THE INFLUENCE OF MICROFINANCE SERVICES ON WOMEN ENTRPRENEURS IN KIOGORO WARD, KISII COUNTY

BY

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DECLARATION

This project is my original work and has not been presented in any other university or college for examination.

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This project has been submitted for examination with my approval as the university Supervisor.

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DEDICATION

This project is dedicated to my extremely supportive family: Daughter Felicia Ntinyari and parents Mr.Eliud Murungi& Mrs. Elizabeth Gakiiru. Special thanks to my sister Nelly Kainyu. She has been such a great inspiration and quite supportive not only during this period but for as long as I knew her as a little child.

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ABSTRACT

The intent of microfinance institutes (MFIs) in developing countries is to provide loans to very poor people inorder to help them transform their lives. MFIs tend to receive subsidies; sustainability is being sought to free MFIs from non-market dependencies. Sustainability is expected tobeachievedwith“bestpractices,”ofwhichmanagementwithperformancemeasuresisa component. The aim of this study is to examine the influence of microfinance services on women entrepreneurs in Kiogoro Ward, Kisii County. It seeks to find out the availability of microfinance institutions operating in Kiogoro Ward, examine influence of financing to the growth of household income in Ward, explore how group lending influences household income and to examine the influence of accounting information sharing on household income. In the examination of influence of microfinance on growth of household income, this study utilized theory of planned behavior and supply-leading finance theory. Descriptive research design was adopted the target population were women entrepreneurs who by the time of collecting data were operating in the region. With a total population of 730, the study used systematic random sampling in selecting a sample of 219 respondents from the three wards in Kiogoro. Questionnaires and interview schedules were used as data collection instruments and both quantitative and qualitative data were analyzed. The findings were presented in frequency tables.

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

During the past few years, the global microfinance market has been growing steadily at a rate of 15-20 percent in 2015 (Toindepi, 2016). While the microfinance has declared savings equally as important as credit, few institutions have developed the capacity to offer savings services. Microfinance has been broadly recognized as offering ‘‘poor people access to basic financial services such as loans, savings, money transfer services and micro insurance’’ (Duvendacket al., 2011). At the moment, microfinance is considered a component in the helping to eradicate or in some occasions reduce poverty in the society.

Theoretically, the potential role of microfinance in aiding economic development through entrepreneurship and employment creation and consequently help improve the overall well-being of masses of poor individuals around the world is beyond questioning. According to Obaidullah (2015) many micro-finance services in Asia and Africa targets women on the assumption that empowering women and targeting service to them leads to better allocation and use of household resources. Several studies in Bangladesh support this assumption, indicating that service directed to women significantly increase assets, incomes and education attainment of children, especially girls (Duvendack, et al 2011).

Extendingfinancingtothepoorhasenvironmentalresourceconsequencesthrough both financial and physical capital investment undertaken and the potential changes in borrowers’ income. Islamic microfinance program allows micro-entrepreneurs to invest in small-scale capital such as sewing machines, looms, bi-cycles, livestock, tools, and other supplies. The micro-enterprise activity increases household’s income and ownership. Not only it may result in an increase in resource use and waste production,butalsoanincreaseindemandforenvironmentalqualitywhichhas beneficial effects on natural resource management.

At the heart of product development is the desire to directly improve the well-being of microfinance clients. Services may include but not limited to remittances and any other new inventive products or practical supportive services to further the same purpose (CGAP, 2012). Complementary services are usually provided as well, ranging from financial literacy training, entrepreneurship development to health care and women’s empowerment programs (Spector, et al, 2012). However, critics argue that where these additional services are integrated directly into microfinance programming, this can lead to dependency and greater vulnerability to abuse (Graziosi, 2010). For example, individuals who are interested in an MFI's complementary services but who have no need for a loan may end up borrowing in order to access these programs, or MFIs may use the threat of losing essential services to encourage repayment, and borrowers requiring critical services may lose access to them if they miss a loan payment (Khandker&Samad, 2013).

1.1.1 Microfinance

Microfinance has been defined as the provision of financial services such as deposits, loans, payment services, money transfers and insurance to low-income, poor and excluded people enabling them to raise their income and living standards (Jose & Buchanan, 2013; Graziosi, 2010). It consists oflendingandrecyclingverysmallamountsofmoneyforshortperiodsoftime. Microfinance or microcredit has therefore been associated with helping empower the poor to account properly and independently for their small businesses and thus manage their livelihoods better. On the other hand, poverty alleviation has been a long term goal of governmentsandkeyinternationalinstitutionssuchastheWorldBankandUnited Nationsseekingmoreeffectivewaysofreachingthepoor. The importance of microfinance as a targeted strategy for poverty alleviation lies in its ability to reach the grassroots with financial services based more on a "bottom-up" as opposed to "top-down" approach.Some evidences say that microfinance raises the income and creates assets of at least some participants.

As income increases, peopleexpectthequantity,compositionandtimingofeconomicactivityofthepoortochange.Changesinactivitiesaffordedbyincreasedincomehaveeffectsonthe environment that may change over time, and be positive or negative. For rural, largely natural resource-based subsistence economies, growth involves either theintensification of agriculture, intensification of agriculture, and non-farm activity. Through microfinance institutions (MFI), the poor can obtain collateral-free loans at relatively low interest rates and use the money for creating microenterprises (small businesses owned by poor people), funding children's education, and improving homes, among others.

1.1.2 Microfinance Sector in Kenya

Microfinance is a relatively new phenomenon in Kenya, with a few agencies starting about 20 or so years ago but the sector gaining the status of an industry only in the last 10 years. The Government of Kenya (GoK) has indirectly provided a boost to the microfinance sector. During 1992-1994, the GoK has been implementing a StructuralAdjustmentProgramwhichhasresultedinthe liberalizationofthe economy. To counter the possible initial negative social impacts of the liberalization process, the Government of Kenya identified areas and project needing external donor support, including small-scale and micro enterprises. Lack of access to credit was considered a major bottleneck for entrepreneurial development. In Kenya the micro finance sector reaches more than 11% of population of which the market competition is considered not so high to threaten the situation because of the presence of market segmentation. The IMFs outreach to Kenyan community is so high compared to West-African countries, which have an average of 3-5%. There are 1million members and 1.9 million users of Savings and Credit Cooperative Societies (SACCOS) in Kenya.

These SACCOs are relatively concentratedinbothurbanandruralareas.TheKenyanapartfrombefittingfrom SACCOS they also use NGOs to benefit about 7% of the population. Hartarska, Shen, and Mersland (2013) describe microfinance as the financial service supplied for poor people and micro-scaled companies. More positively, rising incomes tend to be correlated with a greater demand for environmentalqualitythroughimproved householdinfrastructureincluding sanitation and cooking facilities, greater access to safe drinking water, increases and changes in fuel use (Cunguara&Darnhofer, 2011).

On the production side, increased income may also promote resource management through increasing property rights, access to more environmentally friendly technology, and maintaining future value of the resources. The Government of Kenya recognizes that greater access to, and sustainable flow of financial services, particularly credit, to the low-incomehouseholds and MFIs is critical to poverty alleviation. In Kenya, there are certain gaps on supply side of microfinance services that is evident from outreach statistics. The gap in the financial services market is creating a unique niche for m-banking, thus enabling a growing number of people to access to financial services for the first time.

In Kenya, little research has been conducted to understand microfinance and its influence to household income in the rural areas especially in Kisii County. As such, this study aims to examine the influence of microfinance on growth of households’ income in Kiogoroward, Kisii County.

1.2 Statement of the Problem

For the last two decades, microfinance has become one of the hottest topics in development economics and this study seeks to examine the influence of microfinance on growth of households’ income in Kenya. Microfinance is powerful tool for poverty reduction, enables poorer households to build assets, increase their incomes and reduce their vulnerability to economic stress and external shocks (Mahmood, 2011). Furthermore it helps rural households to plan and manage their consumption and investments, cope with risks and improve their living conditions, health and education by working out on household cash flow and increasing family income.

Financial services provision to women entrepreneurs in Kiogoro under the traditional microfinance context is sometimes very costly, unproductive, unprofitable and unappealing for MFIs; the main problem with women entrepreneurs accessing finance service is that they are too costly to service. In Kiogoro region, womenentrepreneurswhosecurefunds fromsuchinstitutionsspendthebulkoftheirreturns on investmentinpayingthecostofcapital,thusleave themwithinoneorlittlesavings for investment.

According to the Poverty Reduction Strategy Paper (PRSP) of 1999, a large number of Kenyans derive their livelihood from the MFIs.Therefore,developmentofthissectorrepresentsanimportant means of creating employment, promoting growth, and reducing poverty in the long-term. However, in spite of the importance of this sector, experience shows that provision and delivery of credit and other financial services to the sector by formal financial institutions, such as commercial banks has been below expectation.

This means that it is difficult for the poor to climb out of poverty due to lack of finance for their productive activities. According to Therefore, a liberalizationofthebankingsystemwillinduceaportfolioshiftfrommicrofinance into the banking system. Therefore, new, innovative, and pro-poor modes of financing low-income households and MFIs based on sound operating principles need to be developed.

1.3Purpose of the study

Although traditionally the provision of microloans has been the dominant feature of most microfinance programs, recently there has been an increasing appreciation of the importance of savings mechanisms offered by the facility. Based on this observation, this study were examinedthe influence of microfinance services on women entrepreneurs in Kiogoro Ward, Kisii County.

1.4Objectives of the study

i. To investigate the influence of interest rateson women entrepreneursin KiogoroWard in Kisii County.
ii. To examine influence of loan procedures on women entrepreneurs in KiogoroWard.
iii. To explore how group lending influences women entrepreneurs in KiogoroWard.
iv. To examine the influence of credit and skill training on women entrepreneurs in KiogoroWard.

1.5Research questions

i. To what extent does interest rates influences women entrepreneurs in Kiogoro Ward in Kisii County?
ii. How does loan procedures influences women entrepreneurs in Kiogoro Ward?
iii. To what extent does group lending influences women entrepreneurs in Kiogoro Ward?
iv. How does credit and skill training influences women entrepreneurs in Kiogoro Ward.

1.6Significance of the study

This study seeks to examine the influence of microfinance policies on growth of households' income with particular focus on KiogoroWard in Kisii County, Kenya. The value for this study could be explained from three features. First, this study investigates how household income can be influenced by availability of microfinance. Consequently, this research might offer some empirical messages for MFIs owners and the government to increase them and create awareness on importance of enrolling in the facility.

Secondly, the findings of how residents improve their income can inspire investments advocates to provide appropriate stimulations to their customers in Kisii County. Thirdly, it is hoped that this study may help residents of Kiogora and Kisii County at large for providing the information of how they can improve their financial savings.

This study is important because both policy makers and advocates of better living standards for rural person are able to understand that the rural poor and their forest-based enterprises need a

variety of financial services, not only microcredit but also savings, credit, leasing, insurance and cash transfers. To successfully address these needs, microfinance services must be convenient, flexible, of easy and rapid access, and reasonably priced.

1.7 Limitation of the study

This study focuses on women entrepreneurs who travel mostly to attend their businesses across various markets within the ward or county. As such having them participate in the study might be a challenge but the study was to familiarize her on the schedules o the women entrepreneurs and seek audience with them based on their flexibility.

Even though different efforts are put in place, the researcher might face some challenges while doing this study. To begin with, the fact that the majority of the respondents' educational background is low creates some negligence in filling the questionnaire might arise. Additionally some of the respondents do not give values to the questionnaire and some others do not return it totally.Lastly, since the respondents are scattered in different sites, some difficulties are likely to beexperienced in giving orientations, following up respondents and collecting responses.

1.8 Delimitation of the study

Information taken from Kisii County Government office shows that more than 4,500 women entrepreneurs are found in the region. If the study is conducted in all these (if possible) or majority of them, it would take more time to complete. Furthermore, there are different issues that can be researched in relation to women entrepreneurs. But, this study is delimited to the microfinance services influencing the performance of women entrepreneurs in Kiogoro ward, Kisii County. In addition, the study focuses only on assessing the some microfinance services among women entrepreneurs.

1.9 Basic assumption of the study

This study was conducted in Kiogoro ward, Kisii County. It is assumed that all women entrepreneurs were available to provide the required information regarding microfinance services in the region. Furthermore the study assumes that provision of good microfinance services, like other regions, helps women entrepreneurs increase their income and promote economic

development of the region. Indeed microfinance is everywhere. The ubiquity of microfinance services in contemporary society connects them to viable markets and drive economic progress seem to be a part of people's everyday life. Microfinance seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector and assumption in this study is that there are available microfinance's in Kiogora ward to provide services to the women entrepreneurs.

1.10 Definition of Terms

Microfinance: is an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving.

Micro finance Institutions: is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self-employment activities.

Poverty: is a condition in which a person of community is deprived of the basic essentials and necessities for a minimum standard of living. Since poverty is understood in many senses, the basic essentials may be material resources such as food, safe drinking water and shelter, or they may be social resources such as access to information, education, health care, social status, political power, or the opportunity to develop meaningful connections with other people in society.According to the World Bank's (1980) definition of poverty, "A condition of life so characterized by malnutrition, illiteracy, and disease as to be beneath any reasonable definition of human decency

1.11 Organization of the study

This thesis comprises five chapters. Chapter one provides an introduction to the problem under study and the influence of microfinance in women entrepreneurs in Kiogoro ward, Kisii County. Chapter two discusses the relationship between microfinance services and women entrepreneurship with emphasis on previous studies conducted on the field as well as the theoretical explanation. Chapter three explains the method used for this study. Chapter four explains the empirically investigates the relationship between microfinance services and women entrepreneurship in the Kiogoro ward. And finally, chapter five draws some summary and conclusions from the study.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter discusses the introduction of the study, reviews past studies related to microfinance policies. Further the chapter discusses the theoretical foundations of the study, look at the influence of microfinance and well as empirical studies.

2.2 Concept of Entrepreneurship

As globalization reshapes the international economic landscape and technological change creates greater uncertainty in the world economy, the dynamism of entrepreneurship is believed to be able to help to meet the new economic, social and environmental challenges. Governments increasingly consider entrepreneurship and innovation to be the cornerstones of a competitive national economy, and in most countries entrepreneurship policies are in fact closely connected to innovation policies, with which they share many characteristics and challenges. The dynamic process of new firm creation introduces and disperses innovative products, processes and organizational structures throughout the economy. Entrepreneurship objectives and policies nevertheless differ considerably among countries, owing to different policy needs and diverse perspectives on what is meant by entrepreneurship.

Entrepreneurship is the dynamic process of creating incremental wealth (Santos, 2012). This wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitments of providing values for some product or service. The product or service may/may not be new or uniquebut value must be infused by the entrepreneur by securing and allocating the necessary skills and resources.

According to Schaltegger& Wagner (2011) entrepreneurship is the process of creating and building something of value from scratch. That is, it is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled. It involves the definition, creation and distribution of values and benefits to individuals, groups, organizations and society. Entrepreneurship is very rarely a get rich-quick proposition (not short term); rather it is one of building long term value and durable cash flow streams.

At the same time as entrepreneurial competencies increasingly become very important for all SMEs, the imperative to develop the knowledge on such competencies in the context of female-led businesses is particularly strong. There are growing population of self-employed women in developed economies such as the UK and the USA (Cavusgil& Knight, 2015) and many of these businesses are highly dependent on the owner and her skills. In addition, there is a widespread assumption that many of these businesses are lifestyle businesses, and as such their commitment to growth may be relatively low (Chang, Wang, Chih& Tsai, 2012). Nevertheless, governments around the world and other agencies, in pursuit of economic growth (or in these times avoidance of recession) are looking to SMEs to play a significant role (Association of Chartered Certified Accountants, 2016). These agenda apply as much to those businesses led by women as to those led by men.

By 2010 there were 104 million women in 59 economies representing more than 52% of the world's population and 84% of world GDP who embarked on new venture creation and development. These self-employed women comprise between 2% and 45% of the adult female population in their respective economies (Levie&Hart, 2012). Accordingly, women-owned businesses make an increasingly important contribution to economies. Many of these businesses are SMEs (Hart &Levie, 2010), which means there is considerable concern regarding support for new venture creation and business growth (Association of Chartered Certified Accountants, 2016). In the USA, the Women's Business Act of 1988 put in place long-term infrastructure to support women's enterprise development. Consequently women's business ownership has increased significantly. Similar situation can be found in Kenya. The government acknowledges that women entrepreneurs are lagging behind their male counterparts when it comes to their access to opportunities and asset ownership.

Most of the previous studies on the entrepreneurial competencies of female business owners have focused on specific aspects of their competencies or skills, and specifically consider women's competencies relative to those of their male counterparts. For example, there is evidence that women business owners tend to feel that social adroitness and interpersonal skills are their strongest personal assets (Goffee&Scase, 2015).

On the other hand, there is a considerable body of research that suggests that women may be weaker in financial skills than men (Levie& Hart, 2012). More specifically, women frequently rate themselves as less competent in financial skills than do men (Levie& Hart, 2012).
Women business owners may be disadvantaged in their access to various entrepreneurial capitals, given their personal backgrounds and employment experiences and the socio-economic and cultural context in which their businesses operate (Carter and Shaw, 2006). Entrepreneurial competencies comprise those that are grounded in components that are deeply rooted in a person's background (traits, personality, attitudes, social role and self-image) as well as those that can be acquired at work or through training and education (skills, knowledge and experience).

2.3 Interest rates

Literature on interest rate is dominated by studies on term structure of interest rate, pass-through and interest rate transmission studies and determinants of lending interest rate stickiness. The term structure literature discusses the connection between short- and long-term rates whose slope and dynamics can be explained by three theories namely, the liquidity preference view, the market segmentation theory and the expectations theory (Tze-Wei, 2012). The liquidity preference view contends that investors require a liquid premium for holding less liquid assets (long term) while the market segmentation theory postulates that short- and long-term interest rates can be determined independently in segmented markets. Expectations hypothesis which is the most popular of the three contends that long-term interest rates are an average of future expected short-term interest rates plus a term premium.

According to Oxford Dictionary of Economics, interest rate is defined as "The charge made for the loan of financial capital expressed as a proportion of the loan". In other words, interest rate is the fee that is paid to the lender of the money by a borrower for using that loan.Bi & Pandey (2011) analyzed how MFIs delivered their services and provided an assessment of their operations and financial management to the poor and disenfranchised in the developing world. He found that regulatory strategies can help level the playing field as the number of MFIs institutions increases their interest rates and accordingly commercialization of MFIs can certainly create conflict with the community's objectives of microfinance and hence exclusion of the most needy customers and decrease in the availability of credit. Bi & Pandey (2011) viewed the problem of financial exclusion through a global lens whose scope went beyond the borders of a single country and conducts a macro trend analysis of the changes that have taken place in the financial markets around the world. Dymski took a region-by-region approach which covered Europe, USA, Japan, Asia, Latin America, and Africa. Dymski (2005) concludes his insightful analysis by observing that financial institutions could be moving further from the point of equality of opportunity of wealth if they "blindly" move in the direction of efficiency. Therefore, it is essential for those who are concerned about the predicament of the working class and the poor in the current globalized financial markets to "identify and defend a standard of justice and just treatment in financial practices.

2.4 Loan procedures

Small and medium-sized enterprises (SMEs) are important for job creation and regional growth because they can quickly respond to changes in the economy (Ledgerwood, 2014). Yet most SMEs encounter barriers to growth. One significant barrier is the difficulty in obtaining external financing, bank loans in particular. Typically, SMEs require bank loans to start up as well as to finance their business expansion or to support their underperforming operations (Deakins et al., 2010).

Various studies have identified the types of information that are of particular interest when assessing SME loan applications. Using hypothetical situations, Bruton, Khavul, Siegel, & Wright, (2015) interviewed 30 loan officers in the UK about the information they found useful in entrepreneurship. These loan officers listed projected income, borrower guarantees and management skill for borrowers. For existing borrowers, these loan officers also listed profitability, liquidity ratios and loan repayment histories.

In their study, Deakins et al. (2010) developed five hypothetical cases they used in interviews with eight loan officers in the UK. They found that information about sector and location, collateral, firm development stage, existing relationships, previous business experience and risk/reward estimations from financial modeling were particularly important in the loan assessment process.Bruns and Fletcher (2008) tested various hypotheses linking information and SME loan applications using a sample of 114 Swedish loan officers.

The authors ranked the most important information as follows: past performance, financial standing, competence in the business project, collateral and the borrower's share of the investment. Rad, Wahlberg, and O ̇hman, (2013) analyzed cognitive maps of 75 Swedish loan officers in relation to their assessments of SME loan applications. They found that different information is required for a holistic picture of the loan applicants. The study highlighted the importance of collateral and anticipated financial conditions. The analysis also revealed that loan officers in general evaluated different type of loans similarly. However, minor variations appeared due to the particular information in focus.

Despite the access issues that generally limit the extent of banking studies, researchers have made some attempts to study how risk aversion may influence LOs' loan assessments. Bellucci et al. (2010) analysed loan contract terms – interest rates, collateral, and credit limits – among 7,800 SMEs. Their study concluded that female LOs are more risk-averse than male LOs because the female LOs approved fewer loans for new borrowers than the male Los.

2.5 Group lending

A persistent and rather disturbing problem in the developing markets has been the limited access lower-income individuals often appear to have to productive resources. This problem has motivated scholarly research into questions of why markets fail to provide access to resources and how existing institutions are sometimes able to overcome such failures. One of the main focal points in this study has been on women entrepreneur's access to financial services in the rural areas. Perhaps one of the more distinguishing characteristics of group lending is the joint liability loan contract. In a joint liability loan contract a lender holds a small group of borrowers mutually liable for the loan payments of one another.

Consequently, if a particular member of the borrowing group does not make a loan payment then the lender will hold the entire group in default until the payment is covered. As this type of loan contract effectively requires group members to insure each other's loan payments, it is sometimes said that group lending utilizes a type of 'social collateral'. Group lending, one of the major innovations of microfinance, has been widely replicated and adopted in developing countries over the past three decades.

It is a contractual innovation to overcome imperfect information in rural financial markets by addressing four main problems: adverse selection, moral hazard, monitoring, and enforcement. Zhang Qinlan and Yoichi Izumida, (2013) examined the determinants of repayment performance of group lending in China, found that group lending is more suitable for poorer areas with few opportunities for migration and limited access to finance. In addition, constructing the trustworthy relationship between micro-lenders and customers and designing diverse and flexible financial services to meet heterogeneous demands are equally important.

While group members have many incentives to achieve high repayment rates, they still face a prominent problem of high monitoring costs, even for members living in close proximity. Qinlan and Yoichi (2013) argue that group lending can encourage borrowers to help each other only if peer monitoring is not very costly and social sanctions are sufficiently strong. In addition, under some conditions, borrowers under group lending contracts may collude and this creates serious risks for MFIs (Dehejia, Montgomery &Morduch, 2012). Brewer (2007) observes that lending to small firms is difficult because of the problems of information asymmetry. However, innovative ways to address the problems have the potential to increase credit availability to the firms. The two different innovations in small business financing are: increased usage of credit scoring technology and the introduction of microfinance lending institutions. Though these two approaches make use of different technologies, they provide a valuable picture of how lending to small firms is evolving over time.

A series of theoretical literature on microfinance has proposed numerous models to explain how the joint liability approach works before and after the loans' disbursement (Attanasio, Augsburg, De Haas, Fitzsimons &Harmgart, 2011). Before the disbursement of loans, most lenders face the problem of adverse selection. In principle, group lending with joint responsibility can mitigate this inefficiency by encouraging the applicants to self-select their best partners (Baland, Somanathan&Wahhaj, 2013). It is expected that borrowers from the same village have sufficient information about incomes, repayment capacities and creditworthiness of neighboring households, and that they will use this information to form homogeneous groups

2.6 Credit and skill training

Credit has been used as a powerful tool for opening up access to learning opportunities by some innovative education providers (Karlan& Valdivia, 2011). This is increasingly the challenge facing all providers of higher education. The central proposition turns upon the need for a unified credit system containing accepted and agreed definitions of outcomes, units and credits and which can lead to a credit framework.

The effectiveness of teaching business skills to microcredit clients is currently examined by development practitioners in the non-government organization (NGO) community and in academia. In line with the argument from Yunus& Weber (2011), financial constraints are thought to be the major causes of limiting the ability of the poor to escape poverty. Thus, the rationale behind microfinance is solely to provide a channel for credit and savings, with no attention given to improve the human capital of micro-entrepreneurs, particularly women (Yunus& Weber, 2011). The microfinance literature typically treats human capital as an exogenous factor (an innate skill) and focuses on financial constraints (Banerjee and Newman, 1993; Paulson and Townsend, 2004). By contrast Zhang Qinlan and Yoichi Izumida, (2013 raised the question whether microfinance institutions should focus only on providing financial services or if they should integrate non-financial services into their programmes. Karlan and Valdivia (2011) found teaching business skills help clients to improve business knowledge and increase client retention rates for the microfinance institution. However, they found no evidence that training improves business outcomes such as revenue, profits, or employment

2.7 Theoretical Foundations of the study

There are several theories in study of relationship between microfinance and house income because is usage is related to behavior. Ajzen in 1988 introduced Theory of Planned Behavior (TpB) which explains human behavior viewed in terms of their expectation (Chen & Tung, 2014). According to theory, human action is guided by three kinds of consideration: behavioral beliefs, normative beliefs and control beliefs. Behavioral beliefs are beliefs about the likely results of the behavior and evaluations of them; normative beliefs are the beliefs about the normative expectations of factors that may affect the performance of the behavior (Chen & Tung, 2014).

It is worth mention that individuals in many respects have the intention to change their behavior but they often fall short of their goals. The Theory of Planned Behavior (TPB) is normally used to explain such patterns and better understand how individuals make behavioral decisions (Jun, 2011). Ajzen indicated that the precedent of any behavior is the formation of an intention towards that behavior. Such intentions are based on the individual's attitude toward the behavior, the subjective norm, and the relative importance between the attitude and the subjective rule (Jun, 2011).Therefore attitudes are described as whether individuals believe engaging in a certain behavior is good or bad, whereas subjective norms are characterized by how individuals perceive whether society believes engaging in a certain behavior is good or bad.If there is a low perceived control over the target behavior (financial self-sufficiency), then the intention to perform the behavior will be low even if individuals have favorable attitudes and subjective norms concerning the execution of the behavior.

In addition the study will utilize supply-leading finance theory in the examination of influence of microfinance on household income (Robinson, 2001). Supply-leading finance theory refers to the provision of loans in advance of the demand for credit, for the purpose of inducing investment and consequently economic growth. This paradigm was especially popular in the aftermath of the World War II. In predominantly agrarian societies, the path to growth was envisioned as going through increases in agricultural productivity. The technical breakthrough was provided by the development of high-yielding varieties of food-grain seeds.

Elsewhere studies conducted by World Bank and at other institutions in the development field have repeatedly demonstrated that the poor do indeed save and look for outlets for their savings (Robinson, 2001). The general belief is that there is a low demand for savings instruments amongst the household in rural areas in developing world. This inhibits mobilization of savings by the formal financial sector. They also find it expensive to mobilize small savings. The intimate knowledge of local conditions possessed by MFI staff enables them to mop up a large volume of small savings in a cost-effective manner.

The gap between the supply and demand for microcredit and other services remains vast. Apart from Bangladesh and Indonesia, Christen, Rhyne and Vogel (1995) point out that microfinance programs in most developing countries penetrate less than 5% of the market.

The high administrative costs and the inability to apply traditional credit appraisal methods (on account of the paucity of information on borrowers) dissuade commercial banks from entering this promising sector. Robinson (2001), however, points out that she has yet to come across an instance where the high interest charges levied by a MFI drove away potential clients.InpaengSayvaya and PhouphetKyophilavong examined whether the Village Development Fund (VDF) program, a type of microfinance, reduces poverty in terms of income and expenditure in Sukhuma district, Champasak province of Loas, a Southeast Asian country. Using cross-sectional data in collecting data from 361 households in 15 villages, they found that even though it statistically insignificant, microfinance influences household income and expenditure (Sayvaya&Kyophilavong, 2015).

The positive impact of a microfinance program on income is confirmed by studies, such as Imai and Azam (2012), Swope (2010) but, some researchers also demonstrate that microfinance programs have a significant and positive influence on household expenditure (Berhane and Gardebroek, 2011). In addition, some studies show that microfinance programs do not reach the poorest of the poor (Altay, 2007). Moreover, some studies, such as Morduch (1998) on Bangladesh and Coleman (Coleman, 2006) on Thailand, find an insignificant influence of microfinance on reducing poverty. Kondo et al. (2008) examine the impact of a microfinance program in a rural area of the Philippines and Waheed (2009) does so in a study of Pakistan; both demonstrate that microfinance programs have an insignificant influence on income and the reduction of poverty.

The relationship between microfinance and household is still in question, and this study provides further empirical evidence on the influence of microfinance. Hermes, Kihanga, Lensink& Lutz (2012) in their study found that a higher subsidy level in microfinance institutions is associated with lower sustainability. The authors use detailed data from a microfinance institution rating agency. The authors note that the sample is not representative in that these rated institutions are more likely to have achieved sustainability, having already achieved operational scale.
Their study also did not control for overall economic activity. The study conducted here addresses these two issues by using both new and established institutions across many countries and controlling for economic activity in the country.Strong (2008) in his research titled “beyond Microfinance: Entrepreneurial Solutions to Poverty Alleviation” concluded that although

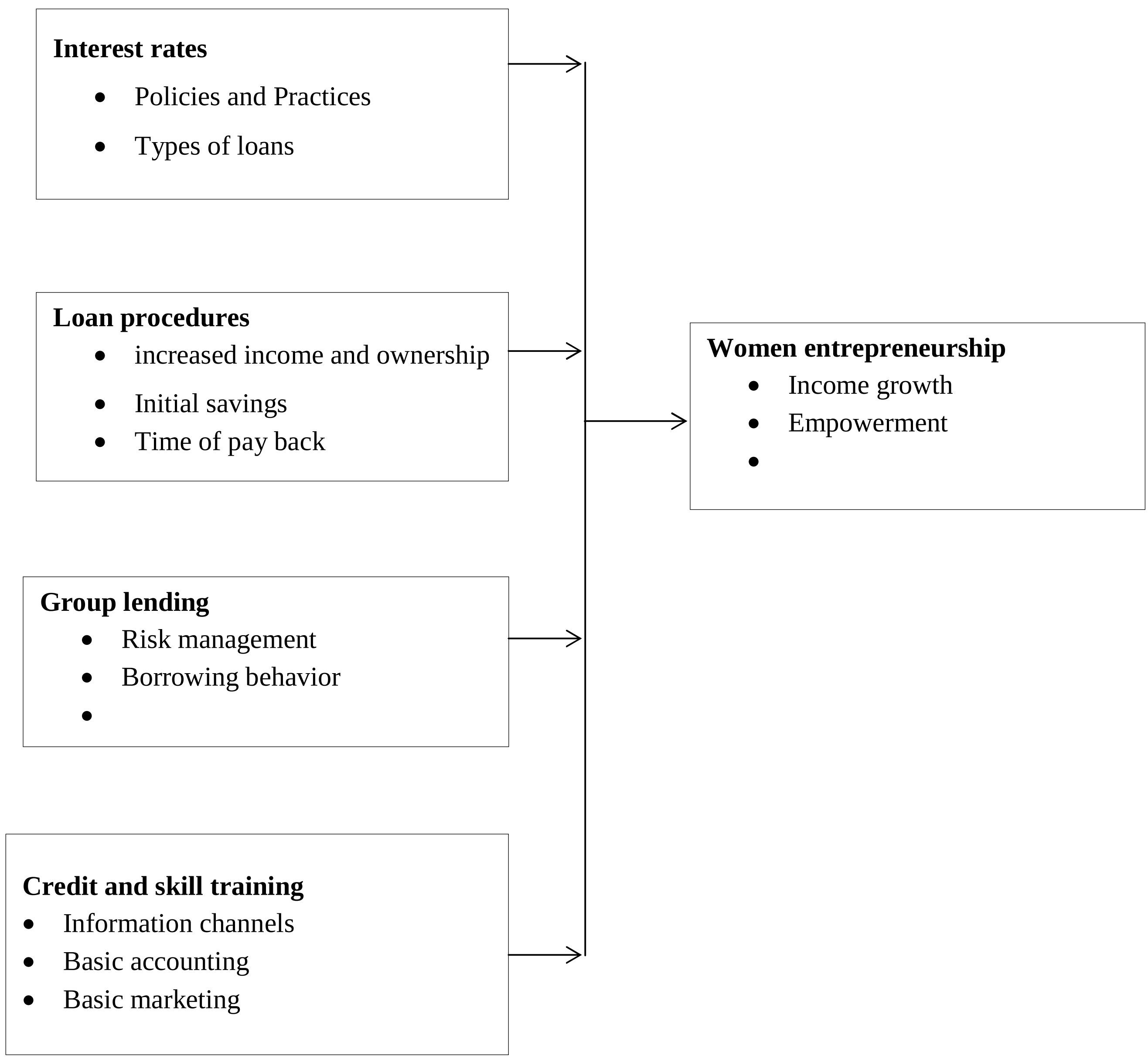
microfinance has become extremely popular as an approach alleviation, there are still various controversies associated with it. For instance, he argued that microfinance is primarily used for debt and consumption rather than real investment in revenue-generating business. In the same effect, Sayvaya&Kyophilavong (2015) argues that microfinance has a polarizing effect as there is discrimination in favor of richer clients, who benefit from better access to credit, and exclusion of poorer people. He adds that if one of the aims of microfinance is to assist the “Poorest of the Poorest” the microfinance is not always the most appropriate intervention.

Micro-credit through MFIs isperceived by many development scholars as a financially sustainable instrument meant to reach significant number of poor people who most are not able to access financial services from commercial banks. Small loans are believed to bring significant improvementinthelivesoftheactivepoorbyincreasingtheirproductivecapacity.Credit enables the poor to boost their businesses, agriculture production and able to meet the household daily needs. In developing world like Kenya, a significant population is suffering from poverty and its crippling effects (Suri, Tschirley, Irungu, Gitau&Kariuki, 2009; Kenya Integrated Household and Budget Survey, 2015). Further research has shown that changes in poverty status is associated to economic cycles and shocks including poor weather, loss of employment or loss of a major income earner through death, injury, or long illness (Ibid).

As a result, the poor especially in rural areas adopt mitigation and survival strategies as a way of coping with the hemorrhage of poverty (Songsore, 1992). He furtherarguesthatgenerallycreditplaysacrucialroleinthe expansionand developmentofproductiveforces. It provides adequate savings and creditfacilities to individual households. In this case, efficient financial system is consequently assumed to have a considerable positive effect; on increasing welfare and stimulating household economic activities. Credit enables peasants to expand and develop income generating activities, and supporting payment of other necessities like food security, education, and water and healthcharges. In addition, Johnson and Rogaly (1997) have demonstrated that availability of credit for microenterprisescanhavepositive effects on the individual in co mean that ofthehousehold. Thus, access to financial services play an important role in the fight against poverty.

2.8 Conceptual framework

Independent variables **Dependent variable**



Source: (Author) 2016

2.9 Gaps in literature

Existing literature on microfinance have focused on impact of microfinance on poverty reduction (Karnani, 2007; Khander&Samad, 2013; Imani &Azam, 2012; Suyyaya&Kyophilavong, 2015; Swope, 2010). To date, the majority of the studies on microfinance have been conducted to explore its impact on poverty, women's empowerment, household relations and family well-being. The empirical evidence on the impact of microfinance, in particular, its services, on SMEs is inconclusive. Critics argue that although microfinance has a positive impact on economic development, it has not reached the poorest of the poor.

Moreover, Hermes, Kihanga, Lensink& Lutz, (2012) state that there are few solid empirical research studies in poverty reduction or enterprise effect of microcredit. The impact of microfinance on women entrepreneurs and their micro enterprise remains under-explored; it is however, the focus of the larger ongoing research project from which these initial findings are reported. A study by Chowdhury (2008) found that microfinance programmes are not promoting women's entrepreneurship at household level but it helps to increase the capital of already established businesses. Therefore a knowledge gap exists in this area which this study seeks to fill by investigating the influence of microfinance services on women entrepreneurship in Kiogoro Ward, Kisii County.

2.10 Summary of literature

As stated in the above sections, this study seeks to examine the influence of microfinance services on women entrepreneurship in Kiogoro ward, in this section, the study provides a summary of literature utilized. Based on the reviewed literature, it is noted that microfinanceprogrammeshavegainedrespectabilityandacceptanceasatoolto alleviate poverty. Indeed, microfinance supports the achievement of first and third Sustainable Development Goals (SDG), to eradicate extreme poverty and to reduce gender inequality and promote women's empowerment through enterprise. In short microfinance is more than merely lending to the poor; in addition to microcredit provision, it is said to include financial services such as savings and insurance schemes. In providing access tocredit to low income groups, microfinance schemes employ group lending techniques to reduce the default risk. This shifts the responsibility of screening, monitoring, and enforcing the loan contract onto the group, who have access to relevant information thus reducing the risks for the lender.In addition, this study utilized theory of planned behavior which explains human behavior in terms of expectations. Women entrepreneurs in Kenya lack of access to capital, landand business premises because asset ownership is male dominated and hence as explained in the theory, women expect financial services from microfinance. Furthermore the chapter presented the conceptual framework and finally research gap in the literature.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

Kothari (2004) defines research methodology as a way to systematically solve the research problem. This chapter discusses the research design, the population, and sample size. Further, it explains the study sample, sampling technique, as well as data collection instruments. It also provides an account of how the research instruments were pre-tested. Finally, methods of data analysis are provided as well as the ethical considerations binding this study.

3.2 Research design

Research design has been defined as a project to conduct research and comprises of strategies of inquiry and specific methods (Gliner, Morgan & Leech, 2011). This study useddescriptive research design. This method was selected sit allowed the researcher to document conditions, attitudes, or characteristics of individuals or groups of individuals. The design has been chosen because of being economical to conduct in terms of time and it allows comparison of variables in this case credited and non- credited (Creswell, 2013).Primary data was collected by use of questionnaires and the information gathered was used to determine the possible answers to the research questions and provide relevant information needed to achieve the research objectives.

3.3 Target population

The study populations consists of women entrepreneursof diverse socio-economic background from different the regions across Kiogoro ward (Kisii County Database).Thewomen entrepreneurs werechosenrandomlyfrom each of the twostudyareasofKiogoroward (see appendix 5)comprising bothurbanand rural communities. The survey ensured representativeness of the study population for comparative purposes. Thestudy also was included keyinformantswhowere purposivelysampled duetotheirexpertiseandexperience on the subject matter.

Table 3.1: Target population

Location	Population
Boronyi	240
Nyaguta	180
Matunwa	310
Total	**730**

3.4 Sample size and Sampling Technique

3.4.1 Sample size

Since the target population was 730, the sample size required for the study was 219 (30%) and was deemed to be representative sample. According to Mugenda and Mugenda (1999), at least 30% of the cases per group are required for research.

Table 2 Sample size

Location	Population	Sample size
Boronyi	240	76
Nyaguta	180	45
Matunwa	310	98
Total	**730**	**219**

3.4.2 Sample selection technique

The women entrepreneurswho participatedfrom Kiogorowardwererandomly selected from community members who had or are members of a microfinance facility. Thatwas 219 household respondents; a sample from which conclusions (inference) were drawn. A list of women entrepreneurs was taken from Kisii County business ticket unitandusingsimplerandomsamplingthe researcher wereselecta sample fromKiogorowardto ensure representativeness of the population and later study findings.

3.5 Data collection

Questionnaires were administered to the 120 randomly selected household respondents who are utilizing or are members of a microfinance facility. The questionnaires consisted of both open and close-ended questions that focused on themes and sub-themes such as the influence of microfinance utilization on household income, location of microfinance facility, household organizational, people's perception and attitudes towards microfinance utilization among others. Questionnaires were used to ensure a high response rate as the questionnaire were distributed to respondents to complete and were collected personally by the researcher, require less time and energy to administer, it offers the possibility of anonymity because subjects' names are not required on the completed questionnaires, less opportunity for bias as they were presented in a consistent manner and lastly but not least most of the items in the questionnaires were closed, which makes it easier to compare the responses to each item.

In addition, Key Informant interviews were used on getting information from leaders, microfinance field officers and other experts in the region. The interview guide were organized in form of research questions or and topics like the influence of microfinance on household income, household organizational and operating capacity in the use the loan, people's perception and attitudes towards microfinance utilization. The guides were included topics on the research subject area and were categorized according to the themes and sub themes as were identified in the research questions. This is very important as the researcher is able to probe and prompt respondents, hence yielding to detailed and in-depth data.

3.5.1 Instrument pretesting

In order to pre-test the data collection instrument on the length, content, question wording, and language, ten women entrepreneurs from Kiogoro ward but who did not participate in the actual research were administered with the instrument. These were necessary to facilitate modifications on the questionnaire by correcting errors to help the researcher to conduct the data collection in a standardized way.

3.5.2 Instrument validity

Validity is concern with whether the findings are really about what they appear to be about (Csikszentmihalyi& Larson, 2014). Thus, validity is highly linked with the credibility of a research.

It also refers to how well the result of a research can give the right answer to the research question. In this study, the researcher collected information from the previous studies and different literatures, which cover all the areas of the study. The theoretical framework is the reflection of these previous studies and the questionnaire had been made based on the theoretical framework in order to get the right result for our research question.

The researcher thinks the choice of statistical analyses, which were used to analyze the data, were appropriate one. To understand the influence of microfinance services, the concrete figure failed to reveal the actual scenario of the work. Therefore the questionnaires will be 'Likert Scale' and as well as some multiple-choice and dichotomous questions.

3.5.3 Instrument reliability

Reliability refers to the extent to which the data collection techniques or analysis procedures were yield consistent findings (Csikszentmihalyi& Larson, 2014). It can be assessed by posing the following three questions:

a. Will the measures yield the same result on the other occasions?
b. Will similar observations be reached by other observations?
c. In there a transparency in how raw data have been used to draw conclusions

The researcher believes that the result of this study is reliable and carefully determines the criterion for the sample. The study will interview the people who are already involved in microfinance activities. We pointed out all the questions very carefully and wrote the response of the respondents from their verbal expressions. One may think that this process can affect the reliability of the data collection.

3.6 Procedures of data collection

The study participants were included all women entrepreneurs and their employees in Kiogoro ward, Kisii County. The date, time, and place for each interview were scheduled by the researcher in accordance with what was most conducive and comfortable for the subjects. This study followed certain procedures during data collection. First the researcher upon receiving approval of the project at the university applies for a research permit from National Commission for Science, Technology and Innovation (NACOSTI), Kisii County Commissioner and Kisii County Education

Officer.Researches assistants wereemployed trained for five days about the data collection instrument and also equip them with approaches of data collection. Women entrepreneurs were identified after the researcher personally conducts a visit to the area to familiarize and identify the breastfeeding mothers. During the actual data collection process, questionnaire were developedand administered by the researcher with the help of research assistants and covered the entire Kiogoro Ward.

3.7Methods of Data analysis

Data which are the questionnaires were checked, coded, cleaned and entered into SPSS software for analysis. All the analysis of quantitative data was done using the Statistical Package for Social Sciences (SPSS) version 22.0. Descriptive summary statistics such as frequencies, percentages, means, standard deviation and median were used to describe exclusive breastfeeding rates.

In addition, in qualitative analysis data from interview guide were recorded and analyzed. In qualitative analysis, data analysis was carried out using a seven step analytic process delineated by Marshall and Rossman (2006). These include: organizing the data; coding the data; immersion in the data; generating categories and themes; offering interpretations through analytic memos; searching for alternative understanding; and presenting the study.

3.8 Operationalization of the variables

Independent and dependent variables are the main variables. Furthermore dependent variable is what is affected by the independent variable. Microfinance services are defined as combination of interest rates, loan procedures, group lending and credit and skill training. In addition the dependent variable is women entrepreneur –it is dependent on how much the above mentioned variables (the independent variable) are granted.

3.9 Ethical consideration in research

Considering the study wereinterviewed or interact withpeoplein understanding their experiences on the influence of microfinance services on their businesses, certain issues were addressed.

The consideration of these issues is necessary for the purpose of ensuring the privacy as well as the security of the participants. These issues were identified in advance so as to prevent future problems that could arise during the research process. More importantly, among the important issues to be considered by the study included consent, confidentiality and data protection.

The researcher seeked permission from the study participants by established rapport prior to the main data collection. Also the researcher informs the study participants of the confidentiality of the information they provided so as to make provide more information. Throughout the data collection process, the study ensured data is protection.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISUSSION

4.1 Introduction

This chapter deals with data analysis, presentation and interpretation. The data obtained was coded and presented in form of tables and frequency. Most of the questions were closed ended making the questions easy to summarize. The open ended comments served to enrich the closed ended questions.

4.2 Demographic Information

This section analyzes the demographic data of the selected respondents. It helps to build a profile of the respondents on their age, marital status, occupation of the respondent's parents and spouses, highest educational qualification for the respondents and their parent's type of business, source of current capital base and loan. The study findings are summarized in the subsequent sub-headings and tables.

4.2.1 Age of respondents

The researcher wanted to find out the age of the women entrepreneurs from the selected women-entrepreneur. Age of the respondents is significant because it indicates level of maturity in doing a business and in answering the questions. The results are shown on table 4.1 below.

Table 4.1 Age bracket

Respondents	Frequency	Percentage
20-30 years	24	11.0
31-40 years	100	45.7
51-60 years	40	18.3
Over 60 years	55	25.0
Total	**219**	**100.0**

Table 4.1 above shows that out of the 219 respondents 40(18.3%) were aged between 51-60 years, 100(45.7%) were aged between 31-40 years, 55(25.0%) were over 60 years while the rest 24(11.0%) were aged between aged between 20-30 years. The findings showed that the majority of the selected women entrepreneurs were aged between 31-40 years and few were aged between 20-30. This implies that most of the women entrepreneurs were in mid-life, meaning they are at their prime age, therefore they have lived long enough to have tried one or two business ventures and could be having the experience and relevant information on the influence of microfinance institutions services on growth of women owned small and micro enterprises in Kiogoro Ward, Kisii, County.

4.2.2 Marital status

The researcher wanted to find out the marital status of the women entrepreneurs before and after the start of the selected business because marital may have positive or negative influence in growth of women entrepreneurship.

Table 4.2 Marital status

Marital status	**Before starting business**	**Currently**
Married	110 (50.2)	115 (52.5)
Single	60 (27.4)	34 (15.5)
Divorced/Separated	30 (13.7)	40 (18.3)
Windowed	19 (8.7)	30 (13.7)
Total	**219 100.0**	**219 100.0**

The researcher wanted to establish the marital status of the women entrepreneurs in Kiogoro Ward Kisii, County. The study found out that majority of the respondents were married before starting 110(50.2%), this number rose to 115(52.5%) after starting the business. Furthermore the study showed that 60(27.4%) of the respondents were single before starting the business and reduced to 34(15.5%) after stating the business, whereas 19(8.7%) were widows before starting business as compared to 30(13.7%) currently.

The findings shows that most of the respondents were married before and after, those who were married before stating their business could have been helped by their spouses to start one.

However,it’s worth to note that most of them got married after they started their business. These could be because their business flourished and they got enough money to start a family as a result those who were single reduced.

4.2.3 Parents and spouse occupation

The researcher wanted to establish the parents and spouse occupation of the selected women entrepreneurs in Kiogoro Ward, Kisii County. Table 4.3 below shows the details

Table 4.3 Occupation of the respondents

Occupation	**Father’s main occupation**	
	Frequency	**Percentage**
Farmer	112	51.1
Teacher	82	48.9
Vertinary	25	11.4
Total	**219**	**100.0**
	Mother’s main occupation	
Farmer	90	41.1
House wife	115	52.5
Teachers	14	6.4
Total	**219**	**100.0**
Farmer	120	54.8
Business	39	17.8
Teachers	60	27.4
Total	**219**	**100.0**

The study found out that majority of the selected entrepreneurs fathers were farmers, 112(51.1%), whereas 82(48.9%) of their mothers were house wives. The study further found out that 90(41.1%) of the spouses were farmers. Moreover only 25(11.4%) fathers were veternary officers, 14(6.4%)

the others were teachers while on the other hand spouse main occupation of the majority was business. Most of the respondents' spouses, and parents therefore earned their income from farming activities both diary and crop farming. Therefore their income is subjected to an uncertainty because of weather changes so the immediate alternative is business.

4.2.4 Level of education

The researcher wanted to find out the education level of the selected women entrepreneurs. Level of education of the women entrepreneurs indicates how well they will answer the set questions on the influence of microfinance institutions services on growth of women owned small and micro enterprises in Kiogoro Ward Kisii County. The response of the women entrepreneurs were sorted, coded and summarized in table 4.4 below.

Table 4.4 Education level

Respondents	Frequency	Percentage
Secondary school	180	82.2
Diploma	39	17.8
Total	**219**	**100.0**

Table 4.4 shows that 180(82.2%) of the selected women entrepreneurs had attained secondary level of education while the rest 39(17.8%) were diploma graduates. This was so because most of them were women who had abandon furthering their education and opted for farming and business as a source of income. What this implied is that the selected women entrepreneurs would understand the questions and answer as expected because their level of education allows them to have the basic knowledge in reading and writing.

4.2.5 Type of Business

The study also sought to find out the kind of business the selected women engage in. This is important because it will give us an overview on the kind of business the respondents do and whether the study captured the right sample target. The responses are summarized in table 4.5 below

Table 4.5 Type of Business

Respondents	Frequency	Percentage
Market place stall	190	86.8
Mobile/ stall shop	29	13.2
Total	**219**	**100.0**

As revealed from table 4.5 above most of the women entrepreneurs had market stalls, 190(86.8%) followed by those who had tied/stationary, 29(13.2%) while a few of them had mobile/stall shops. It is clear from the findings that most of the women sold farm products mainly food stuffs from their farms or their neighbors‟. They therefore have visited on or more MFI to sought funds for their businesses.

4.2.6 Source of capital

After identifying the type of business venture undertaken by the women, the study went further to find out how they financed their business. Table 4.5 below shows the findings of the study.

Table 4.6 Source of capital

Respondents	Frequency	Percentage
Savings	64	29.2
Loans	140	63.9
Sale assets	15	6.8
Total	**219**	**100.0**

From the above findings 111(67%) go for loans either to start their business or to expand them while 44(26%) use their savings to start or expand their business therefore it indicates that women do visit micro finance institutions to look for savings and loan facilities**.**

4.2.7 Current Capital Base

The study also sought to find out the current base capital for the selected businesses in Kiogoro Ward Kisii, County. The findings are summarized in table 4.6 below.

Table 4.7 Current Capital Base

	Frequency	Percentage
Below 5,000	74	33.8
5,000-10,000	120	54.8
15,001-20, 0000	25	11.4
Total	**219**	**100.0**

As shown by table 4.6 above its clear that 120 (54.8%) of the women entrepreneurs had capital base of between KSH5000-10000, 74(33.8%) had below KSH5000, while the rest 25(11.4%) had capital base between KSH15001-20000. It is therefore true basing on the findings that most of the business held by woman in Kiogoro Ward Kisii, county Nyamira County had capital base of between KSH5000-10000. Capital base is important because it provides a benchmark of measuring returns. Without it, investors (women entrepreneurs) would be unaware of how they are doing in their investments.

4.2.8 Loan collateral

Table 4.8 Loan collateral

	Frequency	Percentage
Title deeds	25	11.4
Income statements	194	88.6
Total	**219**	**100.0**

Of the 219 women entrepreneurs, 25(11.4%) indicated that they use their title deeds, that of their fathers or spouse to acquire loans from MFIs, while the rest 194(88.6%) said that the MFI assessed their income statements both from faming income, teaching and business. Most of them used their income statement possibly because they didn’t have title deeds or any other asset to use as collateral.

Collaterals are used by many financial institutions to get assurance that they won’t lose all their money. If you pledge an asset as collateral, they can take the asset, sell it, and get their money back. Contrast with an unsecured loan, where all they can do is bring legal action against you.

This study revealed that most women do not own properties to be used as collaterals to access the bank loans so most of the studied micro finance makes savings mandatory for its clients so that they can have the bank statements to qualify for the loans.

4.3 Collateral Requirements

In most microfinance institutions, when a borrower needs a substantial loan they are normally required to provide a fixed asset as collateral or a fixed- term cash deposit equivalent to the borrowing. This is in order to reduce the risk associated with defaulters. This study wanted to know whether the respondents owned or had access to property that could be used as collateral, and how this affected their businesses 'growth and consequently their empowerment. Table 4.15 illustrates the summary of the findings on whether young women entrepreneurs are required by MFIs to produce collateral security as they seek loans.

Table 4.9 Collateral security as Requirement for Loan Disbursement

	Frequency	Percentage
Yes	190	86.8
No	29	13.2
Total	**219**	**100**

Most (86.8%) of the respondents indicated that it is a requirement for the individual to produce collateral security whenever they are seeking for financial support from the microfinance institutions, 13.2% indicated that they have other mechanisms other than collateral security through which loans for the women entrepreneurs are guaranteed. This shows that most of the MFIs require some form of collateral security from the women entrepreneurs as security for the loan just in case the women default.

4.4 Interest Rate Charged and it's Influence on Access to Micro-Credit

4.4.1 Borrowing of Money

The study was inquisitive to investigate as to whether respondents had borrowed to boost their business.

Table 4.10 Borrowing of Money

	Frequency	Percentage
Yes	200	91.3
No	19	8.7
Total	**219**	**100.0**

From the findings, majority (91.3%) had borrowed money while 8.7% had not borrowed any money. This implies that capital of return of their business is not adequate and thus requires financial support in terms of loan to boost their business. This is what Table 4.18 above depicts.

4.4.2 Amount of Loan Applied for by Women Entrepreneurs

Table 4.19 shows the study findings on amount of loan applied for by the young women entrepreneurs as additional capital for their business.

Table 4.11 Amount of Loan Applied for by Women Entrepreneurs

	Frequency	Percentage
Less than 10000	20	9.1
10001-20000	30	13.7
20001-30000	99	45.0
30001-40000	40	18.3
Above 50000	30	13.7
Total	**219**	**100**

Most (45%) had applied for 20000-30000 shillings, 18.3% had applied for 30001-40000 shillings, 13.7% had applied for 10001-20000 shillings, 13.7% had applied for above 50000 shillings while 9.1% had applied for less than 10000 shillings.

4.4.3 Duration for Loan Repayment

Further the study aimed to establish timelines given to service the loans. Table 4.20 below illustrates.

Table 4.12: Duration for Loan Repayment

	Frequency	Percentage
Less than 3wks	10	4.6
A month	29	13.2
2-6 months	70	32.0
6-12months	40	18.3
After 2 years	25	11.4
more than 3 years	45	20.5
Total	**219**	**100**

Most (32%) were required to repay the loan for a duration of 2-6 months, 18.3% for a duration of 6-12 months, 13.2% for a period of a month, 11.4% for a period of 2 years while 20.5% were to pay the loan for a period of less than 3 weeks.

4.4.4 Interest Charged on Loan

Further, the study sought to know whether loan disbursed to the young entrepreneurs is charged any interest. Table 4.21 depicts this.

Table 4.13 Interest Charged on Loan

	Frequency	Percentage
Yes	195	89
No	24	11
Total	**219**	**100**

Form the findings, majority (89%) of the microfinance impose interest on any loan disbursed to the client including the young women entrepreneurs while the rest (11%) do not charges interest rate.

4.4.5 How Reasonable Interest Rate are

The researcher also requested respondents to indicate whether interest rate was reasonable to them. Table 4.13 highlights this.

Table 4.14 Reasonable Interest Rate

	Frequency	Percentage
Yes	39	17.8
No	180	82.2
Total	**219**	**100.0**

From the findings, majority (82.2%) of the respondents were of the opinion that the rate was not reasonable while 17.8% felt that the interest rate was not restrictive to them.

4.4.6 Influence of Interest Rate on Credit Availability

Table 4.15 illustrates the findings of the study on the respondents' level of agreement.

Table 4.15 Influence of Interest Rate on Credit Availability

	Mean	STDev
Microfinance institutions charge prohibitive interests on credit	4.11	0.851
The amount of interest rate charged is sometimes, intertwined with the security of the loan or the nature of the business resulting to low interest rates due to, their low risks involved	3.23	1.193
The credit processing costs and other charges are unrealistic	3.21	1.133
Unrealistic action taken by the microfinance for failure to repay the loan upon interest rate set on trading conditions are unfavorable	2.9	1.315
High interest rates charged by microfinance discourages us from borrowing	3.26	1.055
I fear to apply for loan since the microcredit institutions do not consider whether I will be able to meet the interest rate set	4.45	0.862
Failure to repay credit on time leads to the microfinance foreclosing the business and appoint a receiver to take day to a day running of the business, this discourages me to take credit since I fear such situations to happen to my businesses	3.89	1.01
Microfinance institution lend on short term basis while interest rate is always high contributing to the rate being a constraining factor in accessibility to credit among the SME's	4.26	0.723
We have often been criticized for having high interest rates charged on loans	3.4	1.498
We charges a fair interest on credit basing on the customer relationship	3.19	1.48
Increased interest rate by the Central Bank results to the increase of interest rate on credit	3.63	1.321
Interest rate charged is sometimes, intertwined with the security of the loan or the nature of the business resulting to low interest rates due to, their low risks involved	4.55	0.67
We take stiff action for failure to repay the loan upon interest rate set on trading conditions are unfavorable	4.52	0.646

From the findings, most of the respondents agreed that that although high interest rates charged by microfinance institutions do not discourage them from borrowing since the amount of interest rate charged is sometimes intertwined with the security of the loan or the nature of the business resulting to low interest rates. Due to the high risks involved though, credit processing costs and other charges are unrealistic and that action taken by the microfinance for failure to repay the loan upon interest rate set on trading conditions are unfavorable. The above statements are as depicted by mean score of 3.26, 3.23, 3.21 and 2.90 respectively. Microfinance institutions take stiff action for failure to repay the loan upon interest rate set on trading conditions are unfavorable while

Entrepreneurs fear to apply for loan since the microcredit institutions do not consider whether they will be able to meet the interest rate set as depicted by mean score of 4.55, 4.52 and 4.45 respectively. Respondents also agreed that microfinance institutions lend on short term basis while interest rate is always high contributing and this becomes a constraining factor in access to credit. The SME's encourage young women entrepreneurs to take loans despite the fact that they charge prohibitive interests on the credits as illustrated by mean score of 4.26, 4.23 and 4.11 respectively. Respondents agreed that failure to repay credit on time leads to the microfinance foreclosing the business and appoint a receiver to take day to a day running of the business, this discourages me to take credit since they fear such situations to happen to my businesses and that increased interest rate by the Central Bank results to the increase of interest rate on credit as depicted by mean score of 3.89 and 3.63 respectively.

4.4.7 Interest Rate Charged and Access to Credit

The study sought to find out the extent to which interest rate charged by the microfinance institution influence credit accessibility. The findings are shown in table 4.24 below.

Table 4.16 Interest Rate Charged and Access to Credit

	Frequency	Percentage
To a low extent	28	12.8
To a moderate extent	40	18.3
To a great extent	106	48.4
To a very great extent	45	20.5
Total	**219**	**100.0**

From the findings of the study, most (48.4%) of the respondents were of the opinion that interest rate charged by the microfinance institution influence credit accessibility to a great extent, 20.5% to a very great extent, 18.3% to a moderate extent while 12.8% to a low extent.

4.4.8 Rate of Loan Uptake from the Microfinance Institutions

Table 4.13 illustrates the study findings on the rating of loan uptake among young entrepreneurs.

Table 4.17 Rate of Loan Uptake from the Microfinance Institutions

Respondents	Frequency	Percentage
Fair	30	13.7
Average	40	18.3
Good	120	54.8
Excellent	29	13.2
Total	**219**	**100**

Majority 54.8%) of the respondents were of the opinion that loan uptake amongwomen entrepreneurs was good, 18.3% felt that uptake of loan was average, 13.7% fair while 13.2% felt it was excellent. This implies that most of women entrepreneurs were frequently seeking for financial support in terms of loans from microfinance institutions.

4.5 Microfinance Credit

This study sought to find out how microfinance credit influenced the skills training of the women respondents. In consideration is the amount borrowed, amount payable and repayment period and how these indicators affect this women entrepreneurs in one way or the other in Kiogoro Ward.

4.5.1 Distribution of respondents by amount payable

The study wanted to find out from the respondents how much they paid in their monthly loan instalments. The findings are in Table 4.7.

Table 4.18 Distribution of respondents by amount payable

Amount payable (Kshs)	Frequency	Percentage
920-1,820	108	49.3
2,000-3,620	60	27.4
3,785-5,400	30	13.7
5,630-7,200	16	7.3
7,395-9,020	5	2.3
Total	**219**	**100**

The findings indicate that the payments ranged from Kshs.920 as the lowest to Kshs.9, 020 as the highest instalment. Since the repayments are pegged on fixed interest rates against the borrowed amounts, the frequency and percentages are similar to those of Table 4.5. 94 respondents pay between 920 and 1,820 shillings per month. 60 of them pay between 2,000 and 3,620 per month representing 27.4%of the respondents. 13.7% pay a maximum of 5,400, while 7.3% pay up to 7,200. Only 2.3% pay between 7,395 and 9,020 shillings monthly.

Table 4.19 Distribution of respondents by amount obtained

Amount obtained	Frequency	Percentage
(Kshs)		
5,000-10,000	108	49.3
11,000-20,000	60	27.4
21,000-30,000	30	13.7
31,000-40,000	16	7.3
41,000-50,000	5	2.3
Total	**219**	**100**

From the findings, 108 of the respondents, at 49.3%, obtained loans of between 5,000 and 10,000, while 60 respondents representing 27.4% borrowed between 11,000 and 20,000. Those who got between 21,000 and 30,000 stood at 13.7%. Only 16 respondents and 5 respondents borrowed between 31,000 and 40,000, and between 41,000 and 50,000, respectively. The majority of respondents 49.3% reported that these loans were inadequate. Only 2.3% said that the loans were adequate for them at that particular time. However, according to the key informants, a person could only borrow a certain percentage of her savings, plus group guarantee. The maximum first loan is Kshs. 50,000.

4.5.2 Distribution of respondents by repayment period

The study found out from the six key informants that the repayment period for all the loans ranged from 6 months for start-up loans to a maximum of 48 months for subsequent borrowings. All the first loans which were 50,000 or less had to be paid within 6 months. This was in order for the microfinance institution to be able to monitor the repayment patterns as well as the savings pattern of the borrower. Subsequent loans attracted different periods depending on amount borrowed.

Table: 4.20Repayment periods

	Frequency	Percentage
Less than 3 weeks	20	9.1
2-6 months	40	18.3
6-12 months	70	32.0
After 2 years	60	27.4
More than 3 years	14	6.4
Total	**219**	**100.0**

4.6 Microfinance Savings

In order for an individual to access a loan from a microfinance institution, she must have saved a certain amount of money with the institution, mostly under the women‘s group she is affiliated to. These savings and the members’ guarantee act as security for the loan. The study sought to find out how much the respondents saved per month, how much of their savings they invested back into business and whether they managed to acquire fixed assets.

Table 4.21 Distribution of respondents by amounts invested

Invested saving	Frequency	Percentage
Yes	138	63
No	81	37
Total	**219**	**100.0**

From the findings a majority at 63% invested part of their savings into the business while only 138 respondents representing 37% did not invest. The reasons cited for this was that their businesses were barely making enough income for basic household needs and could not meet obligations for the mandatory savings, loan repayments and to invest. This was especially prevalent among the single parent households**.**

4.7 Microfinance Training

Microfinance institutions normally try to organize training for their clients especially the start-up businesses. They offer book-keeping skills as well as entrepreneurial training for a more efficient business operation.

The trainings are tailored to equip the entrepreneurs with basic skills and information needed for each type of business.

4.7.1 Respondents by training attended

The study sought to know how many respondents had attended any type of training related to their business. The findings are recorded on Table 4.10.

Table 4.22 Respondents by training attended

Training attended	Frequency	Percentage
Yes	158	72.1
No	61	27.9
Total	**219**	**100.0**

From the findings it is clear that a majority of the respondents, at 72.1%, attended some form of training offered by the microfinance institutions. Only 27.9% did not attend any training. The findings are consistent with information given by the six key informants who indicated that they normally offer training to group members before releasing loans.

4.7.2 Respondents by benefits of training

Among the respondents who attended the training, the study wanted to know whether they agreed that there were benefits of the training. The findings are in Table 4.11

Table 4.23 Respondents by benefits of training

Benefits of training	Frequency	Percentage
Agree	154	70.3
Disagree	21	9.6
Neutral	44	20.1
Total	**219**	**100.0**

It is evident that 70.3% appreciated the training they received. Only 9.6% did not see any benefit to the training while 20.1% were noncommittal about it, especially those that did not attend the training.

From these findings it is clear that training is necessary for these respondents to be equipped with requisite skills.

4.7.3 Training offered by Microfinance Institutions

The study requested respondents to indicate whether microfinance in their area offer training to them.

Table 4.24 Training offered by Microfinance Institutions

	Frequency	Percentage
Yes	178	81.3
No	41	18.7
Total	**219**	**100.0**

From the findings as illustrated by table 4.28 81.3% of the respondents indicated that prior to acquiring the loans, the microcredit institutions offered short courses such as business management, financial management, customer relations among other forms of training while 18.7% felt that there was no training offered by microcredit institution that was beneficial to their businesses.

4.8 Number of Lending Institutions and Influence on Access to Micro-Credit

4.8.1 Financial Institutions Offering Credit

The study sought to establish the number of financial institutions that provided credit to the young entrepreneurs. This is illustrated in Table 4.31 below.

Table 4.25 Financial Institutions Offering Credit

	Frequency	Percentage
1 to 10	120	54.8
11 to 12	58	26.5
21-30	41	18.7
Total	167	100

According to the results most (54%) of the respondents indicated that there were 1-10 microfinance institutions, 26.5% indicated that there were 11-12 microfinance while 18.7% indicated that there were 21-30 financial institutions.

4.8.2 Number of Branches in the Micro-Finance Institutions

The study further investigated on how many branches that the microcredit institutions have with the County.

Table 4.26 Number of Branches in the Micro-Finance Institutions

	Frequency	Percentage
1 to 10	140	63.9
11 to 12	60	27.4
21-30	19	8.7
Total	**15**	**100**

From the findings, most (47%) indicated that they had 1 to 10 branches, 33% had 11 to 12 branches while 20% had 21-30 branches as illustrated in Table 4.32 above.

4.8.3 Microfinance Lending and its influence on Enterprise Performance

The study investigated as to whether microcredit lending influences business performance. This is highlighted on table 4.35 below.

Table 4.27 Microfinance Lending Enterprise Performance

	Frequency	Percentage
Yes	192	87.7
No	27	12.3
Total	**167**	**100**

From the findings, 87.7% indicated that microcredit lending influence business performance while 12.3 indicated that they do not influence business performance.

4.8.4 Influence of Lending Institutions on Access to Credit among Entrepreneurs

The respondents were required to indicate their level of agreement with various statements relating to credit availability. From the findings which are highlighted on Table 4.36.

Table 4.28: Influence of Lending Institution on Access to Credit among Entrepreneurs

	Mean	STDev
Availability of microfinance institutions in our area has mobilized saving hence more capital due to the interests accrued	3.67	1.131
My firm has established a personal relationship with the financier which enhances credit availability	3.56	0.913
Duration of my relationship with my financier determines whether I can access credit	3.48	0.948
Access to microfinance has improved credit accessibility to most of the young entrepreneurs hence business growth	3.84	0.746
Recently there are more focused microfinance services emerging hence attracting the interests of donor agencies including NGOs, credit unions and non-banking financial intermediaries to provide credit services to specifically for women entrepreneurs	3.63	0.808
Most of entrepreneurs, through microfinance have realized an effective way to integrate access to financial services	3.62	1.133
Increase in demand for credit services has led to emergence of mobile telephone money transfer services with the introduction of mobile transfer in microfinance	4.40	0.674
Credit sources remain a major challenge for us since not many microfinance institutions cater for our services	4.45	0.162
The numbers of small scale traders are many, while the financial institutions with the services tailored to them are few.	3.89	1.01
The loan requirements of the SME'S traders are different from those of the large businesses, due to fragile nature of the business among other considerations, such as size, management structure, the capital base etc.	4.16	0.223
We have a good market share in this sub-county due to our penetration strategy we adopted	3.41	1.498
There is shortage in supply of financial services including credit compared to demand	3.19	1.321
Increase in demand for credit services has lend to emergence of mobile telephone money transfer services with the introduction of mobile transfer	3.16	1.244
The growth of mobile money transactions shows the demand for formal financial services including credit services far outstrips the supply	4.06	0.043

Most of the respondents agreed that credit sources remain a major challenge for them since not many microfinance institutions cater for their specific service needs. Increase in demand for credit services has led to emergence of mobile telephone money transfer services with the introduction of mobile transfer in microfinance credit. Loan requirements of the SME'S traders are different from those of the large businesses, due to fragile nature of the business among other considerations, such as size, management structure and the capital base as shown by mean score of 4.45, 4.40 and 4.16

respectively. Respondents also agreed that the growth of mobile money transactions shows the demand for formal financial services including credit services far outstrips the supply. This is because the numbers of small scale traders are many, while the financial institutions with the services tailored for them are few. In recent times, access to microfinance credit has improved credit access to most of the women entrepreneurs hence growth for businesses growth for most of the entrepreneurs. Microfinance have realized effective ways of integrating access to financial services and now there are more focused microfinance services emerging hence attracting the interests of donor agencies including NGOs, credit unions and non-banking financial intermediaries to provide credit services specifically to women entrepreneurs as shown by mean score of 4.06, 3.89, 3.84, 3.63 and 3.62 respectively.

Finally, respondents were neutral that they have a good market share in the sub-county due to the penetration strategy adopted by the micro-finances, there is shortage in supply of financial services including credit compared to demand and that increase in demand for credit services has lend to emergence of mobile telephone money transfer services with the introduction of mobile transfer as shown by mean score of 3.41, 3.19 and 3.16 respectively.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS, RECOMMENDATIONS AND SUGGESSTIONS FOR FURTHER STUDY

5.1 Introduction

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

5.2 Summary of the Findings

On Collateral security influence to women's access to micro-credit, the study established that most of the entrepreneurs (59%) had no property registered in their names which they could produce as collateral security whenever seeking financial supports from the microfinance institutions. Likewise, the study noted that lack of Collateral security has become a constraint to women entrepreneurs since most of them may not have ownership deeds to capital assets to present as security against the loans and that most of women entrepreneurs have had loans applied for rejected due to failure to produce collateral security. Others had decided not to apply for credit since they 'knew' they would not be granted for lack of collateral security.

Collateral security influences access to credit from microcredit institutions to a very great extent. Microfinance institutions always demand collateral security to act as a security on loans in the form of houses or deeds and immoveable assets. MFIs have always adopted a risk adverse stance towards small firms with an accompanying inability to focus on the income generating potential of the venture, when analyzing the likelihood of loan repayment as illustrated by mean score of 3.56, 3.51 and 3.50 respectively.

In regard to the objective seeking to find out the influence of interest rate charged, the study established that majority of the women entrepreneurs had borrowed money from the nearby financial institutions with most taking a loan of 20,000-30,000 shillings, and 30,001-40,000 shillings payable between 6-12 months.

However, this amount accrues interest rate as imposed by the financial institutions. They however felt that it was not reasonable. At the same time, the study established that interest rates charged when intertwined with the security of the loan or pegged on the nature of the business, it could result to low interest rates. Microfinance institutions take stiff action for failure to repay the loan upon interest rate set on lending conditions hence becoming unfavorable. Entrepreneurs fear to apply for loans since the microcredit institutions do not consider whether they will be able to meet the interest rate set. From the findings of the study, most (38%) of the respondents were of the opinion that interest rate charged by the microfinance institution influence credit access to a great extent. On the influence of the levels of literacy, the study noted that most of the entrepreneurs had attained secondary school certificate as their highest academic qualification and this influences uptake of loan. Those who had degree and colleges certificates had trained on general management, financial management, and customer relations among other courses.

The study established that information on availability of loans, and the rate of interests charged is communicated through newspapers and local magazine in which a good level of literacy is required to read and interpret. Low levels of education accompanied with low ability to read and write have had negative influence on women entrepreneur’s awareness on how and where and ability to get loans to improve their businesses and therefore the entrepreneur is at a disadvantage in the loans market. The study also found out that microfinance institutions in the area hold training sessions, when creating awareness of their services and products that are of benefit to women’s businesses. These training sessions help them to make good financial decisions in their business as represented by a mean score of 3.14, 3.03 and 2.93 respectively. All this influences access to microfinance credit to a great extent.

Regarding the number of lending institutions and its influence on access to micro-credit, the study established that in the sub-county there were 1-10 microfinance institutions with 1 to 10 branches across the county. However, the study established that licensing of more financial institutions would encourage uptake of loan among women entrepreneurs since uptake of loan is low among women and this would influence business performance. Majority (77%) of the respondents were of the opinion that licensing of more financial institutions would encourage uptake of loan among women entrepreneurs while 23% indicated otherwise.

Additionally, the study established that credit sources remain a major challenge for the women since not many microfinance institutions catered for their specific service needs. Increase in demand for credit services has led to emergence of mobile telephone money transfer services with the introduction of mobile transfer in microfinance. Due to their fragile nature among other considerations such as size and management structure, loan requirements of the SME'S traders are different from those of the large businesses. Therefore there is need for more lenders with focus to meet them.

5.3 Discussion of the Findings

The study sought to establish whether the interest rates charged influence access to credit among women entrepreneurs' projects in Kiogoro Ward Kisii County, to establish how the level of literacy influences access to credit among women entrepreneurs' projects inKiogoro Ward Kisii County, to investigate whether the number of lending institutions available influences access to credit among women entrepreneurs' projects in Kiogoro Ward Kisii County and to establish the extent to which the demand for collateral security influences access to credit among women entrepreneurs' projects in Kiogoro Ward Kisii County.

On Collateral security demand and its influence on access to micro-credit, the study established that majority (59%) of the respondents indicated that they had no properties registered in their name. The lack of property and land ownership translates directly into women's inability to access bank financing needed for their business. Access to finance is an obstacle for all firms and businesses and women entrepreneurs rate it as the single biggest constraint that prevents them from growing their business (Schoof, 2006). Women entrepreneurs are required to produce Collateral security to the micro-finances when they apply for loans as depicted by 60% of the respondents.

Essayed (2005) observed that financial institutions in the formal sector generally regard the youth as high risk creditors and are reluctant to extend credit to them on favorable terms. Lack of Collateral security has become a constraint to women entrepreneurs since most of them may not have deeds to capital assets to present as security against the loans hence their loans applied are rejected due to failure to produce Collateral security while others had decided not to apply since they 'knew' they would not be granted due to lack of Collateral security.

According to Kamau (2009) Collateral security is again highlighted as a major constraint to credit access. On the objective on influence of interest rates charged, the study established that majority (84%) had borrowed money with majority applying between 20,000-30,000 shillings payable within 2-6 months. This finding conforms to Ndeti (2005) that every business needs financing, even though at first glance it might appear that funding is unnecessary. It’s important that financing be as efficient as possible. Micro-finances impose interest on any loan disbursed to the client particularly to women entrepreneurs which majority (73%) felt that it is not reasonable. Interest rate charged is sometimes, intertwined with the security of the loan or the nature of the business resulting to low interest rates due to, their low risks involved, microfinance take stiff action for failure to repay the loan upon interest rate set on trading conditions are unfavorable. According to Kamau (2009) the high interest rates, discourages the entrepreneurs in this sector from borrowing.

This is because the interest payment eats into the profit and therefore reduces borrowing business if profit and trading conditions are unfavorable. The rates on interests charged discouraged the women entrepreneurs from borrowing since they seemed punitive. On literacy level, the study established that most (34%) of the respondents had attained secondary school certificate as their highest academic qualification while most (37%) had no professional training hence hindering uptake of loan. King and McGrath (2002) found that the level of formal entrepreneurial activity among women increases as their education rises, and there is a major jump in business ownership among those who go beyond secondary education. This can perhaps be attributed to the fact that entrepreneurship education is not offered at primary school level at whereas in secondary school it is offered as an optional subject and is more theoretical as opposed to being a bit practical.

Further, the World Bank (2002) observed that the pedagogy of entrepreneurship education remains limited to traditional classroom teaching even though the outcome is on how to teach students start and run business. ILO (2009) noted that declining level of education had negative influence on entrepreneur’s awareness on how and where to get loans to improve their businesses. The study established that information on availability of loans, and the rate of interests charged, is communicated through newspapers and local magazine in which a good level of literacy is required to read and interpret. Low levels of education have had negative influence on young women entrepreneur’s ability and awareness on how and where to get loans to improve their businesses especially when accompanied with low ability to read and write. Therefore an entrepreneur is at a disadvantage in loan acquisition. Ndubi and Karanja (2008) noted that entrepreneur with low ability to read and write is at a disadvantage in the loans market. Regarding the availability of number of lending institutions and their influence on access to credit, the study established that there were 1-10 microfinance institutions with 1 to 10 branches. Additionally, licensing of more financial institutions would encourage uptake of loan among women entrepreneurs since there is low uptake of loan. Schoof (2006) observed that lack of enough number of financial institutions offering credit services to SME's is a constraint to the development of the sector. Majority 79% indicated that microcredit lending influence business performance.

The loan requirements for the SMEs traders are different from those of the large businesses (Essayed, 2005). This arises due to the fragile nature of the business among other considerations, such as size, management structure and the capital base. Therefore there is need to have many lending institutions whose lending policies are established with such factors having been considered. The study established that credit sources remain a major challenge for the women entrepreneurs since not many microfinance institutions cater for their specific service needs. According to Financial Sector Deepening (2009), just 60% of Kenyans have access to banks or microfinance institutions with 30% of rural users having no access to banking services at all. It further shows shortage in supply of financial services including credit when compared to demand.

5.4 Conclusions

The study set out to establish the factors influencing access to microfinance credit by women entrepreneurs in Kiogoro Ward Kisii County. From the study findings, the study concludes that majority of the entrepreneurs had no properties registered in their names to use as Collateral security in even of taking loan which they produced as Collateral security whenever they are seeking for financial support from the microfinance. Therefore, the study concluded that lack of Collateral security has become a constraint to women entrepreneurs since most of them may not have deeds to capital assets to present as security against the loans and that most of women entrepreneurs have had loans applied for rejected due to failure to produce Collateral security while others had decided not to apply since they 'knew' they would not be granted for lack of Collateral security.

This therefore means that Collateral security influences access to credit from microcredit institutions to a very great extent. In regard to influence of interest rate charged, the study established that majority of the women entrepreneurs had borrowed money from the nearby financial institutions with majority having a loan of 20000-30000 shillings, and 30001-40000 shillings payable between 6-12 months. However, this amount accrues interest rate which was being imposed by the financial institutions though it was not reasonable. The study established that that interest rates charged while intertwined with the security of the loan or the nature of the business results to low interest rates due to lowered risks and this is to the advantage of the borrowers.

Micro-finances usually take stiff action for failure to repay the loan upon interest rate set on trading conditions are unfavorable hence making entrepreneurs fear to fear applying for loans. This is because the microcredit institutions do not consider whether they will be able to meet the interest rate set. Therefore, interest rates charged by the microfinance institutions influence access to credit quite a great deal. Regarding influence of levels of literacy, the study found out that most of the entrepreneurs had attained secondary school certificate as their highest academic qualification this determine uptake of loan.

For those who had degree and colleges certificate had trained on general management, financial management, customer relation among other trainings. The study established that information on availability of loans, and the rate of interests charged, is communicated through newspapers and local magazine in which a good level of literacy is required to read and interpret, low levels of education have had negative influence on women entrepreneur's ability awareness on how and where to get loans to improve their businesses and with low ability to read and write, therefore an entrepreneur is at a disadvantage in the loans market influence access to microfinance credit to a great extent.

Therefore it can be concluded that literacy levels greatly influence access to microcredit among the women entrepreneurs. Putting into perspective the influence of the number of lending institutions on access to credit, the study established that in the county there were 1-10 microfinance institutions with 1 to 10 branches across the county. However, the study established that licensing of more financial institutions would encourage uptake of loan among women entrepreneurs since uptake of loan is low and this would influence business performance. Additionally, the study established that credit sources remain a major challenge since not many microfinance institutions cater for women entrepreneurs service needs. Increase in demand for credit services has led to emergence of mobile telephone money transfer services with the introduction of mobile transfer in microfinance.

At the same time, the loan requirements of the SMEs traders are different from those of the large businesses, due to fragile nature of the business among other considerations, such as size, management structure and the capital base. This therefore means that the number of lending institutions greatly influences access to micro-finance credit for young women entrepreneurs to ensure that their specific needs are met.

5.5 Recommendations

On Collateral security, it is recommended that for the women to access credit, alternative approaches on Collateral security requirements need to be adopted through the emphasis on social capital tools such as trust and network relations for securities. Peer groups who have known each other for a while and therefore have developed trust based on previous relations should be used instead of economic Collateral securities such as title deeds, prime property or a salary pay slip often required by formal banking institutions.

On the interest rate charged, the study outlines that high interest rates, discourages the entrepreneurs from borrowing. It is because the interest payments eat into profits and therefore affects the borrowing business especially when profit and trading conditions are unfavorable. Therefore, it is recommended that since most of youth do not have stable source of funding, they can only lend on short term basis.

MFIs and governments should design products specifically tailored to meet the needs of women so as to address their challenges. Regarding literacy levels, the study recommends that due to low literacy levels most women SME traders are unable to differentiate the loan products offered by the financial institutions the government should offer training to the entrepreneurs in order to encourage entrepreneurship culture hence creation of job opportunity. Special entrepreneurship curriculum and training packages for young women should be developed in government institutions and other

MFIs and institutions that have micro-credit components. On the number of lending institutions, the study recommends that there is need to have many and diverse lending institutions whose lending policies are established to consider and address the needs of women entrepreneurs. This is because lack of enough numbers of financial institutions offering credit services to SME's is a constraint to the development micro-enterprises. Due to their fragile nature among other considerations such as size and management structure, the loan requirements of the SME's are different from those of the large businesses. Therefore it is recommended that the government ensures that MFI friendly policies are developed and implemented and especially for MFIs which will increase the services to women entrepreneur. There is need for policy that allows for thriving of more lenders with focus to meet the needs.

5.6 Suggestions for Further Studies

The study has explored on the factors influencing microfinance services on women entrepreneursin Kiogoro Ward Kisii County, Kenya. It is recommended that another study be done with an aim to finding out challenges facing uptake of government funding among women entrepreneurs. Likewise, the study recommends for more on the same in other counties in order to come-up with more reliable information that truly depicts the bigger picture as it is on the ground.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

DearRespondent,

The information provided during this interview will be treated as highly confidential and is collected for academic research purposes only. Participation in this study will not affect one's membership or role in any microfinance program within Kiogoro ward. The aim of this study is simply to gain a better understanding of the influence of microfinance on income on household income in Kiogoro ward. Please feel free to provide as much information as possible. I am interested in analysis of collective feedback and not individual respondent information.

Section A: Background information

1. Date____
2. Location or region____
3. What is your sex?

   Male ( ) Female ( )
4. Your age bracket?

   18-28 yrs ( ) 29-39 yrs ( )

   40-50 yrs ( ) 51 yrs above ( )
5. Your marital status

   Married ( ) Widowed ( )

   Divorced ( ) Separated ( )

   Single ( )

   6. What is the highest level of education that you have reached?

      University degree ( )

      Some university degree ( )

      Tertiary college ( )

      High school ( )

      Primary school ( )

      None ( )

Section B: Interest rates

1. How long have you have been a member of group for how long

   Less than a year ( ) 1-2 years ( )

   2-5 years ( ) More than 5 years ( )

2. Is the rate at which you borrow loan from the microfinance an important consideration to you?

   Strongly disagree ( ) Disagree ( )

   Strongly agree ( ) Agree ( )

3. What type of Income Generating Activity are you currently engaged in?

   Agriculture ( ) Business (sales and trade ( )

   Fishing ( ) Transport Industry ( )

   Carpentry, masonry ( )

4. Please in the table below, state whether you agree or disagree on the statement provided.

Statement	Strongly disagree	disagree	Strongly agree	Agree
Would you say your business performance has been influenced by presence of high interest rates				
Has your profits improved since joining the microfinance programs?				
Do you think the MFI have adequate policies in addressing the interest rate issue				

Section C: Loan procedures

5. Do you think time take to acquire a loan has impacted your business expansion?

   Strongly disagree ( ) Disagree ( )

   Strongly agree ( ) Agree ( )

6. Do you think accessing finance would increase your businessacivities?

   Strongly disagree ( ) Disagree ( )

Strongly agree ( ) Agree ( )

7. Please in the table below, state whether you agree or disagree on the statement provided.

Statement	Strongly agree	Agree	Strongly disagree	Disagree
More procedures of loan increase customers access to loans				
Increased business income depends on level of network of the microfinance				
Microfinance in this region always organize events to mobilize membership				

Section D: Group Lending

8. Are you normally required to have your loan application signed by specific member of the group?

   Strongly disagree ( ) Disagree ( )

   Strongly agree ( ) Agree ( )

9. How do you define the nature of your microfinance group you belong currently?

   Deposit only ( ) Both deposits and loans ( )

   I don’t know ( )

10. Please in the table below, state whether you agree or disagree on the statement provided.

Statement	Strongly agree	Agree	Strongly disagree	Disagree
Did you have access to loans before joining microfinance				
When taking loans, does you group members often sign for you				
Group members offer moral support during difficult times				

11. Please rank your three most important uses of the loan(s). If business or productive investment, please specify

    Food/household expenses ( )

    Repaying debts/borrowing for other ( )

    Medical fees/health ( )

    Household assets ( )

    Business/productive investment ( )

    Other ( )

12. In how many microfinance programs are you currently engaged in?_______________

Section E: Credit and skill training

13. How often to you attend seminars on how to keep records

    Most of the times ( )

    Few of the times ( )

    Least of the times ( )

    None ( )

14. Please in the table below, state whether you agree or disagree on the statement provided.

Statement	Strongly agree	Agree	Strongly disagree	Disagree
Since you have attended trainings, do you think you have develop confidence in exploring viable business ideas and market opportunities				
Do you think information is shared among the groups				
You have been trained to handle accounting information sharing in the region				
Sharing accounting information enhances your ability in managing your family expenditure				

APPENDIX 2: INTERVIEW SCHEDULE

1. Do you think your business have been affected due to rising interest rates? Has it changed since you joined the MFIs?
2. Do you think your business has not expanded because of changing interest rates by the MFIs?
3. What do you think benefits the groups belonging to a microfinance group? Why are they joining such programs?
4. Have there been any negative consequences of joining the microfinance programs? If so, what are they?
5. How does the community treat group members? Do they treat you differently than before you were members?
6. How do you find services offered by the microfinance in this region? Do they contact intense campaign to have more members? How about you, did you join after being convinced by microfinance staff?
7. Since you joined MFIs have you received any credit and skill training to enhances your business performance?

APPENDIX 3: TIMETABLE FOR DATA COLLECTION

Activity	May	June	July	August
Concept note development				
Proposal writing, preparing questionnaires and presentation				
Data collection and analysis				
Presentation of findings				

APPENDIX 4: PROPOSED BUDGET

No.	Item Description	Unit Cost Description		
		No. of units	Unit cost in Ksh.	Total cost in Ksh.
1	Exercise Books	3	200	600
2	Rubber(Ink Eraser)	1	50	50
3	Pens	4	30	120
4	Duplicating Papers (Reams)	3	400	1200
5	Pencil (2b-Pencil)	3	50	150
6	Rulers	3	30	90
7	Spring files	3	50	150
8	Notebooks	3	100	300
9	Stapler	2	600	1,200
10	Staples	1	100	100
11	Internet Access Service	1	3,000	3,000
12	Typing, printing & photocopy	1	7,000	7,000
13	Assistant Researchers 3 days @ 1000		40,000	40,000
	Miscellaneous cost estimated at 10% of the budget			5,396
				Grand Total Cost 59,356

APPENDIX 5: MAP OF NYARIBARI CHACHE CONSTITUENCY