Microfinance Factors Affecting Women Group Enterprises in Kericho Town, Kenya

Flister Kurgat, PhD¹ and Simeon Ting’aa, PhD²

1. Kabarak University
2. Associate lecturer, University of Kabianga

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Abstract

This research aims at identifying microfinance factors affecting women group enterprises. The series of microfinance programs and policies were put in place by the government to reduce the rate of poverty by empowering women through access to credit services. Nevertheless, it is evident that women entrepreneurs, especially in developing countries do not have easy access to micro-finance factors for the entrepreneurial activities hence they have low business performance than their male counterparts. The research problem emerged from the need to assess Microfinance Institutions (MFIs) effects on women entrepreneurial empowerment and social capital. The study was of great significance to the women entrepreneurs, the management of microfinance institution, the government and the community at large. The study presented analysis of culture, and deeper understanding of linkages between MFIs and women empowerment. Descriptive research design was adopted basing the study on selected women group enterprises within Kericho town (Kericho County) with a target population of 100 respondents of which 79 of them were sampled. The data was analysed by use of Statistical Package for Social Science. Validity was achieved through pilot study. The findings revealed that credit facility was the main factor which had affected the performance of the enterprise to a larger extend. Conclusions were that women have smaller loan size than men, hence finding it more difficult to get individual group loan that offer larger amounts with more flexibility to grow their business. The study recommended that there is need for expansion of credit facilities so that more women entrepreneurs can grow their businesses. There is also need for microfinance institutions to offer substantial amount of loan to women entrepreneurs and educate them on how to use and manage the loans.

Keywords: Women entrepreneurs, social capital, credit, training, savings

1. Introduction

Microfinance enterprise is the heart of development because its programs lift women and families out of poverty. It is called micro but the impact on women is macro, as just a few shillings help them gain self-employment (Sam, 2009). Today there is recognition that credit alone is not only the panacea of alleviating poverty, poor people need and use a variety of financial services including savings. The Microcredit Summit Campaign Report of 2009 estimates that over 3,300 microfinance institutions reached 133 million clients with a microloan in 2006. Ninety Three million of the clients were among the poorest when they took their first loan. Eighty Five percent of these poorest clients were women. Microcredit plays a critical role in empowering women; helps deliver newfound respect, independence, and participation of women in their communities and in their households. Women entrepreneurs throughout the world contribute to economic growth and the sustainable livelihood of their families and communities. Microfinance helps empower women from poor households to make this contribution. According to Gibbons and David (2011), whilst a celebrated model for alleviating poverty in rural areas of developing countries, micro financing as a business idea is yet to truly make its mark in the West.

According to McHugh, Gillespie, Loew, and Donaldson (2014) various investors, including the Graamen Scotland foundation microfinance is now in its penultimate stage. Over the next five years, the Scotland branch of the Grameen Bank –
the first of its kind in the UK – plans to reach 1,500 groups and provide 4,300 loans to inhabitants living in the poorest areas. The story of microfinance has spread all over the world and inspired people. Microfinance institutions employ several innovative contractual devices including group lending, progressive lending, and short term contracts and targeting of women in an effort to overcome the obstacles that have traditionally discouraged lending to the poor and women enterprises. The most important microfinance innovations; and certainly, the one for which it has received the most recognition and has been initiated by other financial lending institutions is lending solidarity to the target groups whereby each group member is required to vouch for the credit worth of the other. The women are likely to be from one village and would themselves elect one another for membership. All members receive equal financing and repayments on the same on a fixed schedule. Most importantly in case of a default, the group cannot apply for another loan until the default is cured.

2. Literature Review
In the study by Barcu (2009) on microfinance and its impact on women empowerment, Seventy percent of the world’s poor are women. Further, traditionally, women have been disadvantaged when it comes to accessing credit and other financial services. Commercial banks often focus on men and formal businesses, neglecting the women who make up a large and growing segment of the informal economy. Microfinance on the other hand mostly targets women, in some cases exclusively. Female clients represent Eighty percent of the poorest microfinance clients reached. Microenterprise credit based their lending to groups and every group member guarantees repayment for all members (Thuo & Juma, 2014). Their study concluded that lending to self-help groups who will later lend to their members was the safest way of reducing risks of loan defaulters. The study further found out that efficient method of minimizing loan defaulters was each member playing a role among themselves.

According to Ekpe, Mat, and Razak (2010), microfinance institutions play significant role in enhancing socio economic development of women because, viable approach to sustainable growth and development lies in the financial and economic advancement of women and rural dwellers. Recent development in and other developing countries reinforce the contention that microfinance or micro credit structures are essential for development of rural areas in consideration of the fact that development concentrated in the urban centres. Provision of microfinance made positive impact on the individual household’s budget and has changed the quality of life of millions of people in developing countries especially women. Microfinance makes credit directly available to the very poor and thereby promotes their self-sufficiency. The institutions have reached out to many disadvantaged micro entrepreneurs and have them to build operational and financial self-sufficiency. The idea behind microfinance was to bring at door step, banking services to rural and low income segment of the society who cannot meet the requirement of orthodox commercial banks. Microfinance products generate different outcomes for men and women. The institutions should therefore tailor product specifications, such as loan amounts and repayment schedules, to diverse client needs. Individual loan products designed for women are also important for enabling enterprise growth. Savings products designed for women are a fundamental element of risk management. A diversified MFI product offer should also include other financial services that help reduce vulnerability, such as micro-insurance. Adjusting collateral requirements and encouraging the registration of property in women’s names are other essential components of gendered microfinance.

Microfinance is an advantage course with double outcome impact: - economic presentation and social benefits go together. It empowers the poor by supporting their income-generating activities. Also ensures sustainability through loans and paying financial service. Finally, fighting poverty in a long-term manner by refining economic security and quality of life (Krauss,Fanconi and Scheurle, 2014)

There are a few potential clarifications for the restricted impact of customary microcredit on income and long haul utilization, which microfinance strategy and resulting ones will inspect thusly. Microcredit deal with low amount of money:- there is a limitation on the amount that they can handle at a given time; they provide loans against no collateral security and at any times, there is a risk of non-payment; the rate of default are quite high; they are unable to serve more than a certain number of clients. Finally, risks and executives issues may constrain the effect of microcredit (Abdul, 2018).
3. Methodology

3.1 Research design and Sample size determination

This study adopted descriptive research design. The researcher used it because it allowed an in-depth investigation with regard to the subject of study. The target population was 100 women and sample size of 79 respondents was chosen. Mugenda and Mugenda (2012) define sampling as a process of selecting individuals for a study. Stratified random sampling was used to select the sample from selected women groups to be given questionnaires. Stratified random sampling refers to probability technique that assures that each population category has an equal chance of being selected for the study. The general sample size when the population is less than 10,000 with 95% confidence, using Sloven formula;

\[
\text{nf} = \frac{\text{final sample size}}{1 + \frac{\text{final sample size}}{\text{target population}}} \\
\text{nf} = \frac{n}{1 + \frac{n}{N}} \\
\text{n} = \text{General sample size} \\
\text{N} = \text{target population} \\
\text{z} = \text{Critical standard score} \\
z = 1.96 \\
p = \text{probability of being involved or not} \\
0r = 0.5 \\
\Sigma = \text{variance} 0.05 \\
n = \frac{(z^2 * p * n)}{\Sigma^2} \\
= (1.96^2 * 0.5 * 0.5) / (0.05^2) \\
= 384 \\
\text{The final sample size} \\
\text{n} = 384/1 + 384/100 = 79.33 \\
\text{nf} = \frac{n}{1 + \frac{n}{N}} \\
\text{Therefore the sampled population was 79 respondents.}
\]

3.2 Data collection instruments and procedures

The data was collected by aid of questionnaire. A questionnaire is a list of questions in a set form that is developed to address specific objectives, research questions of the study both closed and open ended questions were used. Part one of the questionnaire addresses personal information of the respondent, while part two of the questionnaire addresses information assessment of the benefits of microfinance services on women group enterprises. The data was analysed by use of qualitative method of data analysis. Qualitative assessment was conducted in-depth discussion held with selected women clients and in some cases families (spouses or grown and children). The questionnaires were screened for completeness; coding and final formatting was done.

3.3 Validity and reliability of the research instruments

The validity of the research design was achieved by carrying out a pilot study at Bomet town, targeting Women group enterprises within the town. The chosen method is quite reliable since, the standard questions were in control of the researcher, put in the simplest language to allow the respondents feel free. The questionnaires were mailed or personally delivered. This ensured the answers were owned and so was possible to get true answers compared to face to face or observation. The researcher found the method reliable from the several questionnaires given to different people with same results.

3.4 Data analysis and presentation

The data was analysed by use of both qualitative and quantitative methods of data analysis. Qualitative assessment was conducted in-depth discussion held with selected women clients and in some cases families, (spouses or grownups). Quantitative analysis involved coding of the questionnaires and data entered into the computer system. The data was analysed by use of Statistical Package for Social Science and the findings were used to make inferences.

4. Results and Discussion

4.1 Demographic Characteristics of the Respondents

<table>
<thead>
<tr>
<th>Table 1: Marital status</th>
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</thead>
<tbody>
<tr>
<td>Marital status</td>
</tr>
<tr>
<td>Single</td>
</tr>
<tr>
<td>Married</td>
</tr>
<tr>
<td>Divorced/Separated</td>
</tr>
<tr>
<td>Widowed</td>
</tr>
</tbody>
</table>
Marital status | Frequency | Percent (%) |
--- | --- | --- |
Single | 29 | 36.7 |
Married | 32 | 40.5 |
Divorced/Separated | 5 | 6.3 |
Widowed | 13 | 16.5 |
Total | 79 | 100.0 |

Findings showed that 41% of the population were married. Most of the married people were women who owned businesses in the region. Most of their businesses were established in town. 37% of the same population to were single women. This comprised of young women who have established their business in order to sustain their livelihood. Only 17% of the remaining population were widowed and hence have tried their best to keep the enterprise running in order to keep their lives moving and thus eradicating poverty. The remaining (5) 6% of the population were divorced.

Table 2: Highest level of education

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>1</td>
<td>1.3</td>
</tr>
<tr>
<td>Primary School</td>
<td>8</td>
<td>10.1</td>
</tr>
<tr>
<td>Secondary School</td>
<td>21</td>
<td>26.6</td>
</tr>
<tr>
<td>'A' Level</td>
<td>30</td>
<td>38.0</td>
</tr>
<tr>
<td>University</td>
<td>15</td>
<td>19.0</td>
</tr>
<tr>
<td>Literacy Class</td>
<td>4</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On the level of education, 38% of the population interviewed had A level as their highest education attained. The study showed that with a varied experience they have in business, they are good managers of their own. 27% of the same population of secondary school leavers and that is their highest level of education and they had attained. The data findings further showed that 19% of the respondents attained Bachelor’s Degree from universities. Hence most of these entrepreneurs have the knowledge and the capacity to build and grow their business. 10% of the respondents had attained primary level as their highest level of education, 5% has literacy class as their highest level of education and only 1% had not attained any level of education which implied that the entrepreneurs could have dropped out of school at primary level and started up business.

4.2 Descriptive statistics of microfinance factors affecting women group enterprises

Table 3: Microfinance factors

<table>
<thead>
<tr>
<th>Microfinance factors</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Facility</td>
<td>31</td>
<td>39.2</td>
</tr>
<tr>
<td>Loan Size</td>
<td>26</td>
<td>32.9</td>
</tr>
<tr>
<td>Use of Loan</td>
<td>22</td>
<td>27.8</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Results from the study revealed that, there were some microfinance factors that have either direct or indirect impact on women entrepreneurship. These factors have constantly affected the overall performance of microfinance. (31) 39% of the respondents showed that credit facility is the main factor. This has affected the performance of the enterprise to a high extend. (26) 33% of the total population issued with questionnaires and filled showed that the size of loan obtained in the microfinance institution (Kenya Women Finance Trust) also affect its performance. This is due to the repayment period and instalments needed to repay the loan. (22) 27% of the remaining population indicated that it depends on how the loan obtained is used or the business invested.

Conclusion

The research findings led to the conclusion that there are some microfinance factors that have either direct or indirect impact on women entrepreneurship. These factors have constantly affected the overall performance of microfinance. Most of the respondents showed that credit facility is the main factor. This has affected the performance of the enterprise to a high extend. Some of the respondents showed that the size of loan obtained in the microfinance institution (Kenya Women Finance Trust) also affect its performance due to the repayment period and instalments needed to repay the loan. Women empowerment has been enhanced through provision of microfinance services, this has led to increased output on development projects aimed at enhancing entrepreneurship.

Recommendations

Due to the pertinent factors affecting the performance of women entrepreneurship, the study made the following recommendations;
There is need for expansion of credit facilities so that more women entrepreneurs can grow their businesses.

There is also need for microfinance institutions to offer substantial amount of loan to women entrepreneurs and educate them on how to use and manage the loans.

Microfinance institutions should offer a better overall loan repayment rate.

Women should be encouraged to save which enable them to meet their basic needs, and also as a basis of accessing group loans.

The study recommends that since the majority of women in Kenya were involved in social and economic progress for the community and their families which lead to improving the economic growth of the country, empowering them should be the full efforts of all departments, which include government, parastatals and non-governmental institutions.

Further studies should be that there is need for a policy that will improve the efficient loan interest that will reflect the transfer of resources from microfinance to the women in the rural in order to ensure affordability on the part of the consumer. The suggested further study on policies effecting of interest rates on economic empowerment of women Self-Help Groups and also the impact of women self-help groups(SHGs) in economic empowerment of their members;

References


