

**INFLUENCE OF MICROFINANCE PROVISION ON POVERTY  
ERADICATION AMONG WOMEN ENTREPRENEURS IN KENYA: A CASE OF  
KENYA WOMEN FINANCE TRUST KAYOLE, NAIROBI COUNTY**

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the Award of the Degree of Master of Arts in Project Planning and Management of  
the University of Nairobi**

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**DECLARATION**

This research project report is my original work and has not been submitted for an award in any other university.

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## **DEDICATION**

To my loving Uncle Tom Juma and my fiancée Huldah Adhanja for their great support and encouragement throughout my schooling life and most especially this time as I went through the course.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>CEDAW</b>	Convention on Elimination of All Forms of Discriminations Against Women
<b>KRep</b>	Kenya Rural Enterprises
<b>KWFT</b>	Kenya Women Finance Trust
<b>MFI</b> s	Micro Finance Institutions
<b>MFO</b>	Micro Finance Organizations
<b>NGO</b> s	Non Governmental Organizations
<b>ROSCAS</b>	Rotational Savings and Credit Associations
<b>SME</b> s	Small and Medium Enterprises
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats
<b>SPSS</b>	Statistical Package for Social Sciences

## ABSTRACT

Women's role in economic development is crucial to their families and communities. In the dispensation of these roles however, they experience particular hindrances like poverty, unemployment, low household income and certain social societal discriminations that stampede their effective performance. Despite the fact that numerous statistics confirm that women's economic activities play a crucial role in the development of world economies, most empirical studies have focused on microcredit provision alone as a tool of alleviating poverty among rural women without giving much consideration to other non financial aspects of microfinance such as advisory services, training services and empowerment programs in addressing rural poverty. Hence the purpose of this study was to assess the influence of microfinance provision; microcredit, training services, advisory services and empowerment programs on poverty eradication among women entrepreneurs in Kayole, Nairobi County. The objectives of the study were: to assess the influence of microcredit provision in the performance of women owned enterprises in Kayole, Nairobi County; to investigate the impact of training services provided by KWFT in promoting entrepreneurial growth among women within Kayole, Nairobi County; to examine how advisory services offered by KWFT lead to wealth creation among women entrepreneurs in Kayole, Nairobi County and to establish the relevance of the empowerment programs offered by KWFT to women entrepreneurs in Kayole, Nairobi County in wealth creation and poverty reduction. The study was limited to women entrepreneurs in Kayole, Nairobi County and their enterprises were assessed in light of the microfinance factors offered by MFIs. The target population was 650 women entrepreneurs and 30 KWFT staff members within Kayole. Purposive sampling was used to select the informants for the information that the study required. A sample size of 95 respondents; 65 women entrepreneurs and 30 KWFT staff (at least 10% of the target population) was involved in the study. The study employed descriptive survey method as the research design. Structured questionnaires were used to collect quantitative data. The instruments for data collection were divided as per the variables and objectives to ensure the results were representative and comprehensive. Data was presented using frequency tables. Analysis was done using both descriptive and inferential statistics. In specific, ANOVA, regression and correlation analyses were used with the aid of Statistical Package for Social Sciences (SPSS) Computer software version 21.0. The ANOVA test had a significance of P-value of 0.000 which is less than 0.05 (significance level of 5%) confirming the existence of correlation between the independent and dependent variables. The findings also indicate that the training and advisory services offered by KWFT had positive impact in entrepreneurial development among women and wealth creation which leads to poverty alleviation. The study therefore concluded that microfinance factors such as microcredit provision, training services, advisory services and empowerment programs are essential in promoting entrepreneurial skills among women which enables them to engage in viable businesses that drive poverty away and give them self-reliance and financial freedom. It therefore recommends more awareness on the relevance of microcredit to self employment, education, and training, and skills acquisition for economic empowerment.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

A community's production is correlated with its human capital and capital stock (i.e. technology) to leverage that capital. For a community to rise above the poverty trap, it has to generate capital at a faster rate than its consumption. The poverty trap exists when the energy expended by a community to engage in consumption (searching for food, drawing water from long distances, subsistence farming, and the like) does not yield a production surplus to absorb the negative shocks to productivity (Elahi and Danopoulos, 2004).

Consequently, it has been argued, a way to break the poverty trap is to encourage petty entrepreneurship among the poor, in order to foster production surpluses (Varghese, 2005). This is accomplished by increasing the capital component of the entrepreneurial production function to leverage the individual's human capital, since in the short run the productivity of human capital cannot be significantly improved. The resulting elimination of the energy deficit leads to capital accumulation, consumption smoothing, and the possibility of sustained future production. Accordingly, micro-credit, as the means to increased capital, is the primary input to kick-start the entrepreneurial production process in these communities (Midgely, 2008). The purpose of micro-finance is to enable the acquisition of technological capital to kick-start the entrepreneurial process (Navajas, Schreiner, Meyer, Gonzalez-vega and Rodriguez-meza, 2000). As Schmidt described in 2008, "microfinance is widely known and regarded as the most humane part of the international financial system, perhaps even the only humane part" (Schmidt,2008, 1).

Microfinance has gained considerable acclaim as a tool to address poverty by extending financial services to impoverished populations over the past 30 years. Without access to the collateral necessary to secure loans, the poor are generally excluded from formal financial institutions and forced to rely on exploitative local lenders. This contributes to chronic capital shortages and cycles of indebtedness which perpetuate poverty and

frustrate economic development. The mainstream banking system was the only provider of financial services although it could not provide small scale financial services demanded by majority of poor people especial women (Nyamsogoro, 2010; Randhawa& Gallardo, 2003). Microfinance organizations (MFOs) help to address this by providing small collateral-free loans and other financial services to under-served populations with the aim of fostering business creation, asset building, and stable household consumption. Beyond this, though, microfinance is distinguished by its focus on lending to women as a means to address poverty: commitment to women's lending is a key feature of microfinance as an organizational form and, reflecting this, over 70% of all loans are made to women (Daley-Harris 2009; Sanyal 2009). The rationale for this is that women are over-represented among the world's poor and generally have limited access to traditional channels for upward mobility such as financial and labor markets. Women also play a key role in their children's education and health, increasing the likelihood that their economic gains will translate into broader social benefits. As such, there is an acute need for interventions that help women to break out of poverty (Yunus 1999).

“Microfinance refers to small-scale financial services-primarily credit and savings provided to people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban” (Robinson, 2001).

The main objective of MFI is to eradicate poverty and raise the standards of living of people as well as general sufficient employment (Kiyingi, 2000). MFI are effective drivers that play a role of intermediation of financial resources between the formal institutions, households with low incomes and small scale businesses. Poverty is understood as the low levels of annual income per household. Reducing poverty is about raising the average income levels. If a particular level of annual income per head is used

as poverty line, poverty reduction could be measured by counting the number of proportion of people who cross that line-who are promoted out of poverty. Poverty can also be understood as vulnerability to downward fluctuations in income. Such fluctuations can be relatively predictable e.g. seasonal decline in employment for agricultural workers or shortage of income and trading opportunities in the dry seasons or after harvest. Fluctuations may also result from unexpected shocks such as illness, funeral expenses or loss of an asset such as livestock through death or theft, or natural disaster such as cyclone (Montgomery, 1996). Vulnerability can be heightened by the lack of saleable or pawn able assets and debt obligations. Interventions that reduce such vulnerability and protect livelihood will therefore reduce poverty. Use of MFIs is one of the ways of helping the poor through the use of various leading models such as Grameen model and its solidarity group version, cooperatives and credit union model, Visaca/village and community Banking model and Rotating and Credit Association (ROSACA), Self Help Groups and Bank Linkage model.

Evidence supports the assertion that increasing resources in the hands of women has greater impacts on family welfare, in particular improvements in child survival, health, food consumption, hygiene and educational standards for families and societies (Johnson 2004; Mayoux, 1999; Duflo, 2005). Increasing women's employment through access to microfinance credit is therefore regarded as one way of stimulating access to wider social benefits since they are more likely (than men) to invest in household welfare (Goetz et al. 1996; Khandker, 2003). The provision of financial services for women entrepreneurs has therefore become a component of many microfinance programmes because supporting the entrepreneurship of women is seen as having important "trickledown" effects on wider poverty alleviation and gender inequality (Pitt et al, 2006; Topalova, 2005; Mknelly 1998).

70 percent of the world's population estimated to be living on less than \$1 per day is women (United Nations Expert Group on Women and Finance, 1995). However, it is also true that most low-income women are economically active in some form. Women

producers and entrepreneurs are vital economic actors. Though their roles and the value of those roles are often undervalued in society, women need and deserve access to information, financial services, and markets (United Nations Expert Group on Women and Finance, 1995). Therefore, access to credit and other financial services are necessary to provide low-income women with opportunities to increase their incomes and their assets (United Nations Expert Group on Women and Finance, 1995).

A woman's role in the economy is an important determinant of her ability to provide healthcare services, education and safe housing for herself and her family. It also has an impact on her decision-making power, as well as her ability to speak and act against inequalities, injustice, and violence in her home as well as in the community. The ownership of working capital is a means to building a woman's confidence, self-respect, and the capacity to use her voice to shape her life and the lives of her family members (United Nations Expert Group on Women and Finance, 1995).

When looking at female entrepreneurs, previous research in industrialized countries show that this group faces greater obstacles in the search for capital, compared to their male counterparts (de Bruin et al 2006). In developing countries, women face multiple obstacles that diminish their potential as entrepreneurs and businesswomen. They have limited access to education and training, they find it harder to enter business associations, have less freedom to select business sector and are often met by discriminatory attitudes in property, marital and inheritance laws. Without property ownership, they lack collateral to get access to formal credit (Sida 2009). A majority of women entrepreneurs in developing countries run small-scale or micro-enterprises and they usually operate within trade or service sectors. This further increases their barriers towards capital at formal level.

Micro-finance provide the needed opportunity for entrepreneurs to start or improve business in order to make profit and improve their lives (Allen et al., 2008; Brana, 2008; Lans et al., 2008; Majumdar, 2008; Roslan&Mohd, 2009; Salman, 2009; Shane, 2003;

Tata & Prasad, 2008). The ability of women entrepreneurs to make use of the opportunity provided by micro finance factors to ensure enterprise performance depends on their attitude to risk; that is their ability to access information and willingness to act on the information (Shane, 2003). Thus, credit, savings, training and social capital could have positive impact on opportunity for entrepreneurial activity of women entrepreneurs which could lead to business performance; depending on the entrepreneur's attitude to risk (Crisp & Turner, 2007; Shane, 2003; Vob& Muller, 2009).

Juanah (2005) also in looking at the contribution of microfinance to rural poverty reduction asserts that a well-coordinated, effective and efficient microfinance system in developing countries can contribute positively to the reduction of poverty among poor rural households. Given that entrepreneurship is a key driving force for economic development where women entrepreneurs participate and contribute significantly, it is imperative and of great urgency to increase our knowledge about how they operate and how to support them in better ways. It is against this backdrop that this work endeavors to assess the influence that MFIs have on women entrepreneurs and their various programs aimed at alleviating poverty. It also aims to contribute to the body of knowledge that has been built on the subject matter in order to help realize the goals envisaged in the MDGs. This is necessitated by the fact that microcredit is the link between women who want to invest rise of entrepreneurial development in Nairobi County so that they can rise above the poverty trap.

## **1.2 Statement of the Problem**

The role of women entrepreneurs in wealth creation cannot be underestimated as they undertake both productive and reproductive roles which are monumental aspects of development. MFIs have been involved in the struggle against poverty through the provision of loans and other services for a long time. However, poverty is still prevalent in Kayole Nairobi County despite the existence of several MFIs.



Previous studies have shown that Microcredit has been largely used as a means of addressing women's problems by empowering them and making them economically viable in order to reduce their economic dependency by giving them control over material resources, improving their prestige and status in the eyes of men and the community at large (Sharma 2001). Microfinance services have been and increasingly become a popular intervention against poverty in developing countries, generally targeting poor women. It has been considered an effective vehicle for women's empowerment (Leach & Sitaram, 2002).

Since Micro Finance intervention has been identified as a possible tool for poverty reduction (Binns, 2001; Hindle and Dushworth, 2000; and Seibel, 2005), the researcher intended to assess whether Micro Finance combined with Entrepreneurial Skills could be more effective against rural poverty reduction than Micro Finance alone. The empirical studies have avoided looking at the specific aspects of MFIs combining microcredit and other non-financial factors to contribute to the entrepreneurial growth and eventual poverty eradication among women entrepreneurs. This study therefore sought to assess the influence of microfinance provision (microcredit, training services, advisory services, empowerment programs) on poverty eradication among women entrepreneurs in Kayole, Nairobi City County.

### **1.3 Purpose of the Study**

The main purpose of this study was to investigate on the influence of microfinance provision on poverty eradication among women entrepreneurs in Kenya, taking a case of Kenya Women Finance Trust, Kayole in Nairobi County.

### **1.4 Objectives of the Study**

The objectives that guided this study were;

1. To assess the influence of microcredit provision in the performance of women owned enterprises in Kayole, Nairobi County.

2. To investigate the impact of training services provided by KWFT in promoting entrepreneurial growth among women within Kayole, Nairobi County.
3. To examine how advisory services offered by KWFT lead to wealth creation among women entrepreneurs in Kayole, Nairobi County.
4. To establish the relevance of the empowerment programs offered by KWFT to women entrepreneurs in Kayole, Nairobi County in wealth creation and poverty reduction.

### **1.5 Research Questions**

1. What is the influence of microcredit provision by KWFT in the performance of women owned enterprises in Kayole, Nairobi County?
2. What is the impact of training services offered by KWFT in promoting entrepreneurial growth among women within Kayole, Nairobi County?
3. How do the advisory services offered by KWFT lead to wealth creation among women entrepreneurs in Kayole, Nairobi County?
4. What is the relevance of the empowerment programs offered by KWFT to women entrepreneurs in Kayole, Nairobi County in wealth creation and poverty reduction?

### **1.6 Significance of the Study**

The research findings are important to MFIs by giving recommendations concerning what is not done right so that poverty is still a menace despite the mushrooming of several MFIs in Kenya and the world over. This may help them adopt best practices founded on the principles of empirical research that is testable and verifiable.

The study may also help MFIs gauge how their programs and interventions have influenced people especially women entrepreneurs and how they contribute to the objective of ensuring efficiency and effectiveness on client service delivery.

The study also gives proposals and recommendations for the government and other financial institutions on strategy and policy formulations to undertake SWOT analysis to better serve the needy and deserving segment of the population (women). The

government can also get insight to assess the relationship with the financial institutions especially MFIs to alleviate the restrictions and bureaucratic bottlenecks that hamper their effectiveness in service delivery and poverty eradication programs. The study is also helpful to academicians in their quest for knowledge as a rich source of literature review. It also contains research areas concerning the same subject and area for future further study since no research can exhaustively demystify all facts about a particular subject.

### **1.7 Delimitations of the Study**

The study was conducted in Nairobi County with the target study group being KWFT clients. It focused on women empowerment through microcredit to increase their entrepreneurial skills, create wealth and reduce poverty. The parameters that this study assessed included: the economic status after microcredit, household asset purchasing power, decision making among women, social status after the intervention, the value of household assets purchased, financial contribution to family members and the significant others and the propensity to pay the healthcare services. The study focused on women only as micro and small-scale entrepreneurs. In this case, the women entrepreneurs who had at one point acquired loans from KWFT for their entrepreneurial activities were made the subject of the study.

Since it is virtually impossible to generalize the findings to MFI parameters covering all the women entrepreneurs from Kenya due to constraints of time and limited resources, the study used a sample representative of micro and small-scale women entrepreneurs drawn from Nairobi county to study these parameters to validate or otherwise the assertion that MFIs contribute immensely to women empowerment and poverty alleviation.

### **1.8 Limitations of the Study**

The following problems were experienced during the study;

Some respondents who were business women were not willing to cooperate considering that their business information is deemed secret and confidential which would make the

extraction of all facts almost impossible. To overcome this problem, all convincing information was kept confidential and an assurance was made to them that the information obtained was purely for academic purposes and not privy to their competitors.

Some respondents especially the KWFT staff were not willing to disrupt their busy schedules to allocate time to respond to the questionnaires or interview schedules. This problem was overcome by replacing those respondents who were so busy with the same caliber who were available.

Some respondents who had been identified were not able to fill and return the data collection tools like questionnaires on time for compilation and analysis thereof. This problem was overcome by distributing many questionnaires to identified prospective respondents to help in collecting enough data to bridge the gap of those who do not return theirs on time.

During the study, some illiterate respondents were encountered who could not understand the English language used in the questionnaires. This problem was overcome by having a translated version of the questionnaire in Kiswahili so that their responses could be translated back into English in order not to lock out important information due to language barrier.

### **1.9 Basic Assumptions of the Study**

This study made the following assumptions;

The respondents (women entrepreneurs with loans and KWFT staff) would be available at their work places or desirable locations at the time of data collection.

The respondents would respond without any malice in the questionnaires to give factual information reflective of the study objectives.

## **1.10 Definition of Significant Terms**

### **Empowerment:**

It is defined as the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

### **Entrepreneurial growth**

It refers to the increased investment in entrepreneurial activities as a result of increased entrepreneurship spirit necessitated by supportive services such as those provided by microfinance institutions.

### **Loans**

Are small amounts of money loaned by a bank or other institutions, to an individual or group, often without collateral.

### **Microcredit**

It is the practice of offering small, collateral free loans to members of cooperatives who otherwise would not have access to the capital necessary to begin small business.

### **Microfinance**

Microfinance has been defined as the provision of credit and other financial services to the low income group and micro-entrepreneurs to enable them build sustainable micro enterprises.

### **Poverty**

Poverty is that characteristic of being in a state of joblessness, landlessness, homelessness, lack of adequate capital, facilities and food to earn a decent living and also powerlessness.

### **Poverty eradication projects**

These are enterprises owned by women to reduce the scourges of the above conditions of an individual/community and create wealth for sustainable growth.

### **Women entrepreneurs**

These are women who engage in activities that lead to wealth creation in order to alleviate poverty and attain economic stability and food security.

### **1.11 Organization of the Study**

The study is organized into five chapters. Chapter one contains introduction, background of the study, statement of the problem, scope of the study, study objectives, limitations of the study, delimitations of the study, hypotheses, research questions and study organization. Chapter two gives the literature review while chapter three accounts for the methodology employed in the study. Chapter four presents data analysis, presentation, interpretation and discussion. Chapter five gives summary of findings, discussions, conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter, the researcher reviewed literature related to the influence of microfinance provision on women owned enterprises towards wealth creation and poverty eradication in Kayole, Nairobi County. It gave consideration to the various aspects of microfinance and the activities of MFIs that influence the entrepreneurial development among women in small and medium enterprises. It gave the researcher more insight on the concepts, theories and forms of microfinance and their influence on women entrepreneurs. Careful assessment of the relevant literature also provided the existing knowledge gap in the area of study.

#### **2.2 Concept and Scope of Microfinance and Poverty Reduction**

Micro finance is the provision of financial services to low income clients or solidarity lending groups including consumers and the self-employed who traditionally lack access to banking and related services from most formal financial institutions because of their business savings level and credit needs are small Ledger wood, (1999) and Wright, (1999). These financial services commonly take the form of loans (microcredit) and micro-savings, though some microfinance institutions will offer other services such as micro-insurance and payment services, deposit taking, retail financing services, consultancy and training in business management to catch up with competition. Others are money transfer, safe custody of valuable items, health care schemes and salary based loan products.

Various scholars and academicians have documented diverse literature on the birth and gradual growth of microfinance institutions around the world. Microfinance organizations have played important role according to the proponents of microfinance. United Nations (2008) points out that microfinance institutions play three key roles in growth namely; It helps very poor households meet basic needs and protects against risks, is associated with improvements in household economic welfare, helps to empower women by supporting

women's economic participation and so promotes gender equity. MFIS by providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society. The aim of microfinance according to Helms (2006) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Bharti & Shylendra (2011) posit microfinance as an important requirement for promoting sustainable micro entrepreneurship. The provision of microcredit which is an independent variable here gives the entrepreneurs the necessary impetus to set up numerous small and medium enterprises that endeavor to combat and alleviate poverty.

Other essential independent variables that have been highlighted also include non-financial advisory services and training activities that support the poor out of the poverty trap. The outcomes of these tailored programs are seen in the viable businesses that have been started and run by various women entrepreneurs and the impact they have on the economy. The subsequent sub-topics highlight other variables and how they relate to the study objectives.

### **2.2.1 Provision of Loans by MFIs**

Access to financial services is critical for economic empowerment of any population and it varies across gender. This includes levels of savings, access to credit, insurance services and remittances. Experiences and evidence from other countries, for instance, point out that loosening of economic constraint imposed on women can have immense consequences on development. This includes the success of micro-finance institutions such as the Grameen Bank that provides small loans for women to start a business of their own (Morduch 1999). There was greater success reported by the Graham Bank which increased the share of women from 44% to 75% in recognition of the role of women in development. Pitt and Khandker (1998) indicate that micro credit taken by the woman



rather than the man of the household increases women's non-land assets and children's education and doubled women's expenditure than if the credit was given to the husband.

The objectives of the Grameen Bank are: to extend banking facilities to poor men and women; eliminate the exploitation of the poor by moneylenders; create opportunities for self-employment for the vast multitude of unemployed in rural Bangladesh; bring the disadvantaged, mostly women from the poorest households, within the fold of an organizational format which they could understand and manage by themselves; and reverse the age-old vicious circle of 'low income, low saving and low investment' into a vicious circle of 'low income, injection of credit, investment, more income, more savings, more investment, more income'.

Rural women today constitute about 95% of the bank's borrowers. Loans are used to buy assets to start up micro-enterprises such as cotton or bamboo to weave, or raw materials for bangles or a cow she can milk. Grameen brought credit to the poor, women and the illiterate: people with no experience of handling cash, leave aside investing it. This 'barefoot bank' created a methodology and an institution around the financial needs of the poor, and created access to credit on reasonable terms, enabling the poor to build on their existing skill to earn a better income in each cycle of loans.

'Grameencredit' is based on the premise that the poor have skills which remain unutilized or under-utilized. 'Grameencredit' promotes credit as a human right and is targeted at the poor, particularly poor women. The most distinctive feature is that it is not based on any collateral, or legally enforceable contracts, but on trust. It provides service at the doorstep of the poor based on the principle that the bank should go to the people. In order to obtain loans a borrower must join a group of borrowers. A new loan becomes available to a borrower if her previous loan is repaid, and all loans are to be paid back in installments (weekly, or bi-weekly).

Another piece of research has assessed the effect of Grameen and BRAC programmes on eight indicators of women's empowerment: mobility, economic security, ability to make

small purchases, involvement in major household decisions, and relative freedom from domination by the family, political and legal awareness, and participation in protests and political campaigning (Hashemi et al, 1996). The study concludes that, on balance, access to credit has enabled women to negotiate within the household to improve their position. Another unique feature of 'Grameencredit' is that it gives high priority to building social capital through the formation of groups and centres, develops leadership qualities and undertakes a process of discussion among borrowers. It lays special emphasis on protection of the environment and children's education, and provides scholarships and student loans for higher education. For the formation of human capital it attempts to increase people's access to technology, like mobile phones and solar power. It is definitely not the lack of skills which make poor people poor.

The Diana-group has examined how women develop financing strategies in the search for capital and how they act to show the sustainability in the business to potential investors. They argue that the strategies differ significantly, depending on which stage the business is in (de Bruin, Brush et al. 2006, Carter et al 2003, Brush et al 2006). In developing countries, women face multiple obstacles that diminish their potential as entrepreneurs and businesswomen. They have limited access to education and training, they find it harder to enter business associations, have less freedom to select business sector and are often met by discriminatory attitudes in property, marital and inheritance laws. Without property ownership, they lack collateral to get access to formal credit (Sida 2009). A majority of women entrepreneurs in developing countries run small-scale or micro-enterprises and they usually operate within trade or service sectors. This further increases their barriers towards capital at formal level. This situation from the evidence reviewed can be addressed if funds are provided to the entrepreneurs especially women.

A similar model has been initiated by Equity Bank in Kenya that is targeting women. The Equity Bank launched a branch specifically for women in Small and Medium Enterprises (SME) sector in June, 2007. The Equity Bank's line of credit targets legally constituted community groups with a good history. Such groups mainly composed of women receive

loans without security. The group members act as guarantors for such loans. The Equity bank also undertakes six week business training for new community groups composed of women. Other related facilities are provided by Kenya Women Finance Trust (KWFT) and Kenya Rural Enterprise Programme (KReP). According to the recent study on Financial Sector Deepening (2007) in Kenya, more women (51.1%) tend to save compared to male counterparts (48.9%).

The Kenya Women Finance Trust (KWFT) was established to facilitate sustainable access to financial services by women entrepreneurs perceived as financially disadvantaged. The KWFT is therefore mandated to increase access to credit to female entrepreneurs in the MSE sector, mobilize savings among its members, and encourage networking among similar micro-finance institutions. Through its branch network, the trust encourages group lending through its Biashara and Uaminifu credit schemes. One condition of the Uaminifu scheme is that members must accept to open a bank account in which savings can be deposited. This requirement is important in linking women entrepreneurs with the formal financial sector.

The most common microfinance products include the following: Income-generating loans (for the aforementioned entrepreneurial activities), emergency and consumption loans (in case of natural catastrophes or family deaths), housing loans, leasing (new forms of micro leasing e.g.: cattle), savings, insurance, payment services and nonfinancial services such as social intermediation, business development, social service and consulting or technical assistance, Churchill and Frankiewicz (2006, 21-22). These are the services and products that KWFT offers to women to help them realize their entrepreneurial dreams.

The trust also operates a joint credit scheme with the Barclays Bank. Under this scheme, the trust extends training and other technical services while the bank meets the credit needs of business women. The loan sizes under this joint scheme range from Kshs. 51,000 to Kshs. 4 million. This scheme therefore encourages financial layering. It has branches countrywide that help to facilitate the role that it plays in realizing the economic

objectives that it envisages. It is against these parameters and indicators that the study will explore to make deductions as to whether MFIs are effective in positively influencing the entrepreneurial development projects of women.

KWFT does both individual and group lending to its clients who are exclusively women. Ledgerwood (1998) describes the individual lending as provision of credit to individuals who are not members of a group which is jointly responsible for repayment. It is argued that with this method of financing microenterprise, individuals are responsible for loan repayment. The approach is largely urbanized and mostly successful for production oriented businesses and for clients who have some forms of collateral or willing consigner. For group lending, members organize themselves in either mini group comprising of between 7-10 members or biashara group which has between 15-30 members. The group members' co-guarantee each other and their pool is used as social collateral to help each other secure small amounts of loans which they can pay.

In order to address challenges associated with the high risk and monitoring costs of lending to the poor, a key innovation is that loan repayment is promoted through social mechanisms such as 'lending circles' where individuals without collateral obtain and repay loans collectively (Sanyal 2009). Thus, rather than securing a loan with material resources, the group structure encourages members to monitor each other and sanction shirking members. As such, microfinance helps to resolve the difficulties associated with making loans to impoverished populations and is generally considered a promising approach for alleviating poverty (Anthony 2005; Armendariz and Morduch 2010; Laffont and Rey 2003).

It has also been noted in the literature that group lending affects the behavior of the poor by altering economic incentives through the provision of credit and by providing social development inputs intended to influence behaviors. It has also been argued that group lending gives the poor dignity and self-esteem that comes from having control over the future of their lives and those of their progeny (Crabb, 2008). It is thought that such

psychological resiliency enables individuals to overcome the inevitable shocks that come with regions known for drought, wars, floods, and other man-made and natural disasters. Feminism advocates argue that development cannot be effective and efficient if women are excluded from the development process (Islam 2006). Consequently, gender equality could be seen as a matter of development effectiveness and not just a matter of political correctness and kindness (World Bank 2002). The World Bank (2002) acknowledges women's access to financial resources as important strategy in poverty reduction and donors has increasingly been directing microfinance services to women as a way of encouraging productivity.

The contribution of MF to SME's growth lies in it assisting to overcome their capital problem. Due to low assets base, bank demand for collateral denies most SMEs access to capital. Kanak & Iguni (2007) explains that the poor who often engage in SMEs produce at subsistence level hence difficulty to accumulate savings or assets that could guarantee access to credit from formal finance. MFIs type of loans is usually small size and because collateral is de-emphasized, greater access is availed to provide capital for SMEs. Dunford (2006) traces the origins of modern microfinance to the nineteenth century cooperative movement, post-World War II rural finance, and the microenterprise development sector starting in the 1970s. He identifies five common objectives that have combined with these roots to form microcredit as defined today: microenterprise development; innovation and investment promotion; consumption-smoothing; women's empowerment; and financial systems development. Though operating with different motives and methods, Dunford states that microfinance institutions can achieve all five objectives.

Micro credit can be used to acquire financial assets to expand business capital and generate more profits, working capital, attain productive assets. Savings as a micro finance factor enable people with few assets to save, since they could make weekly savings as well as contribute to group savings, and such savings are mobilized by the MFIs for further lending to other clients and finance small emergencies through holding

small amounts held in highly liquid form (Mkpado and Arene, 2007). Proponents of micro finance asses that micro finance has the power to single handedly defeat poor performance and consequently poverty. According to Shane, 2003, Micro finance creates opportunity for entrepreneurial activity.

Micro finance activities have capacity to reduce poverty, contribution to food security, change social relations for the better and reduce vulnerability. Ishengoma, (2004) and kimuyu, (2004) confirm the importance of SSB s access to productive resources (micro finance). They help poor diversify their income sources, build up physical , human and social assets, focus on good money management, rebuild household's base of income and assets after economic shocks have occurred and to smooth consumption (Sebstad and Chen, 1996; Hulme ,1997; Ito,1998; Cohen ,1997; Cohen, 1999).

In 1972, SEWA Bank in India was formed by women as the initials stand for Self Employed Women Association and was registered as a trade union in Gujarat. The aim of this organization was to strengthen its members bargaining power to improve income of its members, create employment, and access social security. Scholars attribute the formation of such micro-finance organizations as propelled by the impetus to address the lack of access to financial services. This in a way explains why the members of SEWA decided to form a bank of their own. Consequently four thousand are said to have contributed the share capital to establish a micro-finance institution to provide the banking services to the marginally poor, illiterate, self-employed women (Vetrivel&Kumarmangalam, 2010).The micro-finance organizations have thus become viable financial options to many small scale clients who seek small loans as well as advice on how to wisely utilize the loans borrowed.

Despite remarkable achievement, the assumption that microfinance empowers women remains controversial (Haile, Bock, &Folmer, 2012). Linda Mayoux stated that, the evidence indicates that for some women in some context, even very poor women, microfinance programmes can indeed contribute to empowerment. However, for many

women, impact on both economic and social empowerment appears to be marginal and some women may be disempowered (Mayoux, 1999). Critics of credit programs argue that credit in itself is not a solution for women empowerment (Wrigley- Asante, 2011). Targeting women without adequate support networks and empowerment strategies can merely shift all the burden of household debt and household subsistence onto women (Cheston& Kuhn, 2002; Kay, 2002; Mahmud, 2003; Mayoux, 2000, Mayoux, 2002; Wrigley-Asante, 2011). Some studies point out that credit programs pay insufficient attention to their impact from a gender perspective and, as consequence, may weaken rather than strengthen women's position in the family Micro credit has been designed to create an illusion, much like electoral promises. At the cost of the poor in Bangladesh, Grameen has grown to sky-scraping heights (Sharma, 2005). Micro credit programs across the world have bagged a lot of criticisms. Some of the specific criticisms of micro credit programs are: They are wrongly offered as the Solutions or Panacea to eradicate poverty; It is a trap of indebting the poor; Poor are asked to look after themselves; Coercion and high rate of interests are common observations; It does not help the poorest of the poor; Men are left out but the credit reaches men through women and is misused and burden of repayment lies on women.

A study of 38 branches of major banks in India found that only 11% of the borrowers are women (UNDP, 1995). Most promoters of microfinance put it strongly as in the inscription below that, "Microfinance is not the solution to global poverty, but neither is health, or education, or economic growth. There is no one single solution to global poverty. The solution must include a broad array of empowering interventions and microfinance, when targeted to the very poor and effectively run, is one powerful tool." Humida (2000) also found that as women take on more work, often as a result of the men traveling from the home for employment, the men can lose their authority over the children. There is perhaps a threat to family unity, particularly if the women as well must travel for work. This again, can be avoided by providing microcredit solutions for older women, beyond child-bearing years, who are not as constrained to the home for raising children. This affirms the fact that microcredit also comes with its own demerits.

### **2.2.2 Training Programs offered by MFIs and Poverty Eradication on Women**

Most Clients do not have specialized skills and so cannot make good use of micro finance (Karnani, 2007) hence need training. They lack knowledge of alternative marketable skills that can benefit them when business is not functioning properly. Giving credit requires constant supervision, communication and guidance on use of the credit. Institutions therefore should strive to provide professional advice on the use of credit and ensure adoption of strategies that avoid risks. These trainings act as eye opener for the women entrepreneurs to be in a position to account for all the proceeds they accrue from their businesses and plough the same in other enterprising endeavors to realize economic growth. Kauffmann (2005) points to the concept of the micro-finance union developed by Friedrich Wilhelm Raiffeisen and his supporters as aimed at raising the entrepreneurship consciousness of the masses. Raiffeisen and company knew that if the masses were enlightened on entrepreneurship, it would definitely lead to increased investment in the business activities given the MFIs provided low interest loans.

Most SMEs operators are illiterate thus lack the knowledge and skills in certain acts of business such as record keeping; an act Ormin (2008) has noted as an imperative for business success. This scenario is both a limitation to access to bank finance and reliable source for business decisions. The absence of record keeping coupled with poor managerial skills results to poor decision making which impacts on the performance and growth of the enterprises. It could be in realization of this that Matu and Kimani (2010) advocated MFIs greater commitment to the provision of non-financial services especially basic entrepreneurial training. Kessy and Temu (2010) confirm the importance of this service. Kessy and Temu (2010) studies found that firms that are recipient of business straining record higher levels of performance than enterprises without this training. By providing these non-financial services to SMEs, therefore, the performance of SMEs is bound to improve. MFIs can also intervene in SMEs growth by providing the funds required for the acquisition of generators at least to those SMEs that cannot afford cash payment to do so and then repay in installments. This will help in part resolve the problem of power supply confronting SMEs in the country. When looking at female



entrepreneurs, previous research in industrialized countries show that this group faces greater obstacles in the search for capital, compared to their male counterparts (de Bruin et al 2006)

According to (Hamida: 2000), through networking, informal savings, and literacy, women were able to negotiate their status in the community with their male counterparts. Through literacy, women no longer had such dependency on others and were able to access information regarding opportunities for women entrepreneurs. This means that by empowering women through microcredit, they are able to participate in the formation of policy frameworks that encourage entrepreneurial development that will lead to poverty alleviation.

### **2.2.3 Provision of Advisory Services by MFIs**

Gender inequalities can be attributed to limited access and control over productive resources, access to financial services, insufficient access to education, lack of skill, limited access to technology, cultural impediments and other constraints limiting employment options and participation in decision making. All these serve to seriously constrain women's ability to effectively participate in and benefit from economic development. For women to be viable economically by executing their economic business enterprises, they must be aware of the best ways to do so. These services can be provided by MFIs to enlighten them in order to increase their business management acumen for economic growth.

Entrepreneurial knowledge and skills are monumental in establishing business enterprises or ventures that are viable and can live to the expectation of good returns. Women entrepreneurs need to be armed with such knowledge so that they can surmount the challenges they face by executing empirically tested methods and techniques to conduct their businesses. MFIs particularly KWFT is aware of this and undertakes numerous programs that enlighten its clients on the kind of business ventures to engage in, how to face the challenges and problems they go through and how to re-invest the returns in

order to enhance their entrepreneurial growth. They get such services from experienced entrepreneurs in different fields of agriculture, transport and communication, education, cottage industry, assembly, processing and manufacturing fields among others. These services are tailor-made to enable them learn the best practices to also enhance their loan repayment. Thus the reason in many MFIs offering financial training and advisory services to the people taking up their loans for entrepreneurial activities so that there is guaranteed the loans repayment via wise investment (KIT and IIRR, 2010).

These advisory services have got immense influence on the entrepreneurs who receive them because they give advice on which business plans and actions they should execute so as to get maximum returns which lead to entrepreneurial growth and development. They also increase the prospects of achieving both international and national commitments such as Millennium Development Goals, Education for All, Convention on the Education of All Forms of Discrimination against Women (CEDAW), Vision 2030, Economic Recovery and Employment Creation Strategy, poverty reduction and sustainable development either directly and or indirectly.

AneelKarnani (2007: 37) summarizes this point as follows: “Most people do not have the skills, vision, creativity, and persistence to be entrepreneurial. Even in developed countries with high levels of education and access to financial services, about 90 percent of the labor force is employees, not entrepreneurs.” According to Vijay Mahajan (2005), a social entrepreneur and chairman of BASIX, “Microcredit is a necessary but not a sufficient condition for micro-enterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and sometimes regulatory approvals. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming, livestock rearing and petty trading, and even those where market linkages are in place.” Robert Pollin (2007: 2) has a similar view, and puts it in the following words: “micro enterprises run by poor people cannot be broadly successful simply because they

have increased opportunities to borrow money. For large numbers of micro enterprises to be successful, they also need access to decent roads and affordable means of moving their products to markets. They need marketing support to reach customers.” Literature on the role of financial services with gender dimensions such as by Aghion & Morduch (2005) point out that group lending and peer borrowers often practiced in microfinance institutions deter domestic violence and provide a way for women to save by keeping money away from their husbands. Most of these theoretical underpinnings are manifested in the socio-economic status of women in developing economies, Kenya included.

#### **2.2.4 Empowerment Programs and Savings Mobilization**

Women Empowerment within the context of microfinance can best be defined as Progress of women in their ability to make choices and become self-reliant, facilitated by the availability of microfinance. Indicators of an empowered woman manifest in the following spheres;

- i. Economic sphere: increased income, increased number of business enterprises owned by a woman and improvement of children’s welfare.
- ii. Socio-cultural sphere: freedom of movement and non-restriction to mix and mingle freely with others.
- iii. Relations: increased decision making in institutions or household.
- iv. Legal sphere: capacity to defend themselves and freely express their opinions without fear or favor and also to defend their rights.
- v. Political sphere: increased participation in the political processes that shape power distributions to ensure equality and equity in the distribution of national resources without gender discriminations; increased voting powers at various meeting levels and playing an important role as a citizen in nation-building projects.
- vi. Psychological sphere: increased self-esteem and dignity; the propensity to take initiatives that lead to national development.

The empowering of women has strong bearings on poverty reduction, growth and human development. It has been shown that birth rates are likely to be lower in households where the woman’s position has been strengthened, which in turn means that the children

will get better health and education (UNDP, 2010). Women tend to invest in what is beneficial for the family – food, medical treatments, housing and school fees. While prioritizing food for the children, they become more resistant for diseases, and investing in schooling means preparing them for the future.

Malhotra and Schuler (2005) provide a framework of dimensions and indicators of women's empowerment in household, community and broader arena. Most of the indicators of empowerment by Malhotra and Schuler (2005) refer to women's ability to make strategic decisions that affect their well-being and their families. The dimensions of empowerment in Malhotra and Schuler (2005) framework are economic, social and cultural, legal, political and psychological. Economic empowerment includes women's control, access to credit, contribution to family support and increased household ownership of properties and assets. Social and cultural empowerment includes freedom of movement, lack of discrimination against daughters, commitment to educating daughters, participation in domestic decision making, control over sexual relations, ability to make childbearing decisions, use contraception, control over spouse selection and marriage timing and freedom from violence. Legal empowerment includes the knowledge of legal rights and mechanisms and familial support for exercising rights. Political empowerment includes the knowledge of political system and means of access to it, familial support political engagement and ability to exercise fight to vote. Psychological empowerment includes women increased self-esteem, self-efficacy and psychological well-being.

In the past, microfinance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation. Today savings mobilization is seen as a major force in microfinance. (Stevenson W.J. 1999). Deficiency of savings facilities creates problems at three levels: at the individual level, at the level of the financial institution; and at the level of the national economy.

### **2.3 Theoretical framework**

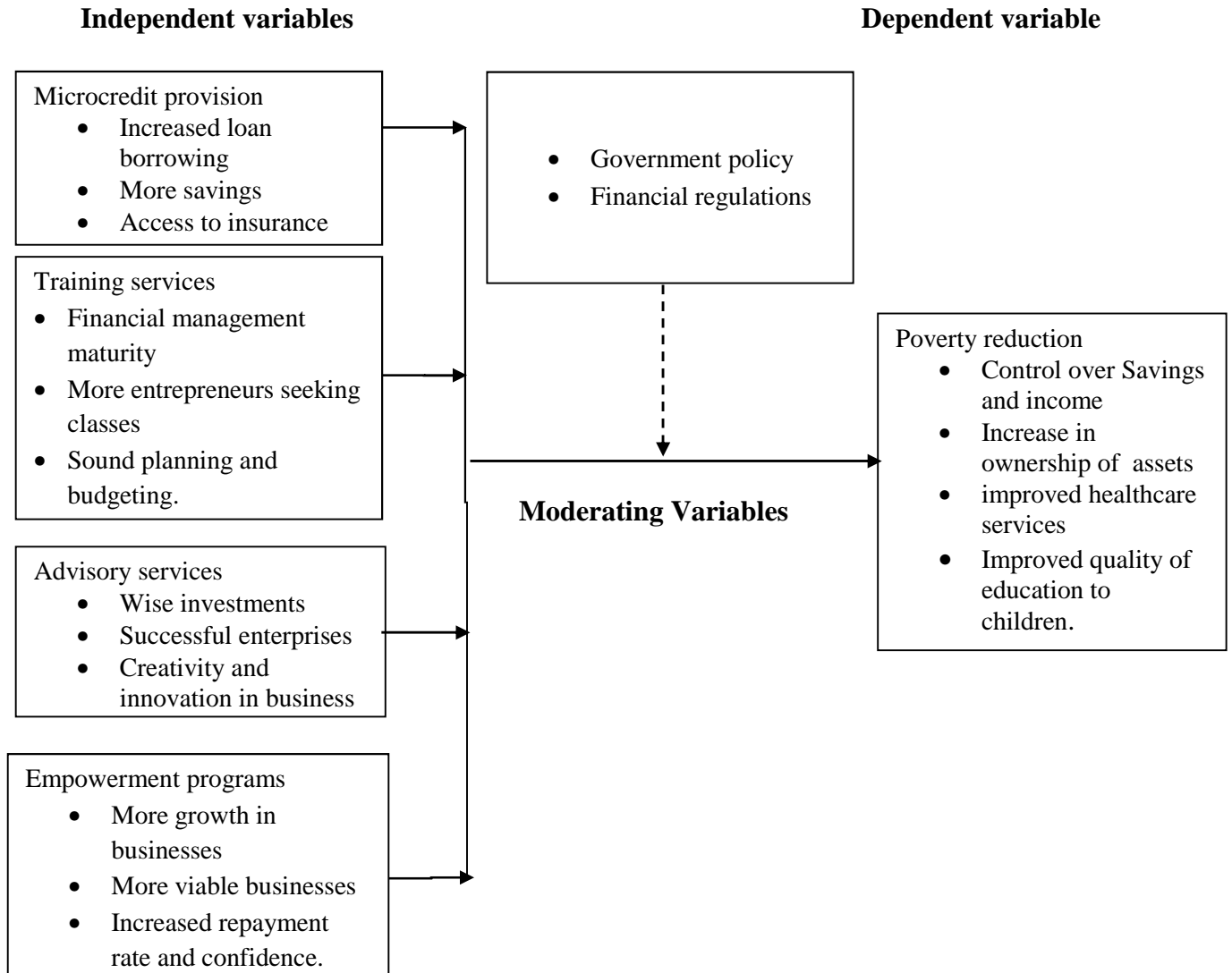
This study was underpinned on the Entrepreneurship Theory of Shane (2003). The theory posits that there are various facets of entrepreneurship and entrepreneurial growth. First, entrepreneurship requires the existence of opportunities, or situations in which people believe that they can use new means–ends frameworks to recombine resources to generate profit (Shane, 2000). Second, it requires preferential access to and ability to obtain information about the opportunity and the evaluation of the opportunity by the entrepreneur. Third, it requires a decision by a person to act upon the information about the opportunity because opportunities themselves lack agency.

Lastly, risk bearing is a necessary component of entrepreneurial process. The pursuit of opportunity, itself, determines whether demand exists, whether the entrepreneur can compete with others, whether the value chain can be created (Venkataraman, 1997). Other elements of the theory include self employment, business operation and performance. The alert individuals called entrepreneurs develop ideas on how to exploit the opportunities by developing products and services that they will sell to customers for profitability. The theory also highlights key operational aspects of performance of entrepreneurs which include survival, growth and profitability. It is upon this premise that the entrepreneurs seek microfinance services to accumulate the necessary resources to aid their entrepreneurial activities.

### **2.4 Conceptual framework**

The study assumed that the intervention of microfinance institutions through microfinance factors such as microcredit provision, training services, advisory services and empowerment programs improves the entrepreneurial skills of entrepreneurs to create wealth and reduce poverty. External factors such as government policies and financial regulations can also influence the effectiveness of microfinance institutions either positively or negatively. The study therefore adopted the following conceptual framework.

**Figure1: Conceptual Framework**



### 2.5 Research Gap

The conceptual framework above tends to demonstrate a correlation that exists between microfinance factors as the independent variables and the outcome indicators of women poverty eradication as dependent variables. It is argued that through microfinance, the poor women get loans and are also encouraged to save their meager resources as they repay the loans. These MFI factors help the beneficiaries, (women entrepreneurs) to engage in income generating activities to increase income levels; they lead to job creation

and lower unemployment rates, reduce poverty and improve the living conditions. The training services provided by the MFIs enlighten women and give them the knowledge, skills and techniques to establish and sustain successful business ventures which eventually act as their route out of poverty. The intervening/moderating variables in this model include factors such as Government investment policies, financial regulations which include collaterals and finally global economy.

It is acknowledged that giving women access to working capital can help mobilize women's productive capacity to alleviate poverty and maximize economic output (Cheston and Kuhn 2002). However, despite this positive outcome attributed to microcredit, there seems to be other constraints that work against the effectiveness of MFIs interventions to deny the women entrepreneur's success in their enterprises. From the conceptual framework illustration above, women empowerment through microcredit impacts on the beneficiaries at various levels that leads to social, political and economic development. The study used the above indicators of poverty eradication to ascertain whether the services offered by MFIs are significant in enhancing entrepreneurial development among women in Kayole Nairobi County insofar as poverty alleviation is concerned.

## **2.6 Summary of relevant literature**

The chapter presented literature review on the relationship between the various microfinance factors and women owned enterprises in light of how they contribute to entrepreneurial development and poverty alleviation. The chapter also presented the theoretical and conceptual frameworks upon which this study was based.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methods that were used in carrying out the study. It analyses the research design, survey population, source of data, methods of data collection, reliability and Validity of the instruments, data analysis and, limitations of the study

#### **3.2 Research Design**

This study employed a descriptive survey design to bring out the relationship between various variables some of which have already been identified in the literature review. The descriptive survey design was the best since the study depended on the observable phenomenon and interaction of various elements without endeavoring to control them. Data was collected from sampled and identified small scale businesses and women entrepreneurs who have had loans with KWFT and compare them with non-beneficiaries to ascertain the extent to which microcredit offered by MFIs contribute to entrepreneurial development and poverty alleviation among women entrepreneurs. The method involved collecting data through questionnaires and direct observation (William Pearce 2006, Hines 1997).

#### **3.3 Target Population**

This is the population to which the study will generalize conclusions. The target population was 650 small scale women entrepreneurs who were clients with KWFT and a 30 selected KWFT staff from Kayole, Nairobi County. Identifying the target population sets the precedence of selecting a sample size population to yield knowledge about the population of concern for statistical purposes. Pradham and Rawlings (2002) observes that if the comparison group is similar to the treatment group in all relevant pre intervention characteristics, a direct post-intervention comparison of the treatment and comparison groups provides an estimate of the impact of the intervention.



### 3.4 Sampling Procedure

The sampling frame describes the list of all population units from which the sample will be selected (Cooper and Schindler, 2007). Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. Purposive sampling technique was used to select the respondents. In purposive sampling the researcher selected people or sites who can best help him to understand the phenomenon (Creswell, 2012). The inclusion of the participants was based on the capacity of the participant to inform the research (Quinlan, 2011) Mugenda and Mugenda (1999) defines sample as a small group obtained from the accessible population, while sampling is a process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected. In this study, random sampling and Purposive sampling procedures was used. According to Gay, Mills & Airasian, (2009), when carrying out a descriptive study, 10% of the population can yield an adequate sample. In this study a sample of 65 clients of KWFT which represents 10% of the target population was used. Clients were selected using simple random sampling. The researcher obtained and compiled a list of all 650 clients who have benefited from KWFT bank. The researcher assigned a number to each client ranging from 01 to 0650 within the target population and select every nth client where nth will be determined by dividing population with the sample size (that is  $650 / 65$  Sample size = 10<sup>th</sup> number). The total sample size was therefore 65 clients. Purposive sampling was used in selecting the key informants who have information required in the study.

**Table 3.1: Sampling of KWFT Clients**

<b>KWFT</b>	<b>Population</b>	<b>10% sample size</b>
<b>Clients</b>	<b>650</b>	<b>65</b>

**Source: KWFT bank**

The study used purposive sampling decisions concerning the individuals to be included in the sample will be taken by the researcher, based upon a variety of criteria which include

experience, duration of time in service in KWFT bank that they are most likely to contribute sufficiently rich data both in terms of relevance and experience.

**Table 3.2: Sampling of Key Informants**

<b>Employment Level of key informants</b>	<b>No.</b>	<b>No</b>
Senior staff	10	5
Middle Level staff	40	25
<b>Total</b>	<b>50</b>	<b>30</b>

**Source: KWFT bank**

The respondents for the study were 65 clients and 30 staff members of KWFT.

### **3.5 Data Collection Methods**

Data collection as an exercise was carried out to unearth the information and data that was used to substantiate the assertion that microfinance is linked to entrepreneurial growth and development among women entrepreneurs in Nairobi County. There are two major categories of data sources that were used in the study; primary and secondary sources. Primary sources of information involved the use of data collection instruments such as questionnaires and observation that extracted first-hand information from the selected respondents. Secondary sources of data collection included desk reviews, review of documentary materials from research done previously on the same subject matter, published journals and articles and electronic sources through internet surfing and downloads. These were essential in producing information that was used to make informed conclusions and recommendations on the subject area of the study.

Since the target population is homogenous, cluster sampling was the most effective because of the homogeneity of their attributes. This gave information on human attitudes, behavior and attributes. These are mostly qualitative research methods that are favored in this research. Women will be expected to give complex and intricate matters of microcredit. Hesselberg (2009) notes that the most important aspect of the qualitative method is that, it allows for

creativity in finding the appropriate techniques for data collection in research project. Furthermore, one could make the informant to follow a line of reasoning, and make follow-up questions

### **3.5.1 Questionnaires**

The researcher formularized the questionnaire in a manner that was easy to read and understand, straightforward and direct to the point. It was also aligned to the objectives of the study so that the outcome is reliable and can be attributed to the conclusions drawn from the study considering the variables under investigation. The set of questions were both open and closed. A total of 95 questionnaires were distributed to a group of respondents at the same time. The disadvantage that was experienced in the administration of the questionnaires was that some respondents failed to return them on time for analysis. Similarly, others also avoided questions that they deemed were exposing their most sensitive information to put their businesses at risk. This was overcome by replacing those who had refused.

### **3.5.2 Direct Observation**

Aspects of income generating activities (IGA) and challenges the beneficiaries of loans face and issues on village life that informants were unwilling to discuss were observed in their various business locations. Visits were made to the IGA sites to observe activities that go on in the areas and the difficulties they face. Trochim (2006) asserts that a direct observer needs to be unnoticeable as possible whilst watching instead of becoming engrossed in the whole process. This helped discover the events as they unfold in their natural settings so that the conclusions and recommendations made are representative of the study objectives and the real issues on the ground.

### **3.6 Validity of the Research Instruments**

According to Gay (1992) validity refers to the degree to which an instrument measures what it is supposed to measure for a particular purpose or particular group. The instruments of data collection were divided as per the variables and objectives in order to ensure that the domains being investigated were both comprehensive and representative. Content validity of the

instruments was determined by examining how other researches had coped with the same secondary data under the same contexts. This research also sought opinions of colleagues, other lecturers who were not the researcher’s supervisor, observations, comments and suggestions by the same.

### 3.7 Reliability of the Research Instruments

According to Eshiwani (1996), pilot study is important in the research process because it reveals vague questions and unclear instructions in the instrument. The reliability of the questionnaire was tested using Cronbach's alpha value and the results are as shown in Table 4.4. Since Cronbach’s Alpha measures internal consistency, it was used to determine the reliability of the questionnaire that covered every objective of the study. All the four scales were found to have a Cronbach’s Alpha above the prescribed threshold of 0.7 and therefore reliable (Mugenda and Mugenda, 2003).

**Table 3.3: Reliability Coefficients**

<b>Scale</b>	<b>Cronbach's Alpha</b>
Provision of Loans	0.721
Training Services	0.891
Advisory Services	0.900
Empowerment Programs	0.755

### 3.8 Methods of data analysis

The success of a research project is immensely dependent on the ability of the researcher to organize the data, generate and develop themes, interpret and write the report. Data analysis was both qualitative and quantitative in nature using descriptive statistics. Inferential statistics such as Pearson’s correlation coefficient was used to compare linear association among variables while multiple linear regression was used to fit a linear line and estimate the relationship on the variables using SPSS version 21.0

### 3.9 Operational Definitions of Variables

**Table 3.4: Table of Operational Definitions**

Objectives	Variables	Indicator	Measurement	Scale	Data analysis method
Microcredit provision <ul style="list-style-type: none"> <li>• Increased loan borrowing</li> <li>• More savings</li> <li>• Access to insurance</li> </ul>	Independent variable	Increased loan borrowing/ more businesses being set up	Mode, Mean	Ordinal	Quantitative
Training services <ul style="list-style-type: none"> <li>• Financial management maturity</li> <li>• More entrepreneurs seeking classes</li> <li>• Sound planning and budgeting.</li> </ul>	Independent variable	Financial management maturity/ more entrepreneurs seeking classes	Mode & Mean	Ordinal	Quantitative
Advisory services <ul style="list-style-type: none"> <li>• Wise investments</li> <li>• Successful enterprises</li> <li>• Creativity and innovation in business</li> </ul>	Independent variable	Wise investment/MFI staff with more clients daily	Descriptive Statistics	Ordinal	Qualitative
Empowerment programs <ul style="list-style-type: none"> <li>• More growth in businesses</li> <li>• More viable businesses</li> <li>• Increased repayment rate and confidence.</li> </ul>	Independent variable	Viable business ventures/localized businesses	Descriptive Statistics	Nominal	Qualitative
Entrepreneurial growth and development	Dependent variable	More growth in businesses/reduced poverty/repayment	Inferential Statistics	Ordinal	Qualitative

### 3.10 Ethical Issues

The success of any research is immensely dependent on the ethical considerations of the respondents. Their privacy and anonymity was adhered to without fail and their consent secured before any research was undertaken. The researcher ought to demonstrate awareness of the complex ethical issues in qualitative research and show that the research is both feasible and ethical (Marshall and Rossman 2006). The respondents were given room to make their contribution about the research problem in an unconstrained manner. They were free to withdraw at any time without restrictions. Due to anticipated fear by the respondents (MFIs

beneficiaries) that they could be denied further credit should the microcredit supplier realize that they had recorded statements that exposed them, the live interviews were not recorded and anonymity was observed as well. However, they were made aware that the research was for academic purposes and not investigative.

### **3.11 Summary**

The chapter has outlined the research methodology used in the study and it includes research design, target population, sample size and sampling techniques, sample size, sampling techniques, research instruments, questionnaires, validity of the instruments, reliability of the instruments, and finally piloting of the research instruments. The chapter also presents the Operationalization of Variables table

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

#### 4.1 Introduction

This chapter covers the data analysis, results and discussion of the study findings. This chapter covers the data analysis, results and discussion of the study findings. The study sought to assess the influence of microfinance provision on poverty eradication among women entrepreneurs in Kayole, Nairobi City County. The presentation of the data analysis, results and discussion is based on the sequence of questions in the questionnaire used to collect data.

##### 4.1.1 Response Rate

The researcher targeted 95 respondents consisting of 65 clients and 30 staff members of KWFT. As shown in Table 4.3, out of the 95 questionnaires that were administered, 61 filled questionnaires were collected consisting of 42 KWFT clients and 19 KWFT employees of KWFT. This translates into 64% return rate which is satisfactory according to Babbie (2002) who argues that any response of 50% and above is adequate for analysis. This response rate was made possible after several personal calls were made and visits to remind the respondents to fill-in and return the questionnaires as well as explaining the importance of their participation in this study. The response rate largely demonstrates a willingness of the respondents to participate in the study.

**Table 4.1: Response Rate**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Responded	61	64%
Not responded	34	36%
<b>Total</b>	<b>95</b>	<b>100%</b>

### 4.1.2 Reliability Analysis

The researcher conducted a pilot study to pretest the validity and reliability of data collected using the questionnaire before the main study.

## 4.2 Background Information

In order to get the background information, the demographic data of the respondents was investigated in the first section of the questionnaire. The information included the age, level of education and marital status for the respondents sampled from KWFT clients; and gender, length of service and designation at KWFT of the respondents sampled from the KWFT staff. The following is an analysis of the respondents' background information.

### 4.2.1 Gender

Section 4.2.1 sought to establish the gender of the KWFT client respondents. Table 4.2 shows a summary of the findings where on the gender of the respondents sampled from the KWFT staff.

**Table 4.2: Distribution of KWFT Staff by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Female	9	47%
Male	10	53%
<b>Total</b>	<b>19</b>	<b>100%</b>

From the study, most of the employees in KWFT are male (53%) while female are 47%. The microfinance institution therefore employs both male and female. In conclusion, the views expressed in these findings are gender sensitive and can be taken as representative of the opinions of both genders as regards to the extent to which microfinance has reduced poverty of poor households and improved the socio-economic status of the poor



women. As such, the views expressed in this study are gender sensitive and hence are likely to be supported by all.

#### 4.2.2 Age

The findings are as shown in Table 4.3 where most of the respondents (43%) were aged between 36 –40 years; 19% were aged between 31 – 35 years; 17% were over 41 years-old and 14% aged 35 – 39 years. Only 7% are aged between 18 – 25 years. Thus, most of the small scale entrepreneurs and KWFT clients are young adults (just past youth age limit of 35 years).

**Table 4.3: Distribution of Respondents by Age**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>
18-25 years	3	7%
26-30 years	6	14%
31-35 years	8	19%
36-40 years	18	43%
41 years and above	7	17%
<b>Total</b>	<b>42</b>	<b>100%</b>

#### 4.2.3 Level of Education

Table 4.4 shows a summary of the findings on the respondents’ level of education. Most (51%) of the respondents were found to be college graduate; a significant number of the respondents (24%) were university graduates while 17% were secondary school graduates. Only 8% have only schooled up to primary school level. The majorities of the KWFT clients who are small scale entrepreneurs were literate and therefore knowledgeable in the area of MFIs services. In addition, they were capable of coping with the operations of their businesses.

**Table 4.4: Distribution of Respondents by Level of Education**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percent</b>
Primary level	3	8%
Secondary level	7	17%
College	22	51%
University	10	24%
<b>Total</b>	<b>42</b>	<b>100%</b>

#### **4.2.4 Marital Status**

Section 4.2.4 sought to establish the marital status of the respondents. Table 4.5 shows a summary of the research findings where the majority (66%) of the respondents indicated they were married; 30% were single while only 4% were divorced.

**Table 4.5: Distribution of Respondents by Marital Status**

<b>Marital Status</b>	<b>Frequency</b>	<b>Per cent</b>
Single	13	30%
Married	28	66%
Divorced	2	4%
<b>Total</b>	<b>42</b>	<b>100%</b>

Most of the clients who have benefited from KWFT are married and therefore advantaged because they could seek support from their spouses while operating their business for better utilization of the benefits obtained from KWFT.

#### **4.2.5 Length of Service at KWFT**

The length of service and working in an organization determines the extent to which one is aware of the issues sought by the study. The sampled respondents at KWFT were asked to state the various number of years worked at their present work stations. Table 4.6 shows a summary of the results.

**Table 4.6: Distribution of KWFT Staff by Length of Experience**

<b>Length of Experience</b>	<b>Frequency</b>	<b>Percent</b>
0 – 3 years	1	5%
4 – 6 years	13	68%
7 – 10 years	3	16%
More than 10 years	2	11%
<b>Total</b>	<b>19</b>	<b>100%</b>

Majority (68%) respondents had worked for 4 – 6 years, 16% had worked for 7 – 10 years, 11% had worked for over 10 years and only 5% had worked for under at most 3 years. These results imply that most of the respondents participating in this study had been working in KWFT long enough and therefore conversant with the information that the study sought pertaining to the extent to which microfinance has reduced poverty of poor households and improved the socio-economic status of the poor women in Nairobi City County.

#### **4.2.6 Designation at KWFT**

Section 4.2.6 sought to establish the various positions held by the KWFT respondents in their departments. According to the study findings in Table 4.10, 42% of the respondents indicated that they were credit officers; 32% were customer care officers; 21% of the respondents were business development officers while only 5% were cashiers.

**Table 4.7 Designation of KWFT Staff**

<b>Designation</b>	<b>Frequency</b>	<b>Percent</b>
Business Development Officer	4	21%
Cashier	1	5%
Credit Officer	8	42%
Customer Care Officer	6	32%
<b>Total</b>	<b>19</b>	<b>100%</b>

These findings show that the respondents that participated in the study were mainly those who interact directly with KWFT customers who seek financial services from the MFI. They are therefore well informed and conversant with the services that customers seek from the MFI.

### **4.3 Provision of Microcredit**

This section of the study sought to establish how the provision of loans to women entrepreneurs helps in poverty alleviation in KWFT within Nairobi County.

#### **4.3.1 Source of Business Start-Up Capital**

The study sought to establish the respondents' source of their first capital for starting the business. Table 4.11 shows a summary of the findings where most (43%) of the respondents indicated to have obtained their first capital from a microfinance loan; 29% from their personal savings; 19% from SACCO loans and 10% from commercial bank.

**Table 4.8: Source of Business Start-Up Capital**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Personal Savings	12	29%
SACCO Loan	8	19%
Microfinance Loan	18	43%
Commercial Bank Loan	4	10%
<b>Total</b>	<b>42</b>	<b>100%</b>

These findings show that MFIs are the preferred source of capital for small scale entrepreneurs in Kayole, Nairobi County compared to other financial institutions. These findings are similar to those of Otero (2006); that MFIs play a key role in providing loans for starting business particularly to the poor people through market based enterprises.

#### **4.3.2 Rating of Microfinance Credit Services**

On a scale of 1 – 6, where 1-1.499 was very poor; 1.500 - 2.499 was poor; 2.500 - 3.499 was fair; 3.500 - 4.499 was good; 4.500 – 5.499 was very good and 5.500 to 6.000 was

excellent, the respondents were requested to indicate to rate a number MFIs services they received from KWFT. Table 4.9 shows a summary of the findings.

**Table 4.9: Rating of Microfinance Credit Services**

<b>MFI Services</b>	<b>Mean</b>	<b>Standard Deviation</b>
a) Loan processing speed	4.647	1.170
b) Loan processing charges	3.469	1.061
c) Interest rates	4.953	1.996
d) Penalties and other hidden charges	3.324	0.636
e) Effectiveness of the loan office	4.677	1.115

According to the findings, majority of the respondents reiterated that the loan processing speed; the interest rates charged and the effectiveness of the loan office were very good with mean scores of 4.647 and 4.953 and 4.677 respectively. However, a significant number of the respondents rated KWFT’s loan processing charges and penalties and other hidden charges as fair with mean scores of 3.469 and 3.324 respectively.

#### **4.3.3 Other Services of Microfinance Banks**

Section 4.3.3 sought to establish whether the respondents have sought other services of Microfinance banks for their business operations other than the credit loans.

**Table 4.10: Respondents’ Experience with Other Services of MFIs**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Yes	27	64%
No	15	36%
<b>Total</b>	<b>42</b>	<b>100%</b>

As depicted in Table 4.10, most (64%) of the respondents have sought other services from KWFT in addition to credit loans. However, a significant number of the respondents represented by 34% have only sought credit services from KWFT. Ghadoliya (2000) noted that apart from the credit loans, MFIs play a crucial role in socio-economic empowerment of women by promoting suitable conditions for them to move from

positions of marginalization within households, to one of greater roles in decision-making at the community, national and international levels.

Table 4.11 shows a summary of the data findings on other services that customers seek from KWFT in addition to credit facilities. The results show that advisory services are the most sought after services apart from credit loans as unanimously indicated by 70% of the respondents who sought MFIs services from KWFT. A significant number of respondents, 41% seek business development and management training while only 37% seek empowerment programs from KWFT.

**Table 4.11: Other Services of MFIs Sought by KWFT Clients**

Response	Services by MFIs					
	Business Development & Management Training		Advisory services		Empowerment programs	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Yes	11	41%	19	70%	10	37%
No	16	59%	8	30%	17	63%
<b>Total</b>	<b>27</b>	<b>100%</b>	<b>27</b>	<b>100%</b>	<b>27</b>	<b>100%</b>

The findings show that KWFT clients acknowledge all the services provided by the MFI in addition to credit loans especially advisory services as well as business development and management training. These findings demonstrate the important of training for business development and management which, according to Mochache (2005), is necessary for initiation and growth of an enterprise. Entrepreneurial skills are acquired through enterprise development and training programmes as well as technical assistance.

#### **4.3.4 Influence of Microfinance Provision on Entrepreneurial Growth of SMEs**

On a scale of 1-4 where 1-1.499 strongly disagree, 1.500 - 2.499 was disagree; 2.500 - 3.499 was agree and 3.500 - 4.000 was strongly agree, the respondents were request to indicate their agreement with various aspects relating to the influence of microfinance provision on entrepreneurial growth of small scale business enterprises in Kayole, Nairobi County. Table 4.12 shows a summary of the findings.

**Table 4.12: Influence of MFI Loans Provision on Entrepreneurial Growth of SMEs**

<b>Influence of KWFT Loans Provision on Entrepreneurial Growth of SMEs</b>	<b>Mean</b>	<b>Standard Deviation</b>
a) Microcredit loans from KWFT facilitate entrepreneurial growth of small scale business enterprises.	3.5521	1.1842
b) Loans application and approval processes within KWFT are effective and efficient to my satisfaction	3.7222	1.1785
c) Loan interest rates charged are higher as compared to commercial banks	2.2428	1.5152
d) KWFT training programs have helped women entrepreneurs gain skills and knowledge on business management eventually leading to profit making.	3.6954	1.2543
e) Small scale businesses have increased because of microcredit and other non-financial services offered by KWFT.	3.3714	0.8373

The findings show that KWFT loans provision influences entrepreneurial growth (mean score 3.5521); the loan approval process is effective and efficient (mean score 3.7222); and the training programs by KWFT have enhanced the skills and knowledge of small scale entrepreneurs in business management (mean score 3.6954). Further, the respondents disagreed that KWFT charges higher loan interest rates compared to commercial banks (mean score 2.2428).

Further, respondents from KWFT were requested to indicate whether the provision of cheap loans to small scale entrepreneurs was the main objective in their microfinance services. Table 4.13 shows a summary of the findings. Most (89%) of the respondents unanimously agreed that provision of cheap loans is KWFT's main objective in their services compared to only 11% who indicated otherwise.

**Table 4.13: Provision of Cheap Loans to SMEs the Main Objective of KWFT**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Yes	17	89%
No	2	11%
<b>Total</b>	<b>19</b>	<b>100%</b>

These findings could be attributed to the fact that KWFT is mainly set out to achieve its long term commitment of poverty eradication and empowering Kenyan families through women through offering very affordable credit facilities.

Table 4.14 shows a summary of the findings on how KWFT has managed to sensitize people in this Kayole, Nairobi City County to take these loans in order to set up businesses. The findings show that leaflets and brochures (47%) is commonly used channel of sensitizing people followed by media advertisements (24%), road shows (18%) and outreach meeting (12%).

**Table 4.14: Channel of Awareness Creation**

<b>Channel of Awareness Creation</b>	<b>Frequency</b>	<b>Percent</b>
a) Through outreach meetings	2	12%
b) Through media advertisements	4	24%
c) Through distribution of leaflets and brochures	8	47%
d) Through road show marketing	3	18%
<b>Total</b>	<b>17</b>	<b>100%</b>

These findings show that KWFT utilizes all the channels available to sensitize people about its MFIs services. This allows KWFT to reach multitude of their target clients for improved poverty eradication.

#### **4.4 Training Programs**

This section sought to establish whether training services provided by KWFT promote entrepreneurial growth that leads to poverty reduction in terms of income levels within Nairobi County. Table 4.15 shows a summary of the findings on whether the respondents had been taking part in the MFIs training programs.

**Table 4.15: Participation in MFIs Training Programs**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Yes	25	60%
No	17	40%
<b>Total</b>	<b>42</b>	<b>100%</b>



The findings show that most (60%) of the respondents had been taking part in KWFT's training programs. A significant number of the respondents (40%) had not been taking part in the training programs. The research findings of this study show that KWFT customers acknowledge the importance of entrepreneurial training programs for better performance of their businesses. However, KWFT should scale up their entrepreneurship training and development programs throughout Kayole through key stakeholders working in the SME sector.

Naudé (2011) noted that awareness creation and dissemination of information on training programmes targeting growth-oriented entrepreneurs should be done through media advertisement, brochures and government ministries with an SME portfolio. All the respondents who had been taking part in the MFIs training programs further indicated their wish that MFIs should continue providing the training services.

#### **4.4.1 Entrepreneurship Training and SME Performance**

Section 4.4.1 sought to establish the extent to which entrepreneurship training influences and the entrepreneurial performance of KWFT clients. Table 4.16 shows a summary of the findings. Most (36%) of respondents had realized an improved performance to a large extent while 19% to a very large extent. Only 13% had experience improved performance to a little extent.

**Table 4.16 :Entrepreneurship Training and Entrepreneurial Performance**

<b>Profit Growth after Training</b>	<b>Frequency</b>	<b>Percent</b>
Little Extent	9	13%
Moderate Extent	23	33%
Large extent	25	36%
Very large extent	13	19%
<b>Total</b>	<b>70</b>	<b>100%</b>

These results show that training of women is worthwhile for the performance of SMEs as it provides the necessary skills to perform better in their running of the businesses. Education and training increase efficiency and productivity of individuals entering the SME sector. The human capital; a measure of the quality of labour supply and can be accumulated through education, further education and experience.

#### **4.4.2 Benefits of Entrepreneurship Training**

On a 5-point Likert scale where 1-1.499 not at all, 1.500 - 2.499 was little extent; 2.500 - 3.499 was moderate extent; 3.500 - 4.499 was large extent and 4.500 - 5.000 was very large extent, the respondents rated their level of agreement on whether they had experienced various benefits after undertaking training. Table 4.17 shows a summary of the findings.

**Table 4.17: Other Benefits of Entrepreneurship Training**

<b>Benefit</b>	<b>Mean</b>	<b>Standard Deviation</b>
a) Introduction of new products/services	3.647	1.170
b) Venture into new markets within Nairobi City Count	3.000	1.061
c) Increased profits/turnover	3.953	1.996
d) Improved quality of services/production	3.824	0.636
e) Efficiency in service provision	3.647	1.115

The respondents indicated that to a large extent, they have been able to introduce new products/services ( $\mu=3.647$ ,  $SD=1.1170$ ); realize increased profits and turnover( $\mu=3.953$ ,  $SD=1.996$ ); improved quality of services and products ( $\mu=3.824$ ,  $SD=0.636$ ) and improved efficiency in service provision ( $\mu=3.647$ ,  $SD=1.115$ ). However, they have limitedly ventured into new markets within Kenya ( $\mu=3.000$ ,  $SD=1.061$ ). These findings show that the SME sector women operators have used skills they gained in entrepreneurship education in to effectively and efficiently manage their business while ensuring good performance in terms of revenue, network growth and increased range of products and services.

#### 4.5 Advisory Services

The section sought to answer the research question, “How do the advisory services offered by KWFT lead to wealth creation among women entrepreneurs in Kayole Nairobi County? Table shows 4.18 shows a summary of the results on whether the respondents had benefited from advisory services offered by KWFT. Most (64%) of the respondents had benefited from KWFT advisory services while a significant minority (36%) had not benefited from the advisory services.

**Table 4.18: Respondents have benefited from KWFT Advisory Services**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Yes	27	64%
No	15	36%
<b>Total</b>	<b>42</b>	<b>100%</b>

The respondents further indicated the frequency at which they often sought advisory services from the KWFT. Table 4.19 shows the result findings.

**Table 4.19: Frequency of Seeking Advisory Services from KWFT**

<b>Frequency of Seeking Advisory Services from KWFT</b>	<b>Frequency</b>	<b>Percent</b>
a) Weekly	2	7%
b) Monthly	4	15%
c) Quarterly	5	19%
d) Semi annually	2	7%
e) Annually	3	11%
f) When need arises	11	41%
<b>Total</b>	<b>27</b>	<b>100%</b>

Most (41%) of the respondents sought advisory services from KWFT on need-basis; 19% quarterly; 15% monthly and 11% annually. The rest of the respondents sought the KWFT advisory services on a weekly basis (7%) of semi-annually (7%). These findings show that KWFT offers advisory services to its clients in a very flexible time schedule hence able to meet all its clients whenever required.

On a 5-point Likert scale where 1-1.499 not at all, 1.500 - 2.499 was little extent; 2.500 - 3.499 was moderate extent; 3.500 - 4.499 was large extent and 4.500 - 5.000 was very large extent, the respondents were required to rate the extent to which they had benefited from advisory services and training programs by MFIs in various areas. Table 4.20 shows a summary of the findings.

**Table 4.20: Benefits of KWFT Advisory Services**

<b>Benefits of KWFT Advisory Services</b>	<b>Mean</b>	<b>Std. Dev.</b>
a) Setting up viable business enterprises	3.5585	0.77251
b) Acquiring good customer care management skills	3.3678	0.69903
c) Managing the affairs of your business well	3.6164	0.63917
d) Acquiring knowledge on market trends and good business location sites	3.2827	0.80128

#### **4.6 Empowerment Programs**

On a scale of 1-4 where 1-1.499 strongly disagree, 1.500 - 2.499 was disagree; 2.500 - 3.499 was agree and 3.500 - 4.000 was strongly agree, the respondents were request to indicate their agreement with various aspects relating to the influence of microfinance

provision on entrepreneurial growth of small scale business enterprises in Nairobi County. Table 4.21 shows a summary of the findings.

**Table 4.21: Empowerment Programs Benefits**

<b>Empowerment Programs Benefits</b>	<b>Mean</b>	<b>Std. Dev.</b>
a) Microfinance has made it easier for women entrepreneurs without tangible collaterals to access loans unlike other banks.	2.647	1.170
b) Training programs of MFIs are designed to help clients improve their financial management skills and running of their businesses.	2.000	1.061
c) Women entrepreneurs in this area have embraced MFIs services to boost their businesses for entrepreneurial growth.	2.953	1.996
d) The MFIs management has made it easier and cheaper for women entrepreneurs to access microfinance services without restrictions.	2.824	0.636
e) Some women entrepreneurs have been turned away from accessing microcredit and other non-financial services offered by MFIs on the basis that they don't meet eligibility criteria.	2.647	1.115

The researcher conducted inferential analysis so as to establish the relationship between various dimensions of the effects of the implementation of integrated financial management information system on e-procurement performance of the Nairobi City County.

#### **4.7 Relationship between Microfinance Services and Improved Socio-Economic Status of women**

The researcher conducted inferential analysis so as to establish the relationship between various aspects of microfinance services and improved the socio-economic status of the poor women in Kayole, Nairobi City County.

**Table 4.22: Correlation Analysis**

<b>Model</b>	<b>R</b>	<b>R<sup>2</sup></b>	<b>AdjustedR<sup>2</sup></b>	<b>Std. Error of the Estimate</b>
Provision of Microcredit	0.365	0.085	0.003	0.718
Training Programs	0.097	0.009	0.060	0.697
Advisory Services	0.257	0.066	0.076	0.564
Empowerment Programs.	0.275	0.026	0.194	0.820

Table 4.22 presents the correlation and the coefficient of determination between microfinance services and improved socio-economic status of the poor women. The findings show that there was a positive but weak relationship between the dependent variable and the independent variables.

Of all the four independent variables, provision of microcredit services was found to have the highest relationship with the improved socio-economic status of women of 0.085 followed by advisory services with a value of 0.066, then empowerment programs with 0.026, while training programs exhibited the weakest relationship with 0.009.

The main purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. Regression tests were done which included Model goodness of fit (Coefficient of determination). The coefficient of determination is a measure of how well a statistical model is likely to predict future outcomes.

The coefficient of determination,  $R^2$  explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable that is explained by all the independent variables. A multiple regression analysis was conducted in order to establish the relationship between microfinance services and improved the socio-economic status of the poor women and the four independent variables. Table 4.23 shows a summary of the multiple regression analysis.

**Table 4.23: Multiple Regression Analysis**

	Standardized Coefficients			t	Sig.
	B	Std. Error	Beta		
(Constant)	3.374	0.842		4.009	0.0000
Provision of Microcredit	0.205	0.105	0.089	0.849	0.0067
Training Programs	0.118	0.084	0.023	0.954	0.046
Advisory Services	0.853	0.146	0.330	2.276	0.0015
Empowerment Programs.	0.753	0.088	0.167	1.379	0.0041

**a. Predictors:** (Constant), Provision of Microcredit; Training Programs; Advisory Services and Empowerment Programs.

**b. Dependent Variable:** socio-economic status of the poor women

Using the results in Table, the regression model ( $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$ ) now becomes:

$$Y = 3.374 + 0.089X_1 + 0.023X_2 + 0.330X_3 + 0.167X_4$$

Whereby;

Y = socio-economic status of the poor women

X<sub>1</sub> = Provision of Microcredit

X<sub>2</sub> = Training Programs.

X<sub>3</sub> = Advisory Services

X<sub>4</sub> = Empowerment Programs.

1, 2, 3, 4 = Standardized coefficients of determination

= Error term

Based on the results, all the explanatory variables of the study are statistically significant (P = 0.0067, P = 0.046, P = 0.0015, P = 0.0041). In statistics, a significant level of p < 0.05 is significant. This means that the four predictor variables are useful for predicting socio-economic status of the poor women in Kayole, Nairobi City County.

**Table 4.24: Coefficient of Determination**

<b>Model</b>	<b>R</b>	<b>R<sup>2</sup></b>	<b>Adjusted R<sup>2</sup></b>	<b>Std. Error of the Estimate</b>
1	0.981(a)	0.863	0.691	0.752

Table 4.24 presents the regression model goodness of fit statistics to determine whether provision of microcredit; training programs; advisory services and empowerment programs have a linear influence on the socio-economic status of the women in Kayole, Nairobi County. The study established correlation value of 0.981. This depicts a very good linear dependence between microfinance services and improved the socio-economic status of the poor women.

An R<sup>2</sup> value of 0.863 was established in the model and adjusted to 0.691. The coefficient of determination depicts that the four independent variables contribute about 86.3% to the variation in socio-economic status of the women while other factors not included in the study contribute 13.7% of the socio-economic status of the women. Therefore, further research should be conducted to investigate the other factors (13.7%) that affect socio-economic status of the women.

Further, Table 4.25 shows the ANOVA findings as explained by the P-value of 0.000 which is less than 0.05 (significance level of 5%) confirming the existence of correlation between the independent and dependent variables. The model shows the model fitness i.e. how well the variables fit the regression model. The sum of squares gives the model fit and hence the variables fit the regression model. From the results, the F ratio of 11.815 and the significance of 0.000 shows that there was no much difference in the means. Since F calculated is greater than the F critical (value = 11.815), this shows that the overall model was significant.



**Table 4.25: ANOVA**

	<b>Sum of squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig or P-value</b>
Regression	46.294	4	11.574	11.815	000(a)
Residual	97.953	44	980		
<b>Total</b>	<b>144.248</b>	<b>48</b>			

**Predictors:** (Constant), Provision of Microcredit; Training Programs; Advisory Services and Empowerment Programs.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS, DISCUSSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of the research findings and discusses the broader implications of the findings for theory, practice, policy and further research in the MFIs. The study sought to assess, based on experience of microfinance supported enterprises, the extent to which microfinance has reduced poverty of poor households and improved the socioeconomic status of the poor women in Kayole, Nairobi County. Specifically, the study looked at provision of microfinance, training programs, advisory services and empowerment programs. This chapter summarizes the findings of the study and the statistical analysis. The presentation is organized around specific objectives and research questions to assess the results by evaluating and interpreting them. The study conclusions are in tandem with the specific objectives and research questions while the recommendations refer to suggestions for further study or proposal for change.

#### **5.2 Summary of the Findings**

The pilot study and preliminary findings were in line with other scholars from other parts of the world who have studied microfinance and poverty eradication among women entrepreneurs (Churchill and Frankiewicz, 2006; Anthony2005; Armendariz and Morduch 2010; Laffont and Rey 2003). A statistically acceptable number of the targeted sample returned the questionnaires, all of which were analyzed. The use of drop and pick method improved the response rate while another method of personalizing the introduction letter and motivating the research assistants helped keep the field participants focused on completion of the questionnaire filling exercise. The response rate of 64% was therefore fit enough for carrying out study analysis (Babbie, 2002). The summary of the findings is discussed below.

Most of the clients obtain their first capital from a microfinance loan as indicated by 43% of the respondents. Another 29% obtained their first capital from their personal savings;

19% from SACCO loans and 10% from commercial bank. MFIs like KWFT are the most preferred source of capital for small scale entrepreneurs in Kayole, Nairobi County compared to other financial institutions. KWFT therefore plays a key role in providing loans for starting business particularly to the poor people through market based enterprises. The findings also show that loan processing speed; the interest rates charged and the effectiveness of the KWFT loan offices are very good. However, KWFT's loan processing charges and penalties and other hidden charges can only be rated as fair.

The findings indicated that clients seek other services from KWFT in addition to credit loans. The most sought services in addition to loans include advisory services, business development and management training and empowerment programs. KWFT clients thus acknowledge all the services provided by the MFI in addition to credit loans. This demonstrates the importance of training for business development and management that is necessary for initiation and growth of an enterprise.

KWFT is mainly set out to achieve its long term commitment of poverty eradication and empowering Kenyan families through women through offering very affordable credit facilities. As a result, provision of loans by KWFT influences entrepreneurial growth; their loan approval process is effective and efficient; the training programs by KWFT have enhanced the skills and knowledge of small scale entrepreneurs in business management. In addition, KWFT charges lower loan interest rates compared to commercial banks.

The findings also showed that KWFT has managed to sensitize people in this Kayole, Nairobi City County to take these loans in order to set up businesses. This has been achieved through distribution of leaflets and brochures and also advertisement through the media, road shows and outreach meeting. The MFI thus utilizes all the channels available to sensitize people about its MFIs services and this has allowed KWFT to reach multitude of their target clients for improved poverty eradication.

Most of the clients have been taking part in KWFT's training programs as indicated by 60% of the respondents had been. The research findings of this study show that KWFT customers acknowledge the importance of entrepreneurial training programs for better performance of their businesses. According to Naudé (2011), awareness creation and dissemination of information on training programmes targeting growth-oriented entrepreneurs should be done through media advertisement, brochures and government ministries with an SME portfolio.

Training programs have an improved performance of small scale business in Kayole as indicated by 68% of the respondents. This implies that the training of women is worthwhile for the performance of SMEs as it provides the necessary skills to perform better in their running of the businesses. Education and training increase efficiency and productivity of individuals entering the SME sector. The human capital; a measure of the quality of labour supply and can be accumulated through education, further education and experience.

In particular, KWFT training programs have enabled its clients to introduce new products/services; realize increased profits and turnover; improve the quality of services and products efficiency in service provision. These findings show that the SME sector women operators have used skills they gained in entrepreneurship education in to effectively and efficiently manage their business while ensuring good performance in terms of revenue, network growth and increased range of products and services.

### **5.3 Conclusion**

There exists a positive relationship between microfinance provision and poverty reduction of poor households and improved the socioeconomic status of the poor women in Kayole, Nairobi County. Of all the four independent variables, provision of microcredit services was found to have the highest relationship with the improved socioeconomic status of women of 0.085 followed by advisory services with a value of 0.066, then empowerment programs with 0.026, while training programs exhibited the weakest

relationship with 0.009. MFIs like KWFT are the most preferred source of capital for small scale entrepreneurs in Kayole, Nairobi County compared to other financial institutions. KWFT therefore plays a key role in providing loans for starting business particularly to the poor people through market based enterprises. KWFT has managed to sensitize people in this Kayole, Nairobi City County to take these loans in order to set up businesses. KWFT customers acknowledge the importance of entrepreneurial training and empowerment programs for better performance of their businesses.

#### **5.4 Recommendations**

1. A significant number of the respondents (40%) have not been taking part in the training programs. KWFT should therefore scale up their entrepreneurship training and development programs throughout Kayole through key stakeholders working in the SME sector.
2. This study reveals that provision of microcredit is a key determinant of poverty reduction. However, the environment in which such small scale business in Kayole, Nairobi County operate may also have significant influence on their financial health and the economic status of women entrepreneurs.
3. The study recommends that more awareness on the relevance of micro-credit to self-employment, education, training and skills acquisition, and economic empowerment should be created. Again, microfinance institutions should be encouraged to provide women entrepreneurs with more micro-credit.

#### **5.5 Limitations of the Study and Suggestions for Further Research**

1. The first limitation of this study is related to the measures used, that is, the dependence on subjective measures in the study as opposed to objective measures. Thus, future studies in this domain should endeavour to employ qualitative methodology or a combination of qualitative and quantitative methodology.
2. Secondly, the study used women entrepreneurs as the single informants. Therefore, in subsequent studies with respect to micro-credit and poverty alleviation, the bias associated with using a single informant can be overcome by

collecting responses from informants like customers, suppliers, family members, friends, microfinance institutions, associations and cooperative societies to which the women entrepreneurs are members.

3. Thirdly, the study only surveyed women entrepreneurs in the Kayole, Nairobi City County. To correct this limitation, further studies should survey women entrepreneurs in other parts of the country.
4. Aside micro-credit, further studies can assess other factors that can influence poverty alleviation. Further studies can also examine factors limiting women entrepreneurs' access to micro-credit. More so, a replication of this study in other counties in Kenya is advocated so as to validate and generalize the results obtained.

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## APPENDICES

### APPENDIX I: LETTER OF INTRODUCTION

Evance Juma

P.O BOX 30197

Nairobi.

Dear Respondent,

My name is EvanceJuma and I am a Master of Arts student at the University of Nairobi. I am currently working on my project on the influence of Microfinance provision on women entrepreneurs' poverty eradication enterprises; A case of Kenya Women Finance Trust beneficiaries in Kayole area Nairobi County under the supervision of Miss Mercy Wambui. Your answers will be of great help to me in the compilation of data for my research project.

Please answer the questionnaire as candidly, honestly as you can. The results of this study will be held in confidence and will be combined into a general research proposal.

I commit to share the results of this study if need be.

Best regards

EvanceJuma

Reg. No. L50/82951/2012

## APPENDIX II: QUESTIONNAIRES

### Data collection instrument

The response herein is for academic purposes and thus will be treated in strict confidence and respect it deserves. Thanks for your participation and cooperation in giving factual information to help propose concrete recommendations for this study.

Tick in the box or write your answers in the spaces below the questions.

### SERCTION A (Personal information of women entrepreneurs)

1. (a) Gender of the respondent

1. Male

2. Female

(b) Age range of the respondent

(a) 18-25

(b) 26-30

(c) 31-35

(d) 36-40

(e) 41 Yrs and above

2. Respondent's highest level of education

(a) Primary school

(b) Post- primary, vocational

(c) Secondary, A- level

(d) College

(e) University

(f) None

3. How long have you been operating your business enterprise?

(a) 6-3 years



- (b) 4-6 years
- (c) 7-10 years
- (d) 11-15 years
- (e) 16-20 years
- (f) 21 Yrs and above

**SECTION B (General information on the objectives)**

**Provision of Microcredit (A)**

4. What was the source of your first capital for starting the business?

- (I) Personal savings
- (ii) SACCO loan
- (iii) Loans from Microfinance bank
- (iv) Loan from commercial bank

5. If you received your loans from microfinance banks, what is your rating of the below parameters in the scale of excellent, very good, good, poor, very poor

<b>MFI services</b>	<b>Excellent</b>	<b>Very good</b>	<b>good</b>	<b>fair</b>	<b>poor</b>	<b>Very poor</b>
Loan processing speed						
Loan processing charges						
Interest rates						
Penalties and other hidden charges						
Effectiveness of the loan office						

6. (a) Have you sought the other services of Microfinance banks in your business operations other than the credit loans?

Yes

No

(b) Which among the following services offered by MFIs other than provision of Microcredit have you accessed?

Services by MFIs	Tick here
Business development and management training	
Advisory services	
Empowerment programmes	

7. Give your rating for the following statements relating to the influence of microfinance provision on entrepreneurial growth of small scale business enterprises in Nairobi County (Agree, Strongly agree, Disagree, Strongly disagree)

	Agree	Strongly agree	Disagree	Strongly disagree
1. Microcredit loans from MFIs facilitate entrepreneurial growth of small scale business enterprises.				
2. Loans application and approval processes within MFIs are effective and efficient to my satisfaction				
3. Loan interest rates charged are higher as compared to commercial				

banks				
4. MFIs training programs have helped women entrepreneurs gain skills and knowledge on business management eventually leading to profit making.				
5. Small scale businesses have increased because of microcredit and other non-financial services offered by MFIs.				

Training programs (B)

8. Have you been taking part in the MFIs training programs?

Yes  No

9. Would you like MFIs to continue providing the training services in your area and why?

Yes  No

Reasons

- a.....
- b.....
- c.....

Advisory Services (C)

10. (a) Have you benefited from the advisory services offered by MFIs?

Yes  No

(b) If yes, how often do you consult the bank's personnel for information concerning your enterprises?

- (I) Weekly
- (ii) Monthly
- (iii) Quarterly
- (iv) Semi annually
- (v) Annually
- (vi) I cannot remember

(c) Was it of benefit to you?

Yes  No

11. How did the advisory services and training programs by MFIs help you?

- (a) Setting up viable business enterprises
- (b) Acquiring good customer care management skills
- (c) Managing the affairs of your business well
- (d) Acquiring knowledge on market trends and good business location sites

## SECTION C

Microfinance staff

Part 1

12. Gender of the respondent

Male  Female

13. How long have you been working with KWFT?

- (a) 0-3 years
- (b) 4-6 years
- (c) 7-10 years
- (d) 11-15 years

14. What is your position in KWFT?

- (a) Business Development Officer
- (b) Cashier
- (c) Credit Officer
- (d) Customer Care Officer
- (e) Others  
(Specify).....

Part 2

Microfinance provision

15. Is provision of microfinance the main objective in your bank to facilitate the provision of cheap loans to small scale entrepreneurs in this area?

Yes

16. If yes, how has the bank managed to sensitize people in this County to take these loans in order to set up businesses?

- (a) Through outreach meetings
- (b) Through media advertisements
- (c) Through distribution of leaflets and brochures
- (d) Through road show marketing
- (e) None of the above

17. Rate the statements below by either agreeing, strongly agreeing, disagreeing, strongly disagreeing with them.

	Agree	Strongly agree	Disagree	Strongly disagree
1. Microfinance has made it easier for women entrepreneurs without tangible collaterals to access loans unlike other banks.				
2. Training programs of MFIs are designed to help clients improve their financial management skills and running of their businesses.				
3. Women entrepreneurs in this area have embraced MFIs services to boost their businesses for entrepreneurial growth.				
4. The MFIs management has made it easier and cheaper for women entrepreneurs to access microfinance services without restrictions.				
5. Some women entrepreneurs have been turned away from accessing microcredit and other non-financial services offered by MFIs on the basis that they don't meet eligibility criteria.				