and also did not study on how the variables affected the entrepreneurship but rather dwelt on factor influencing access to credit. |
| Amount of credit | <ul style="list-style-type: none"> ➤ Collateral security ➤ Risk profiles of borrower ➤ Nature of borrowing | Idomu (2011) | Research on impact of microfinance on SMEs in Nigeria | The study found out that the amount of credit awarded to borrowers was limited due to lack of or inadequate security among the owners of small enterprises. Further the research established that the government needs to streamline the legal requirements for MFIs to ensure they thrive beside the stiff completion from the conventional lenders | As much as this study provides useful insights on how SMEs impact on the performance of small and Medium Enterprises. It fails to consider how the amount of credit affects the wellbeing of the projects. This research seeks to assess how the amount of credit influences entrepreneurship of women projects in Nairobi county |

| | | | | | |
|------------------|---|----------------------------|--|---|--|
| Amount of credit | <ul style="list-style-type: none"> ➤ Collateral security ➤ Nature of borrowings | Wanjohi and Mugure (2008), | Factors affecting the growth of MSEs in rural areas of Kenya: A case of ICT firms in Kiserian Township, Kajiado District of Kenya. | They found that there is limited access to financial resources available to smaller enterprises compared to larger enterprises which negatively affect their survival, growth and profitability | The study concentrated on factors affecting the growth of MSE without focusing on how amount of credit for the business enhanced their performance. This study will seek to find out how amount of credit granted enhances the women entrepreneurship projects in Kenya. |
|------------------|---|----------------------------|--|---|--|

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was adopted in conducting the research on assessing the role of Microfinance lending procedures in enhancing entrepreneurship projects among women: case of KWFT in Kawangware, Nairobi City County. To this end the chapter has the following contents: research design, target population, sample size and sampling procedures, research instrumentation, data collection procedure, data analysis techniques, ethical considerations and operationalization of variables.

3.2 Research Design

This study adopts a descriptive research design. This is because the researcher aims at describing how the independent variables affect the dependent variables being assessed. A research design may be defined as the arrangements of conditions in order to facilitate achievement of objectives which are specific to a particular study. Kothari (2004), noted that research design is the arrangement of conditions for collection and analysis of data in manner that aims to combine relevance to the purpose with economy in procedure. For this study, the researcher applied the descriptive research design to describe the phenomena. This is because it was possible to have data in various forms that would enhance description of the existing scenarios. Another reason for adopting descriptive research design is that the researcher literally went to the field during the survey to ask about the interests in the population under study. Mugenda and Mugenda (2003), describe descriptive research design as a systematic, empirical inquiring into which the research does not have a direct control of independent variables as their manifestation has already occurred or because inherently cannot be manipulated. Descriptive research aims at determining and describing the existence of certain relationship among the research variables (Mugenda and Mugenda 2003).

3.3 Target population

The target population will consist of 650 women entrepreneurs who have or are accessing funds from the KWFT from which a sample size will be drawn.

Table 3.1: Target Population

| NAME | TARGET | PERCENTAGE |
|----------------------------|---------------|-------------------|
| Salons and beauty parlors | 71 | 10.92 |
| General retail shop | 144 | 22.15 |
| Transport | 64 | 9.85 |
| Second hand items sellers | 113 | 17.38 |
| Food eating kiosks | 93 | 14.31 |
| Electronic and accessories | 102 | 15.69 |
| Groceries and fruits | 63 | 9.69 |
| TOTAL | 650 | 100.00 |

3.4 Sample Size and Sampling Procedures.

This section describes the sample size and the sampling procedures used in the study.

3.4.1 Sample Size

The sample size of this study is 342 respondents drawn from the target population of 650 based on sample determination table by Krejcie and Morgan (1970).

3.4.2 Sampling Procedures

The study adopted stratified sampling technique which is a probabilistic technique to select the sample businesses that will act as representative of the whole population. This is because the women owned businesses are widely spaced around the city county and it would be virtually complex to visit all them in the area of study. A sample of 242 businesses will be selected as the representative. Krejcie and Morgan (1970), on their theory of determining the sample, determined that a population of 650 counts requires a sample size of above 242 individuals in the population be taken as the sample size.

Table 3.2: Sample Size

| NAME | TARGET | PERCENTAGE | SAMPLE SIZE |
|-----------------------------------|---------------|-------------------|--------------------|
| Salons and beauty parlors | 71 | 10.92 | 26 |
| General retail shops | 144 | 22.15 | 54 |
| Matatu industry | 64 | 9.85 | 24 |
| Second hand items sellers | 113 | 17.38 | 42 |
| Food eating kiosks | 93 | 14.31 | 35 |
| Electronic and accessories | 102 | 15.69 | 38 |
| Groceries and fruits | 63 | 9.69 | 23 |
| TOTAL | 650 | 100.00 | 242 |

3.5 Research Instrumentation

The main instrument of data collection is questionnaire. This is further explained follows:

3.5.1 Questionnaire

The study questionnaire had two types of questions: the closed ended questionnaires captures data on specific issues and also to appreciate the busy schedules of the medium businesses managers and the open ended question allowed flexibility and enabled capturing of data that had not been earlier seen. The questionnaire was divided into five parts. The first part captures data on demographics including the level of academic qualification of the respondents, the age of the respondents, marital statuses, length of the time the respondent has been in business, nature of the entrepreneurship project and the amount of startup capital. The other four remaining parts captures data specific to the objectives of the study. Section B contains statements related to interest rate and their effect on women entrepreneurship while section C contains statement on lending period and its effect on women entrepreneurship, section D contains statement on availability of credit and their effect on women entrepreneurship and finally section D has statement regarding amount of credit and their effect on women entrepreneurship projects.

3.5.2 Pilot Testing

A pilot study is a preliminary mock study that precedes the actual study. It precisely ensures that the researcher is in a position to test whether the instruments and other issues pertinent to the study will work properly. Also it is very useful to gauge the reliability and validity of the questionnaire to be used in the actual study. Before the actual study the researcher carried out a pilot study involving 24 of the respondents. Ideally the goal was to test whether the questions were logical, comprehensive and simple to understand. Further it hinted on the time requirement during the actual study. The respondents for the pilot study were picked at random. Mugenda and Mugenda (2003), cite that a relatively small sample of 10 % of respondents is enough for a pilot study. The study sample in the pilot study was selected from the remaining after the 242 have been eliminated from the target population of 650. The research was able to rephrase the parts of the questionnaire that was not understood or appeared vague as per the respondent's views. The pilot study also ensured that the research could pretest the data findings to gauge if they can be processed, analyzed and presented in a clear manner.

3.5.3 Validity of Instruments

Validity of research instruments is the measure of the quality of data a given instrument provides with respect to what it is expected to collect. Content validity defined implies whether a given set of data can result into meaningful and useful inferences (Creswell, 2008). To this end the researcher ensured that an expert in the field of women entrepreneurship and bank lending will be engaged. They will crucially provide insights and logical judgments and by extension conclusions on how the instruments will be used in the actual field data collection exercise. Also referred as content validity, validity of instruments ensures that all respondents understand the questionnaires in a similar manner hence giving out valid data findings. More importantly side notes will be prepared to guide the respondents. The questionnaire will use a simple language to make sure that the questions are free from misinterpretation.

3.5.4 Reliability of Instruments

The measure of the degree to which a given data collection instruments yields consistent results is referred to as the reliability. The questionnaire will be tested and retested to remove elements of vagueness and ensure it is well understood by the respondents. The questionnaire will be taken to the field during the pilot study with an aim of ensuring that it is clear to the respondents.

3.6. Data Collection Procedure

The study used questionnaire to collect primary data. Questionnaires are appropriate since they collect data that is observable hence giving insights of the feelings, attitudes and motivations of the sample respondents. The questionnaire was administered by the help of two research assistants who engaged to distribute the questionnaires. They were critically trained to understand how to handle the instrument, purpose of the study and appreciate the ethical issues. The questionnaires were collected after one week of issuance. Permission from the government ministry of Gender, Women and Youth was granted to the researcher. The faculty issued an introduction letter to the researcher which eased the process of data. The study also expects that there will be positive reception from the respondents during the period when the questionnaire will be administered.

3.7. Data Analysis Techniques

Data from the questionnaire was first edited for completeness, legibility, validity, uniformity, comprehensibility, accuracy and consistency before being coded. The data was analyzed using descriptive statistics and was presented by use of frequency tables, and percentages. Content analysis was applied in the open ended questions.

3.8. Ethical Considerations

The researcher sought to obtain the consent of the respondents before going to the field. The researcher informed the respondents on the reason for asking them to fill the questionnaires. The researcher observed a high level of confidentiality and integrity throughout the field work and afterwards. The assessment of possible harm to respondent is the sole responsibility of the researcher (Bryam, 2007). To this end the research assessed the situation and carry steps aiming to minimize any harm should there be any. Therefore the researcher did not include the names of the respondents on the questionnaire to safe guard their privacy.

3.9. Operationalization of the Variables

The operationalization of the variable is per Table 3.3

Table 3.3 Operationalization of the variables

| Objective | Independent variables | Indicators | Scale | Tools of Analysis | Types of Analysis |
|---|-----------------------|--|---------------------|---|------------------------|
| How do interest rates influence enhancement of entrepreneurship projects among women? | Interest rates | <ul style="list-style-type: none">➤ Interest rates charge➤ Inflation effect on rates➤ Relationship with Microfinance➤ Nature and type of business | Nominal and ordinal | Frequency distribution tables and percentages | Descriptive Regression |

| | | | | | |
|---|----------------|--|---------------------|---|------------------------|
| How do lending period influence enhancement of entrepreneurship projects among women? | Lending period | <ul style="list-style-type: none"> ➤ Application criteria ➤ Availability of security ➤ Need for guarantors ➤ Lead times in credit processing ➤ Credit policy of Microfinance | Nominal and ordinal | Frequency distribution tables and percentages | Descriptive Regression |
| How does availability of credit enhance entrepreneurship projects among women? | | <ul style="list-style-type: none"> ➤ Amount of deposits ➤ MFIs deposit with CBK ➤ Frequency of credits ➤ Repayments of loans ➤ Number of customer granted loans | Nominal and ordinal | Frequency distribution tables and percentages | Descriptive Regression |
| How do amount of credit influence enhancement of entrepreneurship projects among women? | | <ul style="list-style-type: none"> ➤ Nature of borrowings ➤ Collaterals for loans ➤ Previous relationship with MFI ➤ Credit policy of Microfinance ➤ Risk profile of borrower | Nominal and ordinal | Frequency distribution tables and percentages | Descriptive Regression |

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter focuses on data analysis, presentation, interpretation and discussions of the findings. The main purpose of this study was to assess how micro finance institutions lending procedures enhances entrepreneurship projects among women; Case of KWFT in Kawangware, Nairobi City County, Kenya. The study sought to establish how interest rates, lending period, availability of credit and amount of credit enhance of entrepreneurship projects among women in Kawangware, Nairobi City County. The researcher has made use of percentages and frequency tables and charts to analysis and present data findings.

4.2 Questionnaire Return Rate

The study issued 242 questionnaires and 197 were filled and returned the contributing to 81%. This response rate was deemed good as it is in line Mugenda and Mugenda (2003), observation that: a response rate of 50% is adequate for data analysis and findings reporting; a rate of 60% is good and a response rate of 70% and above is excellent. This excellent return rate can be attributed to the data collection procedure, where the researcher engaged KWFT credit officers as the research assistants to administer questionnaires. The research assistants were quite helpful as they had contact with the women entrepreneurs and it was easy for them to convince the respondents fill questionnaires as they continued with their trainings. Some 23 questionnaires had been left with respondents who were reminded to fill them through frequent phone calls by the credit officers and once they filled them the researcher collected them. Further, any simplifications and clarifications sought by the respondents were addressed promptly since time was of the essence. The questionnaires that were not returned were due to respondents who lost the questionnaires, some were returned very late when data analysis had been concluded and for some even after persistence follow-ups phone calls, there was

no chance of repossessing the questionnaires. This return rate demonstrates the free willingness of the respondents to participate in the study.

The questionnaire return rate results are shown in Table 4.1.

Table 4.1: Questionnaire Return Rate

| | Frequency | Percentage |
|---------------------|------------------|-------------------|
| Responded | 197 | 81 |
| Non response | 45 | 19 |
| Total | 242 | 100 |

4.3 Demographic Characteristics of the Respondents

The study targeted women entrepreneurs who had access to credit from the Kenya women finance Trust microfinance. As such it was important to collect data of demographic insights of the respondents in areas of academic qualification, age bracket, and length of operation in the business, nature of business, start-up capital and start-up capital adequacy. These are further discussed in the following subsequent themes;

4.3.1 Academic Qualification

The study investigated the highest level of academic qualification of the respondents. The results are shown in table 4.2.

Table 4.2: Academic Qualification of Respondents

| Highest Level of Education | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Secondary Education | 46 | 23 |
| Diploma | 97 | 49 |
| Bachelor degree | 41 | 21 |
| Master degree | 10 | 5 |
| Any other | 3 | 2 |
| TOTAL | 197 | 100 |

From the findings, 93 % of respondents had above secondary school level education, or diploma holders or bachelor degrees while 5% master’s degree and 2% had other qualification. This means that the respondents were knowledgeable enough to articulate the meaning of the questions in the questionnaire and respond to them accurately. The study establishes that ‘other qualification includes certified accountants. These findings show that the respondents had attained different levels of education hence they were in a position to respond to the questionnaire in an understanding way.

4.3.2 Age of the Respondents

There was a need to collect data on the age of the respondents. This was particularly necessary to give insights on the relationship between age of the respondents and views on lending procedures of MFIs. The findings are indicated in the Table 4.3.

Table 4.3: Age of the Respondents

| AGE BRACKET | Frequency | Percentage |
|---------------------|------------------|-------------------|
| Between 18-25 years | 63 | 32 |
| Between 26-35 years | 89 | 45 |
| Between 36-45 years | 34 | 17 |
| Between 46-55 years | 7 | 4 |
| Above 55 years | 4 | 2 |
| TOTAL | 197 | 100 |

It can be deduced from the data findings that 94 % of the respondents were between 18 - 45 years. This indicates that a majority of the women entrepreneurs were the youths. Of the respondents, 4% were between 46-55 years and 2% were above 55 years. This shows that the women were youths and hence may not be having so much money to enhance their entrepreneurship projects and hence seek credit from the MFIs that offer unsecured loans

4.3.3 Marital status

The study had sought the marital status of the respondents. The findings are tabulated in Table 4.4.

Table 4.4: Marital Status of the Respondents

| Marital Status | Frequency | Percentage |
|-----------------------|------------------|-------------------|
| Single | 97 | 49 |
| Married | 89 | 45 |
| Divorced | 0 | 0 |
| Separated | 11 | 6 |
| TOTAL | 197 | 100 |

Data findings shows that a majority, 97(49%) of the respondents are single, 89(45%) are married while nil are divorced and 11(6%) are separated. This indicates that most single women are engaged in entrepreneurship projects. This perhaps is an indication that most single women and married are in business activities at the same levels. Both have a sense of business motives and hence are participating in ventures that are generating income for them and their families. Owing to the changes in the economy, all members in the gender platform have a role to play in the building of the nation.

4.3.2 Length of operation in the business

The study sought to establish the number of years the respondents have being in business. The findings of the objective are indicated in the Table 4.5.

Table 4.5: Length of Operation in the Business

| Length in the business | Frequency | Percentage |
|-------------------------------|------------------|-------------------|
| Less than 2 years | 45 | 23 |
| Between 2– 5 years | 102 | 52 |
| 6-10 years | 7 | 4 |
| Above 10 years | 43 | 22 |
| Total | 197 | 100 |

From the research findings, 75 % had been in operation for less than 0 -5 years, 4% for between 6-10 years and 22 % were in business for above 10 years. These data findings show that the respondents had operated in the market for different period ranging from less than 2 years to more than 10 years. These findings indicate that there were those who had a prior relationship with the MFI and could access loans more easily with or without collaterals. Also, this shows that a majority of the business were young and hence needed financing to cope with the competitive entrepreneurship environment.

4.3.5 Nature of Business

The study required the respondents to state the nature of their entrepreneurship projects. The findings of the objective are indicated in the Table 4.6.

Table 4.6: Nature of Business

| Nature of Business | Frequency | Percentage |
|----------------------------------|------------------|-------------------|
| Sole proprietor | 132 | 63 |
| Partnership | 46 | 27 |
| Limited Liability Company | 19 | 10 |
| Any other | 0 | 0 |
| TOTAL | 197 | 100 |

It can be deduced from the data findings, that a majority 132 (63 %) of the respondents were sole proprietors, followed by 27 % who were in partnership while 10 % limited liability companies. Interpreted women entrepreneurs engage in unincorporated businesses due to their ease in formation and legal requirements. Also, unincorporated enterprises are east to run and have limited compliance requirement from the government.

4.3.6 Start-up Capital

The study sought to establish the amount of start-up capital of the entrepreneurship projects. Table 4.7 shows the finding of the study.

Table 4.7: Amount of Start-up Capital for the Business

| | Frequency | Percentage |
|------------------------------|------------------|-------------------|
| Below Ksh 10,000 | 43 | 22 |
| Ksh 11,000 - 49,000 | 92 | 47 |
| Ksh 50,000 - 99,000 | 29 | 15 |
| Ksh 100,000 - 150,000 | 21 | 11 |
| Ksh 151,000 - 200,000 | 9 | 5 |
| Above 200,000 | 3 | 1 |
| TOTAL | 197 | 100 |

The data findings indicate that a majority, 92 had a start-up capital of less than 150, 000 shillings. This means that the capital was low and hence they required credit to further and enhance their projects.

4.3.7 Start-up Capital Adequacy

The study sought to find out of the adequacy of start-up capital in starting projects. This data finding is presented in table 4.8.

Table 4.8: Adequacy of Start –up Capital

| | Frequency | Percentage |
|--------------|------------------|-------------------|
| YES | 27 | 23 |
| NO | 160 | 81 |
| TOTAL | 197 | 100 |

Most respondent, 160(81%) cited the start-up capital was not sufficient while 23% cited that start-up capital was sufficient. This therefor shows that there is a need for the entrepreneurs to access credit in order to enhance their entrepreneurial projects.

4.4 Interest Rates Enhance Entrepreneurship Projects Among Women

The study has sought to establish how interest rates enhance entrepreneurship projects among women in Kawangware, Nairobi City County. The findings of the objective are indicated in the Table 4.9.

Table 4.9: Interest Rates and Enhancement of Entrepreneurship Projects Among Women.

| Statement | Mean | Standard deviation |
|--|------|--------------------|
| Interest rates charges are high hence hampering performance of entrepreneurship projects | 4.69 | 1.017 |
| The general increase in prices increases the interest rates hence hampering performance of entrepreneurship project | 4.26 | 1.631 |
| Previous loans and relationship with microfinance bank is considered when the bank is offering loans hence affecting the interest charges | 0.69 | 0.093 |
| The interest charges are intertwined with the availability of collateral security that the business has and the nature of business | 3.78 | 1.546 |
| The penalty inflicted by the Microfinance on loan defaulting is high and unrealistic hence hampering performance of entrepreneurship projects. | 4.77 | 1.657 |
| The loan processing costs and other charges are high hence increasing the cost of credit | 2.82 | 0.131 |
| I will not take a loan facility again, due high interest charges by the Microfinance | 3.25 | 1.329 |

The study found out that interest on credit and penalties on credit scored a high mean of 4.69 and 4.77 respectively. This indicates that the two variables are the major influencing factors on interest charges which are the cost of financing. Ideally high interest rates

mean that the business will spend a large portion of its profits in repaying the loans. Consequently, it follows that the interest charge limits the expansion of the women projects and exploitation of opportunities as they present themselves. MFIs usually charge a premium interest as contrary to the expectation since most of their loans are unsecured. Notably the relationship with the MFI does not have a huge impact on the interest rates as evidenced by the mean of 0.69 which is the lowest among the variables being assessed. Interest rates are market driven and governed by the credit policy of the microfinance as opposed to prior dealings of the borrower and the microfinance under consideration.

4.4.1 Interest rates are high charge hampering the performance of entrepreneurship projects.

The study had sought to establish the impact of interest rates. The researchers particularly sought to collect data if the interest rates charged were high and were hampering the performance of women entrepreneurship project. The data findings are indicated in Table 4.10.

Table 4.10: Effect of Interest Rates on Women Projects

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 93 | 47 |
| Agree | 72 | 37 |
| Neither agree nor Disagree | 3 | 2 |
| Disagree | 17 | 9 |
| Strongly Disagree | 12 | 6 |
| TOTAL | 197 | 100 |

From the findings of the study, a majority 93 (47%) of the respondents cited that interest charges were very high and they hampered the performance of their projects, 37 %

agreed that interest rates were unreasonably high, 2% of the respondents were indifferent, 9% disagree that interest rates were high while 2 % strongly disagreed. This means that the study has established that the women owned entrepreneurship projects are negatively affected by interest rates. Perhaps this is because the interest rates are a cost to the businesses but an income to the lender. The lender hence has to increase the interest rates to increase their income at the expense of the borrower profits. This research confirms the findings of Kamau and Ngugi (2014), who had established that loans with collateral security attracted lesser interest charges. Interest rates are a cost to the business and when they are high it follows therefore that the business lacks capacity to plough the profits since a large portion is used in credit repayment.

4.4.2 General increase in prices (inflation) increase interest rates hence hampering the entrepreneurial projects

The study had sought to establish the impact of inflation on interest rates and hence performance of women entrepreneurship projects. The researchers particularly aimed to collect data if inflation increased interest rates that hampered the performance of women entrepreneurship project. The data findings are in Table 4.11.

Table.4.11 Effect of Increasing Prices on Women Entrepreneurship Projects

| | Frequency | Percentage |
|-----------------------------------|------------|------------|
| Strongly agree | 98 | 50 |
| Agree | 53 | 27 |
| Neither agree nor Disagree | 34 | 17 |
| Disagree | 12 | 6 |
| Strongly Disagree | 0 | 0 |
| TOTAL | 197 | 100 |

From the findings of the study, a majority 91 (50 %) of the respondents strongly agreed that increased in general prices of commodities increased interest charges that

consequently hampered the performance of their projects, 27 % agreed that increase in prices increased interest rates, 17% of the respondents were indifferent, 6% disagree that increasing prices increased the interest rates while none % strongly disagreed. This interpreted means that the study has established that inflation increases the interest charge for the credit awarded to the women owned entrepreneurship projects. Perhaps this is because the inflation makes the value of the shilling drop and the lender may charge a premium interest on top of the base rate to cater for the inflation. Mwongera (2014), had established that interest rates were affected by the inflation rates that hampered profitability of businesses. The interest charge is a factor of many factors and usually there is included an inflation adjustment policy that is at the discretion of the microfinance. During high rates of inflation period the microfinance increases the interest rates hence hampering the performance of the wellbeing of the women owned projects.

4.4.3 Previous Relationship with Microfinance and Interest Rates

The study had sought to establish if the prior credit relationship with the microfinance had an impact on interest rates and hence performance of women entrepreneurship projects. The data findings are shown in Table 4.12.

Table 4.12: Relationship with Microfinance and Interest Rate Charge

| | Frequency | Percentage |
|-----------------------------------|------------|------------|
| Strongly agree | 11 | 6 |
| Agree | 7 | 4 |
| Neither agree nor Disagree | 9 | 5 |
| Disagree | 77 | 39 |
| Strongly Disagree | 93 | 47 |
| TOTAL | 197 | 100 |

From the findings of the study, a majority 93 (47 %) of the respondents strongly disagreed that prior relationship with the bank was considered in arriving at the increased

interest charges that consequently hampered the performance of their projects, 39 % disagreed that prior relationship with the microfinance did influence interest rates, 5 % of the respondents were indifferent, 4% agreed while 6 % strongly agreed that the relationship affected the interest rates charge. The study thus established that prior relationship with the bank did not matter when it comes to arriving at the rate to charge for the credit. Kariuki (2010), had found that interest rates liberalization allowed the financial institutions to charge as they deemed fit. The cost of financing is intertwined among various factors. The relationship with the microfinance may not have had an impact on the interest rates because mostly they are arrived at as they are in the industry.

4.4.4 Interest Rates Influence by Availability of Collateral Security

The study had sought to establish if the interest charges are intertwined with the availability of collateral security that the business has and hence performance of women entrepreneurship projects. The data findings are indicated in Table 4.13.

Table 4.13: Availability of Collateral Security and Interest Rate Charge

| | Frequency | Percentage |
|-----------------------------------|------------|------------|
| Strongly agree | 9 | 5 |
| Agree | 15 | 8 |
| Neither agree nor Disagree | 25 | 13 |
| Disagree | 61 | 31 |
| Strongly Disagree | 87 | 44 |
| TOTAL | 197 | 100 |

The study, found out that a majority 87 (44 %) of the respondents strongly disagreed availability of security affected the interest rates charges consequently hampered the performance of their projects, 31 % disagreed, 13 % of the respondents were indifferent, 8% agreed while 5 % strongly agreed that the availability of security affected the interest rates charge that had an impact on the project performance. The collateral security may

not influence the interest rates but rather the amount of credit to be awarded by the microfinance. Kariuki (2010), had established that the availability of collateral had an impact on the credit amount. This shows that most of the MFIs require some form of collateral security from the young entrepreneurs as security for the loan just in case the women default. Further this may mean that collateral is only needed to secure the loans and has not much influence on the interest rate charges.

4.4.5 Penalties and Performance of the Projects

The study had sought to establish whether penalty inflicted by the Microfinance on loan defaulting was high and unrealistic hence hampering performance of entrepreneurship projects. The data findings are indicated in Table 4.14.

Table 4.14: Penalties and Performance of Women Projects

| | Frequency | Percentage |
|-----------------------------------|------------|------------|
| Strongly agree | 105 | 53 |
| Agree | 65 | 33 |
| Neither agree nor Disagree | 18 | 9 |
| Disagree | 6 | 3 |
| Strongly Disagree | 3 | 2 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 44 % of the respondents strongly agreed that penalties on loan defaulting hampered the performance of their projects, 33 % agreed, 9 % of the respondents were indifferent, 3% disagreed while 2 % strongly disagreed that the penalties on loan defaulting hampered the performance of their projects. Penalties are charged as and when the borrower cannot service the loan installments. They may be severe since they are at the discretion of the microfinance. It is important for micro finance to allow arrangements that are fair when the loanee defaults.

4.4.6 Loan Processing Costs and Performance of Entrepreneurship Projects

The study had sought to establish whether the loan processing costs and other charges are high hence increasing the cost of credit. The data findings are indicated in Table 4.15.

Table 4.15: Loan Processing Costs and Performance of Women Projects

| | Frequency | Percentage |
|----------------------------|------------|------------|
| Strongly agree | 49 | 25 |
| Agree | 62 | 31 |
| Neither agree nor Disagree | 38 | 19 |
| Disagree | 31 | 16 |
| Strongly Disagree | 17 | 9 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 62 % of the respondents agreed that loan processing costs were high and hampered the performance of their projects, 25 % strongly agreed, 19 % of the respondents were indifferent, 16% disagreed while 9 % strongly disagreed that loan processing costs were high and hampered the performance of their projects loan processing fees may be high particularly where there is improper correspondences between the lender and the borrower. The microfinance charges a fee as loan processing commission which is a percentage of the principal borrowed. This commission should not be too high as it may discourage borrowing.

4.4.7 Subsequent Loans

The study had sought to establish whether the respondents were willing to take a loan facility again, due high interest charges by the Microfinance. The data findings are indicated in Table 4.16.

Table 4.16: Willingness to Take a Subsequent Loan

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 23 | 12 |
| Agree | 57 | 29 |
| Neither agree nor Disagree | 48 | 24 |
| Disagree | 45 | 23 |
| Strongly Disagree | 24 | 12 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 29 % of the respondents agreed that they could take another loan, 12 % strongly agreed, 24 % of the respondents were indifferent, 23 % disagreed while 12 % strongly disagreed that they could take another loan with the microfinance. Perhaps this is attributed to the different perspectives of the borrowers towards interest rates. In the circumstance that the interest rates are high and escalates in a short period of time, the borrower may be discouraged from borrowing.

From the findings of the study, a majority with a mean of 4.69, the respondents cited that interest charges were very high and they hampered the performance of their projects. On whether there were other ways that interest analysis affected the performance of their business, most respondents responded that; interest made their business less profitable, discouraged borrowing and reduced the amount of profits that were available for re-investing. The study hence found out that interest rates affect the performance of women entrepreneurship projects with regard to the women entrepreneurs in Kawangware, Nairobi City County.

4.5 Lending Period Enhances Entrepreneurship Projects Among Women.

The study sought to establish how lending period enhanced entrepreneurship projects among women in Kawangware, Nairobi City County. The findings of the objective are indicated in the Table 4.17.

Table 4.17: Lending Period Enhances Entrepreneurship Projects Among Women

| Statement | Mean | Standard deviation |
|---|-------------|---------------------------|
| The lending criteria offers a short lending period for first time borrowers hence higher installments | 4.29 | 0.123 |
| The lending period is sometimes intertwined with the availability of collateral to secure the loan | 0.61 | 1.346 |
| The lending period is influenced by the availability of guarantors hence lack of such shortens the lending period. | 3.68 | 0.319 |
| The credit policy of microfinance has a stringent lending period stipulations that are unfavorable | 3.83 | 1.427 |
| The time difference between applying for the loan and getting the money is long and makes one miss business opportunities | 2.61 | 1.029 |
| The repayment period required by the microfinance is unfavorable since it does not consider how the business is performing | 3.67 | 0.011 |
| Top up of loans has unfavorable lending period since one has to finish repaying the additional loans as per the original loan | 4.03 | 0.235 |

The study found out that the lending period for the first time borrower is short hence hampering the enhancement of the women projects. This is clearly indicated by the mean of 4.29. Perhaps this is because the first loan carries the highest default risk. Thus the microfinance will charge higher installment aiming at reducing their liability in case of the borrower defaulting. The higher the repayment installments the more the portion of profits is consumed in financing. Short term loans tend to carry higher rates of interest too.

4.5.1 Lending Period for First Time Borrowers

The study had sought to establish whether the lending criteria offer a short lending period for first time borrowers' hence higher installments. The data findings are indicated in Table 4.18.

Table 4.18: Unfavorable Short Period for First Time Borrowers

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 106 | 54 |
| Agree | 63 | 32 |
| Neither agree nor Disagree | 24 | 12 |
| Disagree | 4 | 2 |
| Strongly Disagree | 0 | 0 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 54 % of the respondents strongly agreed that the credit policy offered a very short time for first time borrowers, 22 % agreed, 12 % of the respondents were indifferent, 2 % disagreed while 0 % strongly disagreed that the time was short. This indicates that the lending period of the microfinance was not sufficient enough. This implies that the loan repayment installments are higher as contrasted to when the lending period is longer. Macharia and Wanjiru (1998), had found out that lending period affected women-owned businesses in Nyeri. This research confirms their findings that the lending period does affect the performance of women entrepreneurial projects.

4.5.2 Collateral Security and Lending Period.

The study had sought to establish whether the lending period is sometimes intertwined with the availability of collateral to secure the loan. The data findings are indicated in Table 4.19.

Table 4.19: Collateral Security Influences Lending Period

| | Frequency | Percentage |
|----------------------------|------------|------------|
| Strongly agree | 1 | 1 |
| Agree | 23 | 12 |
| Neither agree nor Disagree | 53 | 27 |
| Disagree | 57 | 29 |
| Strongly Disagree | 63 | 32 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 32 % of the respondents strongly disagreed that collateral security had an influence on the ending period, 29 % disagreed, 27 % of the respondents were indifferent, and 12 % disagreed while 1 % strongly disagreed. This means that the lending period does not relate in a great extent with the availability of collateral security. This is because the lending period is basically determined by the microfinance credit policy. Kiraka, Kobia and Katwala (2013), found out that the entrepreneurs majorly benefitted much during the post loan period. This is because they will have completed the repayment. It is important for the MFIs to grant a reasonable repayment period in order not to suffocate the project while repaying the loan amount. When the loan period is short, then the amount of installments is higher and vice versa.

4.5.3 Availability of Guarantors and Lending period

The study had sought to establish whether the lending period is influenced by the availability of guarantors hence lack of such shortens the lending period. The data findings are indicated in Table 4.20.

Table 4.20: Availability of Guarantors

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 68 | 35 |
| Agree | 77 | 39 |
| Neither agree nor Disagree | 27 | 14 |
| Disagree | 23 | 12 |
| Strongly Disagree | 2 | 1 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 39 % of the respondents agreed that the availability of guarantors affected the lending period, 35 % strongly agreed, 14 % of the respondents were indifferent, 12 % disagreed while 1 % strongly disagreed. This indicates that the availability of guarantors is a crucial factor in getting a microfinance loan. The microfinance industry prefers awarding loans to group members such that act as co-guarantors. Thus, it is important for women wanting credit to form and belong to groups such that they can access credit with ease.

4.5.4 Stringent Credit Policy and Lending Period

The respondents were asked to rate whether the credit policy of microfinance has stringent lending period stipulations that are unfavorable. The data findings are indicated in Table 4.21.

Table 4.21: Unfavorable Credit Lending Policy

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 78 | 40 |
| Agree | 73 | 37 |
| Neither agree nor Disagree | 19 | 10 |
| Disagree | | |
| Disagree | 14 | 7 |
| Strongly Disagree | 13 | 7 |
| TOTAL | 197 | 100 |

A majority, 40 % of the respondents strongly agreed that the lending period was not favorable, 37 % agreed, 10 % of the respondents were indifferent, 7 % disagreed while 7 % strongly disagreed that the time was short. This means that the lending period has an influence on the performance of the entrepreneurship projects. It is important for the microfinance to provide loans that are payable on favorable period in order to boost the women owned projects. The credit policy should be fair to the borrower without exposing the MFIs to risk of defaults.

4.5.5 Lead Time in Loan Application

The study had sought to establish whether the time difference between applying for the loan and getting the money is long and makes one miss business opportunities. The data findings are indicated in Table 4.22.

Table 4.22: Lead Time in Loan Application

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 46 | 23 |
| Agree | 57 | 19 |
| Neither agree nor Disagree | 27 | 14 |
| Disagree | 21 | 11 |
| Strongly Disagree | 46 | 23 |
| TOTAL | 197 | 100 |

From the findings of the study 23 % of the respondents strongly agreed and at the same time 23 % of the respondents strongly disagreed that the lead time makes one miss business opportunities. This is a peculiar scenario. 19 % agreed, 14% of the respondents were indifferent while 11 % disagreed. This is to mean that the lead time was regarded differently on equal magnitude but the respondents. The lead time affects the performance of women entrepreneurship projects in the sense that opportunities may lapse and when the loan is granted is used for a reason than the initial intended purpose. There are instances that women take loans and they use them for domestic purposes hence limiting the performance of the entrepreneurship projects.

The study had sought to establish whether top up of loans has unfavorable lending period since one has to finish repaying the additional loans as per the original loan. The data findings are indicated in Table 4.23.

Table 4.23: Top up Loans and Lending Period

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 84 | 43 |
| Agree | 75 | 38 |
| Neither agree nor Disagree | 17 | 9 |
| Disagree | 21 | 11 |
| Strongly Disagree | 0 | 0 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 43 % of the respondents strongly agreed that the requirement to pay top long in the same period like the first loan hampered the performance of the projects, 38 % agreed, 9 % of the respondents were indifferent, 11 % disagreed while 0 % strongly disagreed. This means that the loan period for the first loan and the top up loan being paid alongside was an inhibiting factor to women entrepreneurship projects. It is important for the microfinance to extent the loan period where a top up has been granted. This gives the women ample time to repay the loan without defaulting. When this happens the projects stands a chance of doing good and success and living it objectives.

On whether there were other ways through which the lending period affected the performance of the project it was found out that a majority indicated “none” while the few that did write indicated that a short lending period increased the amount of installments hence limiting the amounts of profit they made during the loan period.

The study, found out that a majority, with a mean of 4.29, of the respondents strongly agreed that the credit policy offered a very short time for first time borrowers. This indicates that the lending period of the microfinance was not sufficient enough. This implies that the loan repayment installments are higher as contrasted to when the lending period is longer.

4.6 Availability of Credit Enhances Entrepreneurship Projects Among Women.

The study had sought to assess how availability of credit enhances entrepreneurship projects among women in Kawangware, Nairobi City County.

Table 4.24: Availability of Credit Enhances Entrepreneurship Projects Among Women.

| Statement | Mean | Standard deviation |
|---|------|--------------------|
| Microfinance grants loans on basis of ones saving/deposits hence limiting the available a borrower can get | 4.42 | 1.715 |
| The loan policy of the microfinance is unfavorable as it requires one to have saved with them for a specific period of time | 5.00 | 0.00 |
| The available amount for a borrower is limited to a 'number of loans' at a single point in time. | 4.46 | 0.214 |
| The repayment of loans determines the amount available for a subsequent borrowing. The faster one clears a loan the easier to access a second loan and so on. | 4.18 | 1.783 |
| Sometimes the Microfinance says that the number of women given credit is high and hence they are short of funds to loan more entrepreneurs | 2.56 | 1.018 |

The study found out that requirement for the borrower ton have saved in period of time to qualify for a loan scored the highest mean of 5.00. All respondents agreed that this hampered the enhancement of their projects. Perhaps this is because , the time lag between the saving period and accessing credit is long and many opportunities may be missed in the process.

4.6.1 Amount of Savings and Availability of Credit.

The study had sought to establish whether the Microfinance grants loans on basis of ones saving/deposits hence limiting the available a borrower can get. The data findings are indicated in Table 4.25.

Table 4.25: Savings and Availability of Credit

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 91 | 46 |
| Agree | 83 | 42 |
| Neither agree nor Disagree | 11 | 6 |
| Disagree | 9 | 5 |
| Strongly Disagree | 3 | 2 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 46 % of the respondents strongly agreed that the availability of credit depended on the amount one had in deposit, 42 % agreed, 6 % of the respondents were indifferent, 5 % disagreed while 2 % strongly disagreed that the credit available to them was not influenced by the amount of money they had deposited with the microfinance. This means that the credit to be extended is influenced by the amount of deposits a borrower has with the microfinance institutions. Idomu (2011) had found out that the amount available to borrower was limited due to lack of security. This limits the performance of the women entrepreneurs since they barely own the collaterals sought by the, lending institutions. It is important to note that MFIs award credit as a number of times the depositor has with them. This may perhaps limit the available to borrow in that the prior saving ability of the borrower does not necessarily infer on their paying ability. It may mean that they were starting the ventures and hence saving a little. Objectively the MFIs should evaluate a number of factors before granting loans and nit the amount of deposit alone.

4.6.2 Saving Period and Availability of Credit

The study had sought to establish whether the loan policy of the microfinance is unfavorable as it requires one to have saved with them for a specific period of time. The data findings are indicated in Table 4.26.

Table 4.26: Saving Period and Availability of Credit

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 180 | 91 |
| Agree | 17 | 9 |
| Neither agree nor Disagree | 0 | 0 |
| Disagree | 0 | 0 |
| Strongly Disagree | 0 | 0 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 180 (91 %) of the respondents strongly agreed that the requirement to have saved for a specific time and 9 % agreed. None responded for the other indicators. Kiraka, Kobia and Katwala (2013) found out that the entrepreneurs could benefit access the credit as and when they required because they had to have saved with the microfinance for a considerable length of time. This means that the entrepreneur may wish to acquire a credit facility but funds won't be made available or them when they have not met the minimum saving policy stipulations.

4.6.3 Limited Number of Loans due to Guarantorship

The study had sought to establish whether the available amount for a borrower is limited to a 'number of loans' at a single point in time. The data findings are indicated in Table 4.27.

Table 4.27: Limited Amount for Borrower

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 86 | 44 |
| Agree | 90 | 46 |
| Neither agree nor Disagree | 13 | 7 |
| Disagree | 6 | 3 |
| Strongly Disagree | 2 | 1 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 46 % of the respondents agreed that the microfinance limited the number of loan at single point time while 44 % strongly agreed, 7 % of the respondents were indifferent, 3 % disagreed while 1 % strongly disagreed. This indicates that the microfinance was reluctant to offer new loans while the others were still not repaid in full. This has the effect of limiting the activities of the entrepreneurs hence hampering the performance of the projects. The micro finance should consider giving out subsequent loan alongside the older one when the borrower shows clear indication of the ability to repay. This way the performance of the projects will be enhanced.

4.6.4 Subsequent Loans

The respondents were asked to rate whether the repayment of loans determines the amount available for a subsequent borrowing. The faster one clears a loan the easier to access a second loan and so on. The data findings are indicated in Table 4.28.

Table 4.28: Subsequent Loans

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 83 | 42 |
| Agree | 82 | 42 |
| Neither agree nor Disagree | 28 | 14 |
| Disagree | 3 | 2 |
| Strongly Disagree | 1 | 1 |
| TOTAL | 197 | 100 |

The study findings indicates that 42 % of the respondents strongly agreed that the repayment of the first loan determined whether they were awarded subsequent loans, 42% agreed, 14% of the respondents were indifferent, 2 % disagreed while 1 % strongly disagreed. The repayment of first loans forms a basis of rating the borrower if credit worthy or otherwise. When the borrower successfully repays the first loan, they stand a better chance of acquiring more credit and vice versa.

4.6.5 Number of Women Accessing Loans and Availability of Credit

The study had sought to establish whether: Sometimes the Microfinance says that the number of women given credit is high and hence they are short of funds to loan more entrepreneurs. The data findings are indicated in Table 4.29.

Table 4.29: Number of Women Accessing Credit Limiting Available Credit

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 44 | 22 |
| Agree | 57 | 29 |
| Neither agree nor Disagree | 61 | 31 |
| Disagree | 21 | 11 |
| Strongly Disagree | 14 | 7 |
| TOTAL | 197 | 100 |

From the findings of the study 22 % of the respondents strongly agreed the number of women accessing credit limited the available funds to borrow. Of the respondents 29 % agreed, a majority 31% of the respondents were indifferent, 11 % disagreed and 7 % strongly disagreed. This means that the women entrepreneurs did not consider the number of women as a limiting factors towards the loan they were being given. This is because they may lack information on how many clients the microfinance served. This question was included to tell whether the women shared information. According to Mwongera (2014), awareness of microfinance also affected the accessible of finance. Where women are aware of the available finance they may seek such facilities unlike in the reverse case.

On whether, there other ways availability of credit affected the performance of your projects. The respondents did not cite any other reasons beyond those included in the Likert's Scale.

4.7 Amount of Credit Enhance Of Entrepreneurship Projects Among Women

The study assesses how amount of credit enhance entrepreneurship projects among women in Kawangware, Nairobi City County. The findings of the objective are indicated in the Table 4.30.

Table 4.30: Amount of Credit Enhance Entrepreneurship Projects Among Women

| Statement | Mean | Standard deviation |
|--|-------------|---------------------------|
| Microfinance grants loans are determined by the nature of borrowings with short term borrowing being preferred than the long term credits | 2.39 | 0.322 |
| The amount of loan is determined by the collateral used to secure the loan and thus hinders the amount one would wish to be granted. | 4.89 | 0.176 |
| The previous relationship with the bank is greatly referred to when seeking credit in subsequent times. Where this is case, the result may be unfair due to fact that the past may not be indication of the business will repay the loan | 3.67 | 0.789 |
| The credit policy on amount to be borrowed is fixed to little amount since the business may as well be in a position to pay beyond what it has saved. | 4.29 | 0.711 |
| The risk rating and profiling the borrowers used by the microfinance is unfavorable. | 4.11 | 0.572 |

The study found out that a majority of the respondents with a mean of 4.89 cited that the amount of credit was sometimes intertwined in the availability of collateral security. This indicates that the loan amount granted depends on the nature and flexibility of the asset being charged. Where the asset being charged is flexible and of high value, it follows therefore that the loan amount granted may be more and the reverse case is true. The amount of loan determines the type and extent of investment an entrepreneur ay engage in. Where the credit amount is low, thus the women entrepreneur may not be in a position to utilize all the opportunities that are presented in the market.

4.7.1 Nature of Borrowings

The study had sought to establish whether the Microfinance grants loans on basis of ones saving/deposits hence limiting the available a borrower can get. The data findings are indicated in Table 4.31.

Table 4.31: Nature of Borrowings

| | Frequency | Percentage |
|-----------------------------------|------------|------------|
| Strongly agree | 48 | 24 |
| Agree | 46 | 23 |
| Neither agree nor Disagree | 56 | 28 |
| Disagree | 24 | 12 |
| Strongly Disagree | 23 | 12 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 28 % of the respondents were neutral that the microfinance preferred short term borrowings over the long term borrowings, 24 % strongly agreed, 23 % agreed, 12 % disagreed while 12 % strongly disagreed. This means that the respondents were indifferent on the preference of the microfinance when it came to lending and the nature of lending. It is important to note that short term borrowing may attract more interest since it is repaid in short periods, the microfinance would rather issue long term loan to make sure that its cash flow is steady over the years. Wanjohi and Mugure (2008) found out that the nature of loan was crucial to the microfinance. The respondents are hence not aware of the results of the term loans because to them they only consider the need of their business. Further, long term loans carry lower interest rates when it comes to finance costs.

4.7.2 Amount of Credit Determined by Collateral Security

The study had sought to establish whether the amount of loan is determined by the collateral used to secure the loan and thus hinders the amount one would wish to be granted. The data findings are indicated in Table 4.32.

Table 4.32: Amount of Credit and Collateral Security

| | Frequency | Percentage |
|-----------------------------------|------------|------------|
| Strongly agree | 98 | 50 |
| Agree | 95 | 48 |
| Neither agree nor Disagree | 1 | 1 |
| Disagree | 3 | 2 |
| Strongly Disagree | 0 | 0 |
| TOTAL | 197 | 100 |

The study finding shows that a majority, 98 (50 %) of the respondents strongly agreed that the loan awarded was influenced by the availability of collateral and hence hampered their operations, 48 % agreed. 1 % was indifferent, and 2 % disagreed that the amount of credit was influenced by the collateral security. This perhaps is due to the fact that the security has a value that can be recouped in the circumstance that the borrower defaults. Where the collateral security is highly available and flexible, consequently the credit amount may be higher and the reverse case is true. This findings show, that most of the MFIs require some form of collateral security from the women entrepreneurs as collateral security for the loan just in case the women default.

4.7.3 Prior Relationship with Microfinance

The study had sought to establish whether the previous relationship with the bank is greatly referred to when seeking credit in subsequent times. Where this is case, the result may be unfair due to fact that the past may not be indication of the business will repay the loan. The data findings are indicated in Table 4.33.

Table 4.33: Prior Relationship with Microfinance

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 79 | 40 |
| Agree | 86 | 44 |
| Neither agree nor Disagree | 11 | 6 |
| Disagree | 9 | 5 |
| Strongly Disagree | 12 | 6 |
| TOTAL | 197 | 100 |

The study, found out that a majority, 44 % of the respondents agreed that the microfinance gauged the credit amount basing on the previous relationship with them, while 40 % strongly agreed, 6 % of the respondents were indifferent, 5 % disagreed while 6 % strongly disagreed. This indicates that the microfinance did in fact gauge the respondents on how they had interacted in prior loans. To some extent this may be unfavorable since able borrowers may be locked off from accessing an amount they can comfortably pay unlike in the past case. Perhaps the business world is run by relations maxim hold here. Ideally the best relationships are built in trust and hence those whom the microfinance has trusted are likely to be granted more credit as compared to the new comers.

4.7.4 Unfavorable Credit policy

The respondents were asked to rate whether the credit policy on amount to be borrowed is fixed to little amount since the business may as well be in a position to pay beyond what it has saved. The data findings are indicated in Table 4.34.

Table 4.34: Unfavorable Credit policy

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 95 | 48 |
| Agree | 74 | 38 |
| Neither agree nor Disagree | 22 | 11 |
| Disagree | 5 | 3 |
| Strongly Disagree | 1 | 1 |
| TOTAL | 197 | 100 |

The study findings indicates that 48 % of the respondents strongly agreed that the credit policy fixes to little amount , 38% agreed, 11% of the respondents were indifferent, 3 % disagreed while 1 % strongly disagreed. The respondents indicated that the loan limit is too little and consequently hampers the performance of their entrepreneurship projects.

4.7.5 Risk Rating and Profiling Policy

The study had sought to establish whether: The risk rating and profiling the borrowers used by the microfinance is unfavorable. The data findings are indicated in Table 4.35.

Table 4.35: Risk Rating and Profiling Policy

| | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Strongly agree | 84 | 43 |
| Agree | 78 | 40 |
| Neither agree nor Disagree | 23 | 12 |
| Disagree | 7 | 4 |
| Strongly Disagree | 5 | 3 |
| TOTAL | 197 | 100 |

From the findings of the study, 43 % of the respondents strongly agreed the risk profiling and rating was unfavorable. Of the respondents, 40 % agreed, a majority 12 % of the respondents were indifferent, 4 % disagreed and 3 % strongly disagreed. Idomu (2011) found out that the amount of credit awarded to borrowers was limited due lack of or inadequate security among the owners of small enterprises. This research confirms the findings. For the borrower to be granted credit, they are rated in terms of ability to pay. Where they are rated well, it follows therefore that, the credit amount is more and the reverse case is true.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, the discussion, conclusions and recommendations of the study based on the objectives of the study. The chapter finally presents the suggestions for further studies and research.

5.2 Summary of Findings

This section contains the summary of the study findings respective to the objectives. This summary is based on the data analysis so far presented in chapter four. From the findings of the study discussed in chapter four above, the study established that the most influencing factor on enhancement of women entrepreneurship project is availability of credit, followed by interest rates increases; amount of credit and lending periods has the least influence. Of importance, is the fact that most respondents to some extent agreed that all factors being investigated had an influence on the enhancement of women entrepreneurship projects in Kenya.

5.2.1 Interest rates and enhancement of entrepreneurship projects

On whether interest enhanced the performance of women entrepreneurship projects in Kenya, the research has established that it affected but to a great extent. This is when the factor is compared to other factors such as lending period, availability of credit and amount of credit. The study further has established that interest rates are caused by inflation and thus affects the wellbeing of the projects. Interest rate majorly influences the amount of installments and to this end eats up the profit of the business hence limiting its expansion. Enhancement of women entrepreneurship is therefore influenced by confluence of factors. Further, the study has established that the interest rates are not governed by the previous relationship a borrower had with the microfinance. Each loan is thus considered independently and interest rate charged as per the prevailing market rates. On whether the interest rates are influenced by the availability of collateral, the

study has established that there is no such a relationship. This is because the rates are competitively determined in the market. Also, on whether the penalties and the processing costs inhibit the enhancement of women entrepreneurship projects, the study has established that they do inhibit to a great extent and a lesser extent respectively. On whether the respondents were willing to take up subsequent credit basing on the interest rates, the study has established that they were indifferent.

5.2.2 Lending period and enhancement of entrepreneurship projects

On whether the lending period enhance the entrepreneurship projects among the women, the study has established that there is positive relationship between the two variables.

The study has established that the lending policy fixes a too short period for first loans hence limiting the performance of the projects. The study further has established that the lending period of the first loan is a big blow to the projects with too huge installments being paid to clear the loan in the stipulated time. The study has also established that the lending period is not influenced by the availability of collateral security. Further, the study has found out that the lending period is sometimes influenced by the availability of guarantors in a positive manner. More so the study has established that the credit policy of the microfinance is stringent thus inhibiting the enhancement of projects. On lead time in processing the loan the study has established that there is minimal effect while there is a great disadvantage when top up loans are made. This is because they are to be cleared in the same period as the first loan.

5.2.3 Availability of credit and enhancement of entrepreneurship projects

On whether the availability of credit enhances the entrepreneurship projects of women, the study makes the following recommendation; the study has established that the available credit to be loaned is determined by the amount of savings and deposit the borrower has with the bank. On whether the saving time affects the amount available to borrow, the study has established that the saving time required negatively affects the performance of the women projects. Further the study has established that the policy of a number of loan facilities at any single point in time affects the projects. On whether the amount to be borrowed is sometimes influenced by how the first loans was cleared, the

study has established that there is such a phenomenon and it indeed hampers the taking of new opportunities as and when they arise thus hampering their projects. The study has established that the available credit is not largely dependent on the number of women accessing the credit at a single time frame.

5.2.4 Amount of credit and enhancement of entrepreneurship projects

On whether the microfinance grants loans are determined by the nature of borrowings with short term borrowing being preferred than the long term credits, the study has established that there is minimal relationship between the variables. Further, the study has established that the amount of loan is determined by the collateral used to secure the loan and thus hinders the amount one would wish to be granted. Also the study has established that, the previous relationship with the bank is greatly referred to when seeking credit in subsequent times. Where this is case, the result may be unfair due to fact that the past may not be indication of the business will repay the loan. On whether the credit policy on amount to be borrowed is fixed to little amount since the business may as well be in a position to pay beyond what it has saved. This is because when the borrower is new it follows therefore that their credit rating is low and thus can only get limited amounts of credit. Finally the study concludes that the risk rating and profiling the borrowers used by the microfinance is unfavorable. This is due to the fact that microfinance customers are the traditionally financially neglected. These clients lack collateral security to secure their credits hence receive less credit when they do get to access some.

5.3 Conclusions

The study had set out assess how micro finance institutions lending procedures in enhancing entrepreneurship projects among women: case of KWFT in Kawangware, Nairobi city county, Kenya. In regard of interest rates and enhancement of women entrepreneurship projects, the study concludes that the rates of interest are very high hence inhibiting the performance of the projects. Further the study concludes that interest rates are the most hampering factor in the enhancement of women entrepreneurship projects. The study also concludes that the interest rates are not determined by a single factor but by a confluence of several factors.

On lending period the study concludes that it is hampering factor to the wellbeing of the projects. This is because the loan repayment period is less and thus more installments per each repayment. The study also concludes that the lending period is determined by the amount to be borrowed and also the credit policy especially for the first loan. The study concludes that the lending period offered by microfinance is unfavorable owing to their nature of operations.

In regard to availability of credit the study concludes that the available credit is influenced by a variety of factors. The study further, concludes that the amount available is greatly influenced by the deposits a borrower has with the microfinance. This is so because for one to access credit with the bank there is a time period he or she ought to have saved with the institutions.

On amount of credit, the study concludes that this is the second most influencing factors after interest rates. The study concludes that the amount of credit is influenced by the value of collateral security attached to the loan, the availability of guarantors and the nature of borrowing. This is thus, owing to the fact that there is an inherent risk of default due to the informal setting of the projects. Some of them are so small that the amount being sought for credit surpasses their net worth. The amount of credit is a subtle factor towards the enhancement of the women projects.

5.4 Recommendations of the study

Based on the above presentations of summary and conclusion, the study makes the following recommendations with respect to the specific factors affecting the enhancement of women entrepreneurship projects in Kenya.

- i. On interest rates the study recommends the microfinance to lower the base rates. This in turn will not deter women from securing such loans. The interest rates should not be extremely high because they are costs for the business. The interest rates should be fair and just in order to promote women enterprising. In as much as most women may lack the collateral security to mortgage the loans, this should not be used as a basis of charging them unfavorable interest rates.

- ii. On lending period, the study recommends longer repayment periods. This will ensure that the women entrepreneurs are not worn out in repaying the credit. It would be good if the period is extended even after top u loans are taken. The credit policy of microfinance should be flexible to allow the most favorable credit period. The lending period should not be based on single factor like availability of collateral but a combination of several to give a more realistic view and consideration.
- iii. In regard to availability of credit and enhancement of entrepreneurship projects of women, the study recommends that the available to be lent should not be based on the time of saving and the amount of deposits a borrower has. The study recommends that financing services need to be made accessible to all businesses whether small or big, men or women. The Government of Kenya should work with other stakeholders to ensure that finance is made available to new businesses. The government should provide interest friendly loans and streamline on the procedures of obtaining the Uwezo and Women Funds loans. Women enterprising play an important role in the Kenyan Economy hence should be fostered in every mean that is prudent. The Youth Development Fund and Women Development Fund should be accessible to all women entrepreneurs. This would promote accessibility start-up capital necessary for establishment of women projects in Kenya.
- iv. On amount of credit, the study recommends that the microfinance to be considering more finances for the women entrepreneurs. The study recommends that since the availability of collateral was major hindrance to acquiring borrowed funds, microfinance should be lenient and award unsecure credits to foster women enterprising. The study also recommends that women entrepreneurs explore more sources of acquiring credit other the microfinances. Also the Youth Development Fund and Women Development Fund may be cheaper sources of funds especially when women form groups in order to access such government credit facilities.

5.5 Suggestions for further research

This study dealt with micro finance institutions lending procedures in enhancing entrepreneurship projects among women: case of KWFT in Kawangware, Nairobi City County, Kenya. It is suggested that another study be taken on assessing the effectiveness of government funding in enhancement of women entrepreneurship projects in Kenya.

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APPENDICES

APPENDIX A: DATA COLLECTION LETTER



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

Your Ref: Main Campus
Our Ref: Gandhi Wing, Ground Floor
Telephone: 318262 Ext. 120 P.O. Box 30197
NAIROBI

11th November, 2015

REF: UON/CEES//NEMC/22/455


TO WHOM IT MAY CONCERN

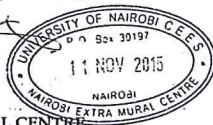
RE: MARY N. KARIUKI -REG NO-L50/73405/2014

This is to confirm that the above named is a student at the University of Nairobi, College of Education and External Studies, School of Continuing and Distance Education, Department of Extra- Mural Studies pursuing Master of Arts in Project Planning and Management.

She is proceeding for research entitled "micro finance institutions lending procedures in enhancing entrepreneurship projects among women". Case of KWFT in Kawangware, Nairobi City County, Kenya.

Any assistance given to her will be appreciated.


CAREN AWILLY
CENTRE ORGANIZER
NAIROBI EXTRA MURAL CENTRE



APPENDIX B: LETTER OF INTRODUCTION

Dear respondent,

I am a Master degree student at the University of Nairobi. I am carrying out a research study titled “**MICRO FINANCE INSTITUTIONS LENDING PROCEDURES IN ENHANCING ENTREPRENEURSHIP PROJECTS AMONG WOMEN: CASE OF KWFT IN KAWANGWARE, NAIROBI CITY COUNTY, KENYA**” and the aim of this questionnaire is to collect information related to this topic. You are therefore, kindly requested, to respond to these questions as honest as possible. The researcher also pledges that the information given shall be treated with strict confidence. Furthermore, the information will be solely used for academic purpose.

However your participation in this exercise is voluntary

Thank you,

Yours sincerely,

Signature.....

Mary N. Kariuki

APPENDIX C: PARTICIPANT’S CONSENT FORM

“MICRO FINANCE INSTITUTIONS LENDING PROCEDURES IN ENHANCING ENTREPRENEURSHIP PROJECTS AMONG WOMEN: CASE OF KWFT IN KAWANGWARE, NAIROBI CITY COUNTY, KENYA”

Dear respondent,

I am Mary N Kariuki, a master’s degree student at the University of Nairobi. I am carrying out a research study as titled above and the aim of this questionnaire is to collect information related to this topic. You are therefore, kindly requested, to respond to these questions and information will be treated confidentially.

However your participation in this exercise is voluntary

Thank you,

Yours sincerely,

Signature.....

Mary N. Kariuki

Participant:

I have read and clearly understood the content of this document and voluntarily consent to participate in this study

Respondent’s signatureDate.....

APPENDIX D: QUESTIONNAIRE FOR WOMEN ENTREPRENEURS

THEME: MICRO FINANCE INSTITUTIONS LENDING PROCEDURES IN ENHANCING ENTREPRENEURSHIP PROJECTS AMONG WOMEN: CASE OF KWFT IN KAWANGWARE, NAIROBI CITY COUNTY, KENYA

I am a Masters student studying Project Planning and Management at the University of Nairobi and to this end I have formulated the questions in the following questionnaire with regard to the topic of study. Kindly, please and honestly answer all the questions to the best of your knowledge. Indicate with a tick or filling in the space(s) provided. Feel free to write at the bottom of the page if you feel you need some more spaces about your responses.

SECTION A: BACKGROUND INFORMATION

1. What is your highest academic qualification?

Secondary Education Diploma

Bachelor's Degree Master's Degree

Any other (specify)

.....
.....

2. Please tick your age bracket

18-25 Years 26-35 Years 36-45 Years

46-55 Years Above 55 Years

Above 201,000 []

7. Based on your answer in Question 6 above, was the capital adequate? Please tick in the appropriate box.

Yes [] NO []

SECTION B: TO ESTABLISH HOW INTEREST RATES ENHANCE ENTREPRENEURSHIP PROJECTS AMONG WOMEN.

1. The following are some statements about interest rates and enhancement of women entrepreneurship projects. Please indicate the level of your agreement with each statement in relation to your business.

Strongly Agree= 5 Agree= 4 Neither agree nor disagree= 3

Disagree= 2 Strongly Disagree= 1

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Interest rates are charges are high hence hampering performance of entrepreneurship projects | | | | | |
| The general increase in prices increases the interest rates hence hampering performance of entrepreneurship project | | | | | |
| Previous loans and relationship with microfinance bank is considered when the bank is offering loans hence affecting the interest charges | | | | | |
| The interest charges are intertwined with the availability of collateral security that the business has and the nature of business | | | | | |
| The penalty inflicted by the Microfinance on loan defaulting is | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| high and unrealistic hence hampering performance of entrepreneurship projects. | | | | | |
| The loan processing costs and other charges are high hence increasing the cost of credit | | | | | |
| I will not take a loan facility again, due high interest charges by the Microfinance | | | | | |

2. What other ways does interest affect performance of your business?

SECTION C: TO DETERMINE HOW LENDING PERIOD ENHANCES ENTREPRENEURSHIP PROJECTS AMONG WOMEN.

1. The following are some statements on lending procedure of Microfinance. Please indicate the level of your agreement with each statement in relation to your business.

Strongly Agree= 5

Agree= 4

Neither agree nor disagree= 3

Disagree= 2

Strongly Disagree= 1

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| The lending criteria offers a short lending period for first time borrowers hence higher installments | | | | | |
| The lending period is sometimes intertwined with the availability of collateral to secure the loan | | | | | |
| The lending period is influenced by the availability of guarantors hence lack of such shortens the lending period. | | | | | |
| The credit policy of microfinance has a stringent lending period stipulations that are unfavorable | | | | | |
| The time difference between applying for the loan and getting the money is long and makes one miss business opportunities | | | | | |
| The repayment period required by the microfinance is unfavorable since it does not consider why the business is performing | | | | | |
| Top up of loans has unfavorable lending period since one has to finish repaying the additional loans as per the original loan | | | | | |

2. What other ways by which lending period affects the performance of your project?

SECTION D: TO ASSESS HOW AVAILABILITY OF CREDIT ENHANCES ENTREPRENEURSHIP PROJECTS AMONG WOMEN.

1. The following are some statements on the effect availability of credit enhance the performance of entrepreneurship projects. Please indicate the level of your agreement with each statement in relation to your project.

Strongly Agree= 5 **Agree= 4** **Neither agree nor disagree= 3**
Disagree= 2 **Strongly Disagree= 1**

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Microfinance grants loans on basis of ones saving/deposits hence limiting the available a borrower can get | | | | | |
| The loan policy of the microfinance is unfavorable as it requires one to have saved with them for a specific period of time | | | | | |
| The available amount for a borrower is limited to a 'number of loans' at a single point in time. | | | | | |
| The repayment of loans determines the amount available for a subsequent borrowing. The faster one clears a loan the easier to access a second loan and so on. | | | | | |
| Sometimes the Microfinance says that the number of women given credit is high and hence they are short of funds to loan more entrepreneurs | | | | | |

2. What other ways by which availability of credit affects the performance of your projects?

SECTION E: TO DETERMINE HOW AMOUNT OF CREDIT ENHANCE OF ENTREPRENEURSHIP PROJECTS AMONG WOMEN

1. The following are some statements on the effect amount of credit enhance the performance of entrepreneurship projects. Please indicate the level of your agreement with each statement in relation to your project.

Strongly Agree= 5

Agree= 4

Neither agree nor disagree= 3

Disagree= 2

Strongly Disagree= 1

| Statement | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|
| Microfinance grants loans are determined by the nature of borrowings with short term borrowing being preferred than the long term credits | | | | | |
| The amount of loan is determined by the collateral used to secure the loan and thus hinders the amount one would wish to be granted. | | | | | |
| The previous relationship with the bank is greatly referred to when seeking credit in subsequent times. Where this is case, the result may be unfair due to fact that the past may not be indication of the business will repay the loan | | | | | |
| The credit policy on amount to be borrowed is fixed to little amount since the business may as well be in a position to pay beyond what it has saved. | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| The risk rating and profiling the borrowers used by the microfinance is unfavorable. | | | | | |
|--|--|--|--|--|--|

2. What other ways by which amount of credit affects the performance of your project?

APPENDIX E: SAMPLE SIZE, GIVEN A FINITE POPULATION

| N-----n | N-----n | N-----n | N-----n | N-----n |
|-----------|-------------|-------------|--------------|----------------|
| 10-----10 | 100-----80 | 280-----162 | 800-----260 | 2800-----338 |
| 15-----14 | 110-----86 | 290-----165 | 850-----265 | 3000-----341 |
| 20-----19 | 120-----92 | 300-----169 | 900-----269 | 3500-----346 |
| 25-----24 | 130-----97 | 320-----175 | 950-----274 | 4000-----351 |
| 30-----28 | 140-----103 | 340-----181 | 1000-----278 | 4500-----354 |
| 35-----32 | 150-----108 | 360-----186 | 1100-----285 | 5000-----357 |
| 40-----36 | 160-----113 | 380-----191 | 1200-----291 | 6000-----361 |
| 45-----40 | 170-----118 | 400-----196 | 1300-----297 | 7000-----364 |
| 50-----44 | 180-----123 | 420-----201 | 1400-----302 | 8000-----367 |
| 55-----48 | 190-----127 | 440-----205 | 1500-----306 | 9000-----368 |
| 60-----52 | 200-----132 | 460-----210 | 1600-----310 | 10000-----370 |
| 65-----56 | 210-----136 | 480-----214 | 1700-----313 | 15000-----375 |
| 70-----59 | 220-----140 | 500-----217 | 1800-----317 | 20000-----377 |
| 75-----63 | 230-----144 | 550-----226 | 1900-----320 | 30000-----379 |
| 80-----66 | 240-----148 | 600-----234 | 2000-----322 | 40000-----380 |
| 85-----70 | 250-----152 | 650-----242 | 2200-----327 | 50000-----381 |
| 90-----73 | 260-----155 | 700-----248 | 2400-----331 | 75000-----382 |
| 95-----76 | 270-----159 | 750-----254 | 2600-----335 | 100000-----384 |

Source: Krejcie and Morgan (1970), This Version, 2007