

**CONTRIBUTION OF MICRO-FINANCE INSTITUTIONS TO THE  
EMPOWERMENT OF WOMEN IN KAPSERET CONSTITUENCY, WARENG  
SUB-COUNTY, UASIN GISHU COUNTY, KENYA**

**BY**

**ROSE ADHIAMBO OCHUMA**

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Masters of Arts in Gender Studies and Development, In the School of Arts and  
Social Sciences**

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## **DECLARATION**

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Signature: .....

Date: .....

Rose Adhiambo Ochuma

SASS/PGGS/02/09

## **DECLARATION BY SUPERVISORS**

This thesis has been submitted for examination with our approval as University Supervisors,

Signature: .....

Date: .....

Prof. Omar Egesah

Department of Anthropology

Moi University, Eldoret, Kenya

Signature: .....

Date: .....

Dr. Prisca Tanui Too

Department of History

Moi University, Eldoret, Kenya

## **DEDICATION**

This research is dedicated to my late father and my mother for their vision on education that saw them work hard to educate me. It is also dedicated to my loving husband Dedan Obara whose self-sacrificing support has greatly enriched my study and to my children together with my brothers and sisters, sisters-in-law and brothers-in-law.

## ABSTRACT

One of Kenya's vision 2030 strategies is to enforce Millennium Development Goals (MDG). Empowering women to eliminate poverty and retrogressive practices that cause vulnerabilities among women is one of the goals. The purpose of this study is to determine and discuss the contribution of micro-finance institutions to the empowerment of women in Kapseret Constituency, Wareng Sub-county, Uasin Gishu County Kenya. The objectives were to identify and discuss the services provided by micro-finance institutions and how they contribute to women empowerment, to examine the impact of the services offered by MFIs and how they contribute to women empowerment and to identify the challenges facing micro-finance institutions and the effect on women empowerment. The theoretical framework of the study was guided by a model by Naila Kabeer on women asserting their independent right to make choices and to control resources which will assist in challenging and eliminating their own subordination. The study adopted a descriptive research design. It was conducted through women groups and micro-finance institutions in Uasin Gishu County. The study area was Kapseret Constituency. The study sample was drawn from 20 women groups and 5 micro-finance institutions. Purposive sampling method was used to select 20 women groups from 65 women groups and 5 micro-finance institutions. Simple random sampling was employed to select 100 members from the 20 women groups and 10 micro-finance institution officers preferably those in the loans department. Questionnaire was used to collect data from the women groups while an interview schedule was administered to the bank officials. Descriptive statistics were employed in analyzing data using frequencies and percentages to meaningfully describe the distribution of scores. Data was coded, entered into a computer and analyzed using SPSS. The results showed that 85% of the women had accessed credit and engaged in different kinds of businesses. Based on the impact of services offered, it was established that micro-finance institutions had increased the capacity of the respondents by promoting community development; the constraints faced by micro-finance institutions included bad debts, competition from commercial banks and liquidity problems. Most respondent had accessed credit and some could repay the loan but those whose businesses could not sustain loan repayment became defaulters and others lost their property in order to repay their loans. The study recommended that; MFIs should come up with interest rates that are friendly to women and include women in decision making. This will improve accessibility to resources, the government should consider granting tax exemptions and offer incentives like giving them funds to offer interest free loans to organizations which seek to give credit to women as a way of motivation, as is done in Malaysia, more training programmes should be provided to women in order to improve their entrepreneurial skills and engage in income generating activities, and finally, extension services need to be improved, made reliable and be conducted on time.

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#### **LIST OF ACRONYMS AND ABBREVIATIONS**

CDD	Community Driven Development
IMF	International Monetary Fund
MDG	Millennium Development Goals

MFI	Micro-Finance Institution
NGO	Non-Governmental Organization
SACCO	Savings and Credit Cooperative
SHG	Self-help Groups
SME	Small and Medium Enterprise
SPSS	Statistical Package for Social Sciences
UN	United Nations
UNDP	United Nations Development Program
WHO	World Health Organization

### **OPERATIONAL DEFINITION OF TERMS**

**Women empowerment:** It is the process by which an individual woman acquires knowledge, skills and capacity to improve the quality of their life for their own benefit, the benefit of their families, communities and the nation at large.

**Economic empowerment:** The giving of economic ability to previously disadvantaged sections of the population (in this case, women).

**Empowerment approach:** It focuses on mobilizing self-help efforts of the poor, rather than providing them with social welfare.

**Gender:** Refers to the array of socially constructed roles and relationships, personal traits, attitudes behaviour, values and relative power and influence that society ascribes to the two sexes on a different basis. Gender is an acquired identity that is learned, changes over time and varies widely within and across cultures. Gender is relational and refers not simply to women or men but to the relationship between them.

**Gender bias:** It is acknowledged to be a systematic form of discrimination that creates a pattern of conduct, arising from social and cultural assumptions about the roles and expected behaviour of men and women. Gender bias can arise both as a predisposition or a pre-judgment.

**Gender issues:** This is an instance of gender inequality recognized as unjust.

**Gender sensitization:** The process of developing people's awareness, knowledge and skills on gender issues.

**Inequality:** Implies that individuals do not have equal opportunities to pursue a life of their choice so as to be spared from extreme deprivation of outcomes.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction to the Study**

This chapter presents background information, statement of the research problem, purpose of the study, main research objective, specific objectives, research questions, scope of the study, significance of the study, conceptual framework and definition of terms.

#### **1.1 Background of the Study**

Women in African societies were perceived as home-based caregivers as they were segregated economically, socially, politically as well as culturally. They were more likely than men to be poor and illiterate. They had relatively very little medical care, property ownership, credit, training and employment. This made them less likely than men to be politically active and more likely to be victims of domestic violence (Sigalla, 2007). In recent findings presented by the IMF (International Monetary Fund), the World Bank and much literature published on developmental issues, the poorest person on earth lives somewhere in Sub-Saharan Africa and is probably a woman. Women still undergo pressures and problems. For instance, they have no access to credit, education and means to earn their own income. The few who are employed are not easily progressing at the work places because they are prone to gender discrimination. This situation is attributable either to existing laws or to culture and customs.

Micro-finance services are considered a key development tool, particularly for women (Guerin, 2006). Sharma and Zeller (1997) argued that not only do female borrowers have better repayment records, but return on investments seem to better reach all household members specifically in terms of improving children's health and facilitating their schooling (Pitt and Khandker, 1998). They also argued that micro-finance services have had a positive impact by improving women's self-esteem as well as their families' status (Amin *et al.*, 1998; Panjaitan *et al.*, 1999). However, further evaluation of the effects of micro-finance programs on women's empowerment generates mixed results. While some are supportive of micro-finance's ability to induce a process of economic, social and

political empowerment, others are more sceptical and even point to deterioration of women's overall wellbeing (Holvoet, 2005).

The world of micro-finance Institutions (MFIs) is diverse and exists in various legal forms such as; Non-Governmental Organizations (NGOs), credit unions, non-bank financial intermediaries, and commercial banks. MFIs fill the gap between demand and supply for micro-finance. They were defined as "those which provide thrift, credit and other financial services and products of very small amounts, mainly to the poor (Murdoch, 2009). Lack of credit is a major obstacle faced by women around the world who want to improve their livelihoods. Without capital, women cannot invest in productive activities, fuel existing businesses, and/or smooth consumption when needed, thus significantly limiting their chances of eliminating or at least alleviating poverty. Recently, the micro-finance industry has received much attention for its ability to lend successfully to poor people (Graham, 2005).

The concept of empowerment raises women's awareness to participate in various affairs that relate to the economic, political, cultural and social wellbeing of society. The 1990's witnessed a progressive awareness of the role of micro credit in eradication of poverty. Such awareness is shown in the resolution that was adopted by the United Nations in 1998, proclaiming the year 2005 as the "International Year of Microcredit". The declaration specifically mentions microcredit programs to have "especially benefited women and have resulted in the achievement of their empowerment" (UN, 1999).

According to Brandsma and Chaouli (1998), the Grameen Bank in Bangladesh, which was founded by Muhammad Yunus in 1976, was the first to offer micro-finance services to the poor. This action proved two important facts; the first being that the poor are loanable, and that micro-finance business can be quite profitable. Since then, Micro-finance Institutions (MFIs) have sprung up all over the world. In relation to this study, the purpose of micro-finance is to provide financial loans to the poor that are not made available to them through traditional banking systems.

Because MFIs operate primarily (though not exclusively) in Third World countries, they are faced with unique difficulties namely; lack of collateral and lack of infrastructure or mobility. Consequently, MFIs have adopted several innovative practices to accommodate

these difficulties. These practices are the use of village banks, trust and group lending at high interest rates (Brandsma and Chaouli, 1998).

According to Masinde (1987) and Chitere (1988), women are the major actors in development activities in rural Kenya. This has contributed to the formation of many self-help groups in Kapseret Constituency and in the country as a whole. For example, Joyful Women Organisation (JOYWO) in Uasin Gishu County is a group that empowers its members economically by using table banking concept. This is a situation where members save and borrow immediately from their collections. This concept has helped its members to access money to start income generating activities like dairy farming and poultry keeping. The invisible work of women is of no economic value despite the fact that they are social reproducers and caretakers of their families. Their roles range from food production and preparation to household chores like cleaning, laundry and taking care of household members.

Despite the numerous tasks performed by women, their freedom to participate in major decision-making process in public sphere is still minimal. The World Bank (1989) points out that, women are perhaps the most neglected people. Though many international agreements affirm human rights, women are still more likely than men to be poor and illiterate. They also have less access to resources than men. In most developing countries Kenya included, stereotypes of male difference and privilege over female are dominant (Mosha, 1992). The difference is mostly reflected in the areas of work intensity, decision making and access and control of resources. WHO (1992) argues that women's access and control of resources may be increased if they earned income yet this is not always the case. Lack of access and control over resources in most parts of Africa reflects women's subordinate status in society (Jonsson 1986; UNICEF 1990). The prevailing patriarchal system determines access to resources and enhances traditional systems of male dominance in most communities. Therefore, inheritance of resources such as land or assets such as houses passes through male hands. At household levels it strengthens male dominance by confirming men as heads of households and owners of property (Mascarenhas and Mbilinya, 1983).

In this way men enhance inequalities in terms of access to resources (Becker 1995). Consequently, male dominance and control of resources limits women's decision making power, efficiency and productivity at household and societal levels (Makundi 1996).



Women's lack of direct access to resources has led to the formation of self-help groups (SHGs) to reduce poverty among women and families.

The self-help group concept began in rural Kenya as a women's initiative for availing ready cash for emergencies as well as support for welfare such as merry go round (weekly or monthly contributions made to support each other), funerals and weddings. In Kenya today, over a million women are engaged in a form of collective action known as the 'women group movement'. There are minor and major women groups that have been organized to start businesses, community projects and self-help projects. For minor groups that are mostly preferred at the community level, women groups are formed as merry-go round. Here, members meet at a specified time and place to collect money agreed upon. This money is later lent to members. Minor women groups are mostly not registered by the Ministry of Public Service, Youth and Gender affairs while the major women groups are registered (United Nations, 2006).

Composition, leadership and informality of these groups provide a regular forum for peer education which can be used to identify local development issues and introduce interventions for alleviating poverty. Self-help groups started with the specific aim of social and economic empowerment. Some self-help group members are women only while others are of both genders. The group based approach enables poor women to accumulate capital by way of small savings and facilitates their access to formal credit (Shylendar, 1998).

The Kenya micro-finance sector is one of the most vibrant in sub-Saharan Africa. It includes a fairly large network with branches in most parts of the country to serve the poor. Since micro-finance institutions have been set up easily, many Institutions have come up and some of these are, Faulu-Kenya, Kenya Women Finance Trust (KWFT), Kenya Rural Enterprise Program (K-REP), Opportunity-Kenya, Faidi-Kenya, and their main objective is to provide credit to lower income households, micro-enterprises and to improve the access of Kenyan women to financial services.

In Tanzania, micro-finance is one of the approaches that the government has focused its attention on. This is in pursuit of its long-term vision of providing sustainable financial services (URT, 1998). The government's choice of micro-finance was influenced by the

conviction that, given adequate attention, micro-finance has the potential to contribute considerably to economic development.

## **1.2 Statement of the Problem**

Women empowerment is a big challenge to the government of Kenya despite the fact that they play a very important role in socio – economic development of any society. This is so mainly because of their primary career role in the family. However, as revealed by United Nations (2006), women are more likely to be affected by poverty than men especially because of their unequal access to economic opportunities. Money lending sector in Kenya is a business sector that fully depends on its clients for its success and development. Micro-finance Institutions are considered a key development tool particularly for women who are the target of most micro-finance programs (Guerin, 2006). The outgoing nature of women makes them organize themselves into teams that qualify for group lending to help them set-up income generating projects to enable them to earn and pull themselves out of poverty. Statistics from Central Bank indicate that women comprise 74 per cent of the 20 million people being served by micro-finance institutions around the world.

Some differences in loan sizes may be a result of women's greater poverty or the limited capacity of women's businesses to absorb capital. But they can also indicate broader social discrimination against women, which limits the opportunities open to them, raising the question of whether micro-enterprise development programs should do more to address these issues. However, the experiences of a number of MFIs have shown that simply putting financial resources in the hands of poor women is not enough to bring about empowerment and improved welfare. They have insufficient information on the role played by MFIs in women empowerment. If they had sufficient information they would be able to make savings, take loans and engage in economic activities.

What has necessitated this study is the fact that, despite the many micro-finance Institutions in Uasin Gishu County that target women for empowerment, the women in Kapseret Constituency still lag behind economically, socially and even politically. They still depend on their male counterparts for financial support and few of them hold political positions. This is in spite of the fact that women constitute a higher percentage of the total population in Kenya (this is according to the Kenya National Census, 2009).

Their participation in development does not compare to their numbers especially in decision-making process in the public sphere. This study examines the contribution of micro-finance Institutions to the empowerment of women in Kapseret Constituency of Uasin Gishu County.

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

The purpose of this research was to examine the contribution of micro-finance institutions to the empowerment of women in Kapseret Constituency, Uasin Gishu County.

### **1.4 Overall Objective**

The main objective was to examine the contribution of micro-finance institutions (MFI) and how they contribute to women empowerment in Kapseret Constituency of Uasin Gishu County.

#### **1.4.1 Specific Objectives**

The study was guided by the following specific objectives:

1. To identify and discuss the services provided by micro-finance institutions and how they contribute to women empowerment in Kapseret Constituency of Uasin Gishu County.
2. To examine the impact of services offered by micro-finance institutions and how this contributes to women empowerment in Kapseret Constituency of Uasin Gishu County.
3. To identify some of the challenges facing micro-finance institutions and the effect on women empowerment in Kapseret Constituency of Uasin Gishu County.

### **1.5 Research Questions**

The study therefore sought to answer the following questions:

1. What are the services provided by micro-finance institutions and how do they contribute to women empowerment in Kapseret Constituency of Uasin Gishu County?
2. What is the impact of the services offered by micro-finance institutions and how does this contribute to women empowerment in Kapseret Constituency of Uasin Gishu County?
3. What are some of the challenges faced by micro-finance institutions and how does this affect women empowerment in Kapseret Constituency of Uasin Gishu County?

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

Findings from this study will help policy makers and MFI managers to understand the problem of access to micro-finance loans among women, in this case food vendors. The findings will also help to establish the extent to which inaccessibility of loans has affected women empowerment. Findings of the study will further help women who are food vendors to become aware of various sources and means of accessing and investing micro-finance funds. This will help them to become more successful and also better empowered.

The findings will assist stakeholders in getting a better understanding of how micro-finance loans lead to women empowerment. It is important to empower women because empowerment has intrinsic value; it is an end in itself. Feeling self-confident, feeling respected and living without fear is of value in itself to the women. When a woman is empowered to participate in major decision-making processes in private or public sphere, she will have the confidence to engage in development activities and adopt an active investment style.

The women of Kapseret Constituency will have the freedom to join self-help groups as well as make decisions to take loans and invest the loans. Women's access to and control over resources molds the bargaining power and status of women. The key question is whether decisions are reached collectively or whether one individual or group dominates the process. Economic, educational and cultural factors influence decision-making

patterns among households. This hinders women from effective participation in decision-making process since most women lack economic power.

Most decisions are made by men. They confirm statements by UNICEF (1990) that, at all levels, in developing countries, women are not provided equitable voices in decision-making. Once one is not able to make independent decision then it's difficult to invest. If this study finds that social and economic empowerment is positively correlated with women's participation in decision-making within the private and public spheres, then policy makers will find it necessary to allow women to participate in implementing development policies. Finally, the research will create awareness among women on the importance of playing an active role in the management of resources acquired from loan investment.

### **1.7 Scope of the Study**

Oso and Onen (2005) refer to scope as delimitations, which are a description of the boundary of the study in terms of content, sample size, geographical and theoretical coverage. This study was confined to micro-finance institutions and active registered women groups in Kapseret Constituency. It attempted to examine the contribution of micro-finance institutions to the empowerment of women by; identifying and discussing the services provided by micro-finance institutions on women empowerment, examining the impact of services offered by micro-finance institutions on women empowerment and identifying the challenges facing micro-finance institutions on women empowerment. It sought to get information from micro-finance institution officials and members of sampled women groups. In order to achieve prescribed objectives, these two groups of people were crucial for women empowerment since they also act as a bridge between policy makers and other stake holders.

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

Limitations of this study included dependence upon the cooperation of respondents. This limitation was countered by making an appeal through the chairpersons of the groups to purposely develop trust. Some group members demanded for a tip before they could fill the questionnaires but they were convinced by the chairpersons that the questionnaires were solely for educational purposes. A number of the respondents were also

uncooperative and seemed to have lost interest in filling questionnaires. To deal with this mishap, larger samples per group were targeted in order to come up with a more representative sample. Visitation to some groups and micro-finance institutions was more than once because of their programmes. For instance, group meeting days varied from one group to another, while micro-finance officials could only be interviewed during their lunch break.

## **1.9 Assumptions of the Study**

One assumption of the study was that respondents would have basic knowledge about loans provided by micro-finance institutions. Another assumption was that findings would contribute to successful economic empowerment of women by micro-finance Institutions in Kapseret Constituency.

## **1.10 Theoretical Framework**

This study was guided by a model by Naila Kabeer (1999) which defines empowerment as “the expansion in people’s ability to make strategic life choices in a context where this ability was previously denied to them. Here, strategic life choices means decisions that influence an individual’s life trajectory and subsequent ability to exercise autonomy, which cover choices of livelihood, where to live, who to marry, whether to marry, whether to have children, how many children to have, who has rights over children, freedom of movement and choice of friends that are critical for people to live the lives they want”.

Kabeer (1999) further argues that strategic life choices are based on three dimensions: resources, agencies and achievements. According to the model, resources refer to any kind of materials that are used to improve the wellbeing of individuals such as finances. Based on the study, resources refer to loans. In a broader term resources are obtained through different social relationships operating in various institutional domains which constitute a society, connecting family, market, state and community. Agency is the capacity to define one’s goals and act upon them which further explains decision making, bargaining and negotiation capacity. It provides resistance against deception and manipulation and gives cognitive process of analysis (Kabeer, 1999). According to the study, agency is security that is obtained from economic independence. It relates to the

study in the sense that through their ability to access loans, women acquire the benefit of financial prowess. Achievements are the capabilities of being and doing that are evaluated by people in a given context which are gained by combining resources and agencies together. Empowerment can be described in other words as a process whereby women become able to organize themselves to increase their own self-reliance, to assert their independent right to make choices. Based on the study it helps women to acquire control over resources which in turn helps them to eliminate their own subordination.

From Kabeer's model it is evident that empowerment works in a process which leads to a host of opportunities, increase in ability to exercise autonomy, a capacity to define one's goals and act upon them, enhancement in decision making, bargaining and negotiation capacity. It further relates to a cognitive process of doing and being as well as analyzing the situations and events which will eventually strengthen self-reliance, independent rights giving them capacity to solve problems, through knowledge and skills.

Income is an essential element in household livelihoods, and those who control it have considerable power. In this study, increased level of income for women along with awareness improves their self-confidence and subsequently engages in decision making in personal and family affairs. Income in hand of a woman enables her confidence to put forward her opinion and share views in family decisions, that is woman's economic contribution in a family makes way for her participation expected and accepted by the family members particularly by the family heads. The confidence and economic strength of women may motivate and enable them to participate in different social events and associations. Micro-finance institutions in this case are assumed to initiate a process for women in which the women themselves start developing their space in the family and society, which relates to empowerment ideologies.

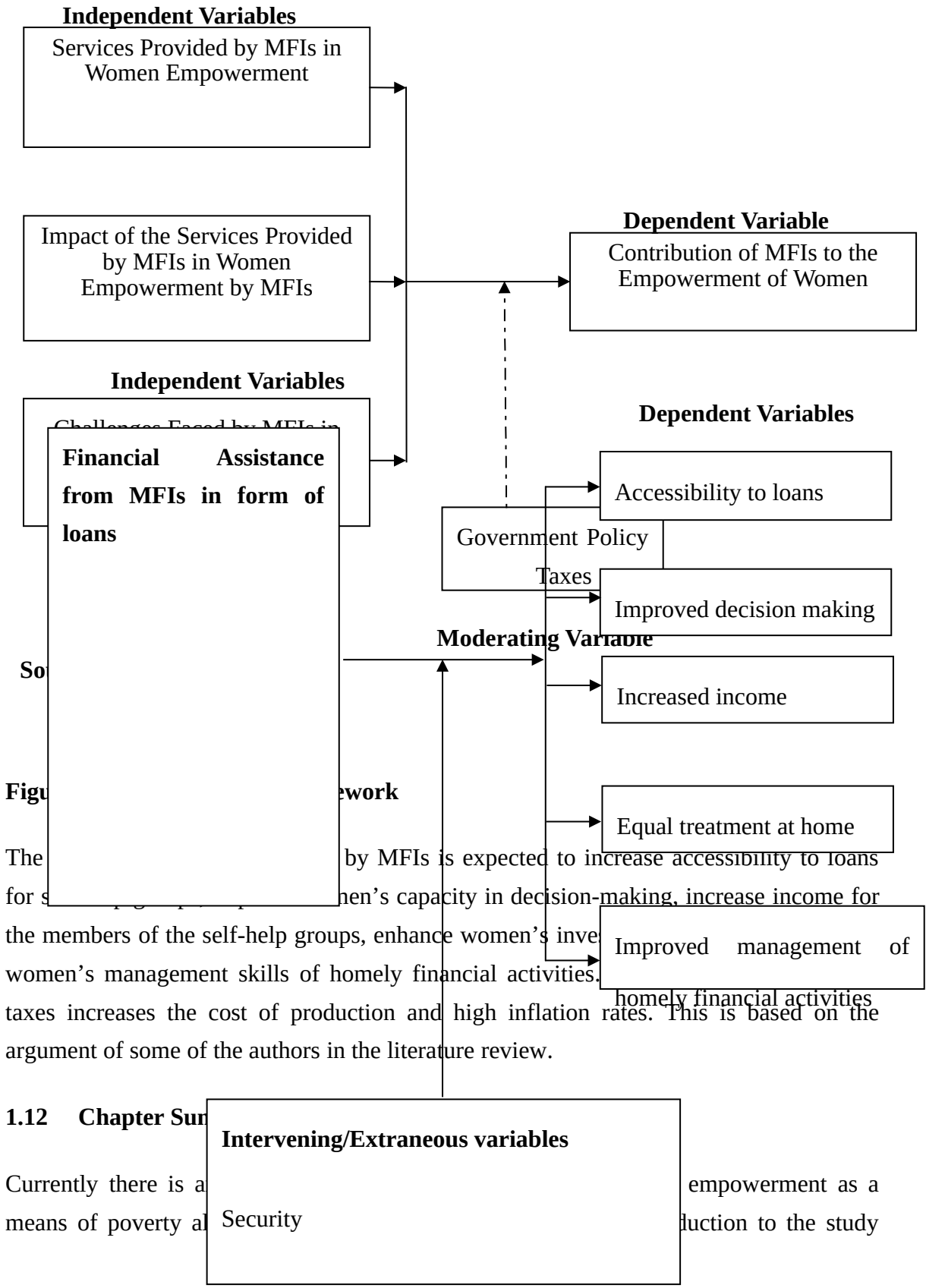
There are other authors who are in support of Kabeer's ideas. For instance, Cheston and Kuhn (1995) explained that every micro-finance institution has stories of women who are not only better off economically as a result of access to financial services, but who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased control of resources and empowerment by helping them achieve greater economic independence and security, which in turn gives them the chance to contribute financially to their households and communities.

## **1.11 Conceptual Framework**

The variables for the study included dependent and independent variables. The dependent variable for the study was contribution of MFIs to the empowerment of women while independent variables included: the services provided by MFIs in women empowerment, the impact of the services provided by MFIs in women empowerment and challenges faced by MFIs in women empowerment. The focus of this study was to examine the relationship between loan, savings, training and social capital, and women empowerment.

The conceptual framework for this study is as shown in figure 1.1. The study presents the conceptualization of the main variables of the study and how they relate throughout the study.





**1.12 Chapter Summary**

Currently there is a lack of financial security as a means of poverty alleviation.

**Intervening/Extraneous variables**

Security

Inflation

Taxes

empowerment as a contribution to the study

Negative cultural practices

Government policies

which seeks to examine the contribution of micro-finance institutions to the empowerment of women in Kapseret Constituency of Uasin Gishu County.

## **CHAPTER TWO**

## LITERATURE REVIEW

### 2.0 Introduction

This chapter reviews the related literature on the contribution of micro-finance institutions to the empowerment of women. It explores the effects of MFIs on women empowerment, services offered and challenges facing micro-finance institutions.

### 2.1 Concept of Empowerment

Women's empowerment is defined as "the capacity of women to be economically self-sufficient and self-reliant (i.e. access to land, property, credit) with control over decisions (including family planning) affecting their life options and freedom from violence". Women suffer from different types of powerlessness in the social and economic spheres of life (Rao and Kelleher, 1995). To understand the complexity of women empowerment and its different aspects, one has first to look at the definition of the concept, empowerment is a multi-dimensional concept. It has been used in many different contexts and by many different organizations in the fields of education, health and social work.

Nobel Laureate Amartya Sen (1993), explains that the freedom to lead different types of life is reflected in the person's capability set. The capability of a person depends on a variety of factors, including personal characteristics and social arrangements. However, the full accounting of individual freedom goes beyond the capabilities of personal living. For example, if we do not have the courage to choose to live in a particular way, even though we could live that way if we so chose, can it be said that we do have the freedom to live that way? Another important point made by Sen (1993), is that for measurement purposes one should focus on certain universally-valued functioning, which relate to the basic fundamentals of survival and well-being regardless of context. Taking the example of universally valued functioning like proper nourishment, good health and shelter, Sen asserts that if there are systematic gender differences in these very basic functioning achievements, they can be taken as an evidence of inequalities in underlying capabilities rather than differences in preferences.

Annas (1993), explains that norms for human life exist globally. One's sex may close some options completely, or make them less available but it always makes a difference to

what one's options are over one's life as a whole. According to her, in a traditional society norms for the lives of men and women are enforced strongly and there exists actual division of activities and ways of living.

When we look at society, we systematically perceive injustice in the ways in which the norms impose different kinds of life on men and women. However, as soon as we position ourselves with regard to a more traditional society it is obvious that injustice results from the existence of norms. Such injustices have posed a challenge to the attainment of empowerment.

In the feminist paradigm, empowerment goes beyond economic betterment and well-being, to strategic gender interests. As Mayoux (1998), suggests, empowerment is a process of internal change, or power within, augmentation of capabilities, or power to, and collective mobilization of women, and when possible men, or power with, to the purpose of questioning and changing the subordination connected with gender, or power over. Empowerment can range from personal empowerment that can exist within the existing social order. Thus this kind of empowerment would correspond to the right to make one's own choices, to increased autonomy and to control over economic resources. But self-confidence and self-esteem also play an essential role in change. According to Kabeer (2001), empowerment signifies increased participation in decision-making and it is this process through which people feel themselves to be capable of making decisions and the right to do so. Similarly, Sen (1985) explains that personal empowerment can lead to changes in existing institutions and norms, however, without the collective empowerment the personal empowerment and choices are limited.

The nature of empowerment can be diverse, depending upon the parameters that define the lack of power within the institutional framework in operation. North (1990), points out that institutions are humanly devised constraints that shape human behavior and they structure incentives in human exchange, whether political, social or economic. It is the social or cultural environment that results in the varying degree of empowerment of different members of the society and which is broadly determined by not only formal constraints, such as rules of law, but also informal constraints, such as the codes of conduct.

Malhotra *et al* (2002), constructed a list of the most commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, women may be empowered within one of these sub-domains. They give the example of "socio-cultural" dimension which covers a range of empowerment sub-domains, from marriage systems to norms regarding women's physical mobility, to non-familial social support systems and networks available to women.

The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process is actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets." Thus, as the World Bank (2001) report confirms societies that discriminate on the basis of gender pays the cost of greater poverty, slower economic growth, weaker governance and a lower living standard of their people. The World Bank also identifies four key elements of empowerment to draft institutional reforms: access to information; inclusion and participation; accountability; and local organizational capacity.

Empowerment is also related to the concepts of social capital and community driven development with which it is sometimes confused. According to Krishna (2003) empowerment means increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome. Social capital, on the other hand, features social organization such as networks, norms and inter-personal trust that facilitate coordination and cooperation for mutual benefit. It is by nature a stock. And Community Driven Development (CDD) is a methodology of undertaking development enterprises that gives control of decisions and resources to community groups. It is by nature an activity. Connecting these three, Grootaert (2003) points out that building social capital facilitates empowerment. Social capital and empowerment are multilevel concepts

and facilitate the link to poverty reduction, whereas CDD is a manifestation of social capital and empowerment.

In summary, Krishna (2003), points out that these three concepts need to be pursued separately. For social capital, the emphasis should be on building stronger cognitive structural links among community members while for CDD the emphasis is on making complementary resources and formal authority available to communities. Here, the emphasis should be on improving governance and making individuals and communities' better agents of their own development. According to her, it is important to understand empowerment as a process and not an instrumentalist form of advocacy, which requires measurement and quantification of empowerment. Kabeer emphasizes that the ability to exercise choice incorporates three interrelated dimensions: resources (defined broadly to include not only access, but also future claims, to both material and human and social resources); agency (including processes of decision-making, as well as less measurable manifestations of agency such as negotiation, deception and manipulation) and achievements (well-being outcomes).

Kabeer (1999) further stresses that it is resources and agency that constitute what Sen (1985), refers to as capabilities: the potential that people have for living the lives they want, of achieving valued ways of 'being and doing' which are valued by people in a given context. 'Functioning' refers to all possible ways of 'being and doing', which are valued by people in a given context and of 'functioning achievements' to refer to the particular ways of being and doing which are realized by different individuals. If the failure to achieve valued ways of 'being and doing' can be traced to laziness, incompetence or individual preferences and priorities, then the issue of power is not relevant. It is only when the failure to achieve one's goals reflects some deep-seated constraint on the ability to choose that it can be taken as a manifestation of disempowerment.

Another question that needs examination is whether empowerment is a universal concept irrespective of cultural and geographical location? Mohanty (1991), criticizes the underlying assumption of feminists in the Western world that women in the developing world have similar aspirations and empowerment needs. Such an interpretation, he suggests, does not take into account social relations and institutions. In contrast,

Nussbaum (2000) refutes the arguments from culture, diversity and paternalism to construct a universal framework to assess women's quality of life.

In India, women are not the only marginalized section of the society. The scheduled castes and scheduled tribes are still largely under-privileged in terms of wealth, education and access to basic services, in particular health services. Using the sociological analysis proposed by Beteille (1999), India is the contradiction case of egalitarian political order and is a hierarchic social structure. Thus economic and social inequalities rooted in traditions and cultural norms need to be changed as political measures alone cannot bring empowerment. He points out that empowerment is invoked in the context of economic weakness and insecurity, particularly of marginalized, unorganized and other disadvantaged groups. This relates the Kapseret scenario where women are marginalized when it comes to accessing resources that can increase their productivity.

### **2.1.1 Access to Capital and Credit by Women**

There are a variety of constraints when it comes to access to capital and credit by women in their bid to upgrade their production. According to Carter and Shaw (2001), these constraints include poor access to technology, market information, finance; poor linkages with support services; and unfavourable regulatory and policy environment. In addition, Khanka (2002) explains that entrepreneurs often tend to pursue business in a limited number of sectors which further limits their ability to access capital and credit. This applies to both developed and developing countries in both the retail and service sectors. On accessing loans, Carter and Shaw (2001) further observe that women entrepreneurs tend to have fewer resources to start up business, which is manifested in personal savings being less available. They often also appear less successful in the achievement of their business goals, in business performance and growth.

According to Safavian and Wimpey (2007), it is because they acquire information through personal or business relationships with borrowers and through inter-linked contractual arrangements. They can credibly threaten to seize borrowers' assets without recourse to the formal legal system. Because of this, MFIs lenders do not rely on the same sort of formal signals or credit worthiness as banks and other financial intermediaries. The foregoing makes cost of lending by MFIs lenders to be higher than that of formal lenders. Further, the lenders can be unscrupulous when they hide the cost

of money borrowed by using a discount method of calculating repayments. In this case, the effective interest rate is exorbitantly high. Scott (2001) explains that in the case of developing countries, informal MFIs are the most important common creditors. Normally, they provide loans which bear very low interest and social and economic ties, replace collateral as well as ease enforcement of the loan contracts. The relationship between the borrower and the MFIs reduces the involved moral hazard and hence the monitoring costs.

Montiel et.al (1993) explains that reciprocity is not uncommon, meaning that the borrower can sometimes become the lender and vice versa. Firms engage also in reciprocal lending among themselves, often in order to smooth out short-term cash flow problems. Sometimes angels supply long-term borrowing. However, in such instances, the transactions take place at market terms. According to Bolnick (1992) money lenders lend without tying the loans to other transactions. A money lender, who for instance, could be a regular money lender, a pawn broker, or an indigenous banker, often, has intimate knowledge of the borrowers. Despite the high interest rates, small and medium sized firms turn to money lenders as a “lender of last resort”. Because of this, the money lenders are sometimes in a monopolistic position. The earned rent comes from the information advantage that the money lender has over competition.

Except for money lenders being the last instance of credit, Bolnick (2004), argues that money lenders promptly provide loans to these firms. Furthermore, there are low transaction costs and no restrictions on the use of funds. Buttner and Moore (1997) established that lack of access to capital and credit is often cited as a key reason why poor people remain poor.

Karanja and Nyambura (2014) in their study established that, in Kenya, access to capital and credit varies because MFIs services are heterogeneous. They vary in terms of conditions offered to clients. Their relationships to the borrowers also vary. However, the MFIs have a number of common characteristics. For instance, they can monitor borrowers and enforce contracts without having to rely on written evidence of financial statements and without recourse to the legal system.

In Tanzania, public credit programmes depend on physical collateral. Women are usually unable to accumulate assets that would serve as collaterals and their weak land rights



result in an inability to use land as collateral to obtain credit. Commercial and development banks provide loans to sectors mostly dominated by men. For example, credit services have been provided mostly for export crops controlled by men while denying such services to women (Virji and Meghji, 1989; FAO 1996). Social and cultural barriers, women`s lower education levels relative to men and their lack of familiarity with loan procedures may also limit their mobility and interaction with predominantly male credit officers or moneylenders.

The Cooperative and Rural Development Bank (CRDB), in conjunction with International Organization, has tried to provide facilities to women in Tanzania on concessionary lending terms to enable them establish small-scale-income generating projects. However, problems like lack of property ownership by women, lack of guarantors to women economic units by village leaders and limited entrepreneurial knowledge by women have hindered implementation of these programmes. Consequently, only a few rural women have benefited from the bank`s credit programmes. This is the reason why micro-finance institutions in Kapseret Constituency have been embraced by women.

### **2.1.2 Micro-finance and Women Empowerment**

A majority of micro-finance programmes target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority.

Mayoux (1997) and Kabeer (2001) believe that investing in women`s capabilities empowers them to make choices. This is a valuable goal in itself and it also contributes to greater economic growth and development. It has been well-documented that an increase in women`s resources results in the well-being of the family, especially children. Based on Hulme and Mosley (1997) feminist point of view, they stress that an increased access to financial services represent an opening/opportunity for greater empowerment. This therefore implies that MFIs explicitly perceive accessibility to loans as a tool in the fight for women`s rights and independence. Finally, keeping up with the objective of financial viability, an increasing number of micro-finance institutions prefer women members as they believe that they are better and more reliable borrowers.

Hashemi *et.al* (1996), investigated whether women's access to credit has any impact on their lives, irrespective of who had the managerial control. Their results suggest that women's access to credit contributes significantly to the magnitude of the economic contributions reported by women, to the likelihood of an increase in asset holdings in their own names, to an increase in their exercise of purchasing power, and in their political and legal awareness as well as in composite empowerment index. They also found that access to credit was also associated with higher levels of mobility, political participation and involvement in 'major decision-making' for particular credit organizations.

Holvoet (2005) finds that in direct bank-borrower minimal credit, women do not gain much in terms of decision-making patterns. However, when loans are channeled through women's groups and are combined with more investment in social intermediation, substantial shifts in decision-making patterns is observed. This involves a remarkable shift in norm-following and male decision making to more bargaining and sole female decision-making. She finds that the effects are even more striking when women have been members of a group for a longer period and especially when greater emphasis has been laid on genuine social intermediation. Social group intermediation had further gradually transformed groups into actors of local institutional change.

Mayoux (1997) argues that the impact of micro-finance programmes on women is not always positive. Women who have set up enterprises benefit not only from small increases in income at the cost of heavier workloads and repayment pressures. Sometimes their loans are used by men in the family to set up enterprises, or sometimes women end up being employed as unpaid family workers with little benefit. She further points that in some cases women's increased autonomy has been temporary and has led to the withdrawal of male support. It has also been observed that small increases in women's income are also leading to a decrease in male contribution to certain types of household expenditure. Rahman (1999), using anthropological approach with in-depth interviews, participant observations, case studies and a household survey in a village, finds that between 40% and 70% of the loans disbursed to the women are used by the spouse and that the tensions within the household increases (domestic violence).

Mayoux (1997) further discusses that the impact within a programme also varies from woman to woman. These differences arise due to the difference in productive activities or

different backgrounds. Sometimes, programmes mainly benefit the women who are already better off, whereas the poor women are either neglected by the programmes or are least unable to benefit because of their low resource base, lack of skills and market contacts. However, poorer women can also be more free and motivated to use credit for production.

Mayoux (2001) also warns about the inherent dangers in using social capital to cut costs in the context of other policies for financial sustainability. The reliance on peer pressure rather than individual incentives and penalties may create disincentives and corruption within groups. Reliance on social capital of women clients along with increasing emphasis on ideals on strict economic accounting at the programme level require increased voluntary contribution by the members in terms of time and effort. It has been noted that those putting in voluntary contributions also expect to be repaid in the form of leadership of the group.

Burjorjee (2002) explains that women's use of financial services can increase their income and economic security, enhance their independence, reduce the vulnerability of their families, and stimulate local economies. However, he argues that neither women's access to financial services nor the benefits of those services are guaranteed. Although micro-finance is seen by some as synonymous with "women's finance," in some parts of the world women remain marginalized as micro-finance clients. And even where women's access to micro-finance has been established, the virtuous spiral of access and empowerment for women is not automatic (Cheston and Kuhn, 2002). Making financial services available to women clients, without adapting those services to the special constraints and coping strategies that arise from women's multiple social roles, misses the opportunity to achieve both significant outreach and economic and social empowerment. As financial sustainability continues to be a priority for donors and MFIs struggling to meet their double bottom line, it is extremely important to find cost-effective methods of ensuring links between availability, accessibility, and impact for women.

Another issue that needs further investigation is whether without change in the macro environment, micro-finance reinforces women's traditional roles instead of promoting gender equality? A woman's practical needs are closely linked to the traditional gender roles, responsibilities, and social structures, which contribute to a tension between

meeting women's practical needs in the short-term and promoting long-term strategic change (Burjorjee, 2002). By helping women meet their practical needs and increase in their efficacy in their traditional roles, micro-finance can help women to gain respect and achieve more in their traditional roles, which in turn can lead to increased esteem and self-confidence. Although increased esteem does not automatically lead to empowerment it does contribute decisively to women's ability and willingness to challenge the social injustices and discriminatory systems that they face (Cheston and Kuhn, 2002). Finally, it is important to realize that empowerment is a process. For a positive impact on the women empowerment may take time. In the case of Kapsaret Constituency for instance, it has taken many years for empowerment to take effect.

## **2.2 Types of Empowerment**

Empowerment is not a unitary concept. It has many dimensions and these dimensions do not necessarily move together at the same pace, or even in the same direction. Some of these dimensions are economic, social and political empowerment.

### **2.2.1 Economic Empowerment**

Women's access to savings and credit should give them a greater economic role in decision-making through their decision about savings and credit. When women control decisions regarding credit and savings, they will optimize their own and the household's welfare. The investment in women's economic activities will improve employment opportunities for women and thus have a 'trickle down and out' effect (Acharya and Bennett, 1981). Women's economic empowerment is determined by ownership of immovable and movable property, access to assets both tangible and intangible, and income which allows control of goods and services and can thereby enhance a woman's economic independence. However, the mere presence of assets or income does not signify an expansion of economic space, unless there is accompanying control. For instance in South Asian societies a daughter is often given dowry instead of property rights (Narayan *et al.*, 2000). However, the goods transferred via dowry and gifts cannot be said to enhance woman's economic space as she does not usually have control over them. The financial sustainability and feminist empowerment paradigms emphasize women's own income-generating activities. In the poverty alleviation paradigm, the emphasis is more on increasing incomes at the household level and the use of loans for

consumption. In the feminist empowerment paradigm, individual economic empowerment is seen as dependent on social and political empowerment (Acharya and Bennett, 1981).

Access to credit facilities and women's decision about what is being done with savings and credit strengthens women's say in economic decisions of the household. This enables women to increase expenditure on their own and their children's wellbeing. This is the main concern in the poverty alleviation paradigm; women's control over decision-making also benefits men through preventing leakage of household income (Acharya and Bennett, 1981) and perhaps even allowing for savings and investments. Other welfare interventions are advocated in addition to micro-finance, typically nutrition, and health and literacy campaigns to further decrease vulnerability and improve women's skills. In the financial self-sustainability and feminist empowerment paradigms, improved well-being is an assumed outcome from increasing women's economic activities and incomes (Acharya and Bennett, 1981).

### **2.2.2 Social and Political Empowerment**

According to Narayan *et al.* (2000), a combination of women's increased economic activity and control over income results from access to micro-finance with improved women's skills, mobility, access to knowledge and support networks, and status within the community is also enhanced. Social space widens when a person's position within kin-based hierarchies is higher than that of others. Age is a major factor in determining status in extended families which is more complex. The parents-in-law usually are the most important members with the sons and daughters-in-law ranked by age. Marital status is also an important determinant as widows have lower status than married women. These changes are reinforced by group formation, leading to wider movements for social and political change

The financial self-sustainability paradigm and the poverty alleviation paradigm assume that social and political empowerment will occur without specific interventions to change gender relations at the household, community or macro-levels. By contrast, the feminist empowerment paradigm advocates explicit strategies for supporting women's ability to protect their individual and collective gender interests at household and community levels. Women's political space can be perceived at two levels: private political space and

public political space, The first relates to the political situation within the domestic unit (Sata, 2008). Political space correlates to hierarchical allocations of authority and responsibility that are sanctioned by socio-cultural space. Public political space has to do with women`s access to and control of public office and their participation in the administration and governance of society locally, regionally and nationally. The divide between the private and the public is very significant in lives of women: public political space exists on the public side of the divide while women are largely confined to the private side and few bridges exit for crossing so women`s access to and control of public political space is restricted.

### **2.3 The Impact of Micro-finance on Poverty Alleviation among Women**

Micro-finance clearly contributes to a greater economic stability and well-being of poor families through increase in income, health, nutrition, education, and empowerment. Micro-finance is proven to improve the standard of living of many families to such a degree that they are completely lifted out of their impoverished situation. REPOA (2005), reports that 58% of borrowers had crossed over the extreme poverty line. In the same study, of the 42% of the borrowers who failed to cross the poverty line, 60% had experienced a serious illness in the family - most commonly tuberculosis, typhoid, jaundice, and gastric ulcers. Loans prevented these families from becoming destitute, but they were insufficient to overcome their crises.

Another study by Sata (2008), investigated the percentage of families who were able to lift themselves out of poverty through access to micro-credit and found out that micro-finance reduces poverty by increasing per capita consumption. Poverty reduction estimates based on consumption impacts of credit show that about 5% participants can lift their families out of poverty by borrowing from micro-finance institutions. According to Sata (2008), when joining the micro-credit program, 64% of clients were classified as “very poor” and 36% as “moderately poor. Later, 7.2% of clients were still classified as “very poor,” 56.8% as “moderately poor” and 36% were “no longer poor.” Also, two thirds of women who participate in micro-finance programs were able to break free from their previous levels of poverty. Evidence is mounting to show that micro-finance can be used as a means not only to increase household income, but also to completely lift poor families out of poverty. Currently, it is estimated that about 30 million families worldwide participate in MFI programs and enjoy benefits such as

increased income and decreased vulnerability to economic shock. Five percent of micro-finance participants are lifted out of poverty each year (UNDP, 2009). The literature review was also guided by the work of Muhammad Yunus. Yunus, the 2005 Nobel Peace Prize winner is the founder of Grameen Bank in Bangladesh, which created a new category of banking by granting millions of small loans to the poor people without collateral and one of his first moves was focus on women which was a radical step in a traditional Muslim society.

Yunus once commented that “this is not charity. This is a business with a social objective which is to help people get out of poverty” (Yunus, 2003). Amartya Sen an Indian economist and 1998 Nobel Prize Winner in Economic Sciences is another guru who has conducted quite a number of studies in micro-finance and micro-credit, although he is best known for his work on the causes of famine. The works of Mohamed Arifujjaman Khan and Mohamed Arisur Rahaman were also used to support the study. According to them, micro-credit and micro-finance have a positive impact on the standard of living of the poor and their lifestyles (Khan and Rahaman, 2007). The literature review revealed that micro-finance and microcredit is not short of critics. In recent time there has been increased questioning of whether micro-credit is the most effective approach to economic empowerment of the poorest and among them women in particular. This study therefore critically examined the literature of such critics including Tucker (2011) who said that the effects of the Grameen strategy has not been to reduce poverty but only to create a debt trap for borrowers.

Another critic whose work was critically examined during this study is Gopalan (2011) who argues that micro-credit and credit for empowerment are different in terms of goals and process. Literature shows that practitioners in India and some other developing countries argue that the exaggerated focus on micro-credit as a panacea for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. Also included was a review of the works of two critics; Feiner and Barker (2011) who argued that evidence on micro-credit and women’s empowerment is ambiguous. They assert that access to credit is not the sole determinant of women’s power and autonomy.

The literature review revealed yet another critic Kanya D’Almeida (2011) who argues that debt doesn’t equal emancipation and that micro-credit compliments the neoliberal

supposition that the only way out of poverty is for the poor, particularly women who already strain under the yoke of unpaid domestic labour to work even harder at a pittance. Consequently, since it was established that there is abundant literature by supporters of micro-finance and micro-credit, and equally abundant literature by critics of micro-finance and micro-credit and how it impacts on women, the literature review in this study covered both sides. This is crucial in bringing to light various elements of the contribution of micro-finance institutions and women empowerment.

#### **2.4 Services Offered by Micro-Finance Institutions to the Empowerment of Women**

In Kenya, the regulatory framework for banking and finance also covers lower categories of licensed banks that have the legal capability for deposit taking activities (generally limited to savings) and for providing loans. The limited-service banking institutions, (micro-finance institutions) are subject to prudential supervision by a country's central supervisory authority (Central Bank of Kenya) are required to comply with reporting requirements with applicable prudential standards. Some micro-finance and Small & Medium Enterprise (SME) finance which do not take retail public deposits but are permitted to fund their operations and loan portfolios through commercial borrowings. Wholesale and large-value institutional deposits are generally required to register and to obtain a license (World Bank, 2001).

According to Kibaara (2006), MFIs is a term commonly used to define financial institutions dedicated to assisting small enterprises, the poor, and households who have no access to the more institutionalized financial system, in mobilizing savings, and obtaining access to financial services. Through micro-finance, women have been able to run small businesses which constitute a significant share of economic activity in developed and transitioning economies. To meet the unsatisfied demand for financial services to women, a variety of MFIs have emerged over time in Africa. Some of these institutions concentrate only on providing credit, others are engaged in providing both deposit and credit facilities, and some are involved only in deposit collection. They range from non-governmental organizations, savings and credit cooperatives, commercial banks and regulated specialized providers.



According to Thomas (1999), the provision of financial services to micro-enterprises has become increasingly popular since the late 1980's. Medium level finance institutions, in Kenya such as the Kenya Women Trust Bank and Faulu have highlighted the benefits of providing financial services to low-income entrepreneurs. Successful micro-finance institutions have developed innovative and simplified techniques to provide financial services. Many of these techniques mimic informal services available from moneylenders or Financial Self-help Associations. Historically, most of the attention within the micro-finance industry has focused on the provision of credit.

The World Bank (2001) explains that small loans are also assessed mostly by women groups whereby members become self-employed thus significantly improving their income situation. A loan amounting to 20,000 to 200,000 shillings can open up completely new perspectives for an individual. Micro-finance institutions have developed instruments that allow such small loans to be granted. The repayment rate is however high, since the offerings of micro-finance institutions are often the only option for these individuals to receive a loan, and will always do everything possible to make use of the opportunity to make huge profits.

Available data and information show that deeper and more-efficient financial markets can contribute to accelerated economic growth, for instance, in the agricultural sector which ensures sustainable food security. Robinson (2001) says that increasing access in rural markets to a wider array of financial services through a varied range of financial intermediaries is critical to helping low-income rural households, thus enhanced labour productivity. Economic growth in agriculture is a key precondition for overall economic growth and poverty reduction, given that most of the world's poor still live in rural areas where agriculture is the main economic activity.

There are examples of agricultural development banks, MFIs, and credit unions developing strong rural services, while commercial banks do not generally seem to fit this market niche as readily. Some MFIs have tried to transform from nongovernmental status to a regulated, supervised financial institution; however, with notable exceptions, this has not proven to be a reliable route to improved rural outreach of financial services. In general, commercial banks have not entered the rural and agricultural credit markets on a substantial scale in most developing countries, despite incentives designed to encourage downscaling and rural market penetration. This has given prominence to MFIs.

## **2.5 Impact of Micro-finance Institutions on Rural Development**

In other countries such as Thailand and Indonesia, the experiences of Thailand's Bank for Agriculture and Agricultural Cooperatives Bank Rakyat Indonesia's (BRI) target village units in their micro-banking system (Zeller, 2003). Tanzania's National Micro-finance Bank (NMB) demonstrates that state-owned banks can be transformed into dynamic, profitable, and successful rural-oriented financial intermediaries with business-oriented management reforms. Such transformation of state owned banks can be achieved only with firm political commitment, ownership of reforms, management autonomy and incentives.

According to the World Bank (2001) Group-based models have built impressive portfolios in rural markets; savings and loan cooperatives and credit unions have grown rapidly in diverse settings. In addition, the village banking services have shown, in many cases, that rural community-based and self-managed financial entities can become self-sustaining. This model was later adapted with changes by Catholic Relief Services, World Vision, and even a few commercial banks. Several MFIs have shown that they can profitably serve large numbers of relatively poor households, micro-enterprises, and small businesses. Although the client base is typically in peri-urban markets or in off-farm business activities in rural markets, those experiences have renewed interest in the feasibility of reorienting rural finance and micro-finance institutions. According to this study, there is a growing list of MFIs that have moved beyond their initial urban client base to tailor their products to rural clients, including the Equity Building Society in Kenya, Credit Amigo, a bank-affiliated MFI in Brazil and the Development Bank of Brazil (BNDES). This has led to development in rural areas.

## **2.6 The Effects of MFIs on Women Empowerment**

Studies done so far in Bangladesh indicate that living standards of the people who have benefited from micro-finance services have greatly improved through diversification and strengthening of their salaries, improved their security, self-respect and independence. Daley-Harris (2009) avers that, the poor have been able to undertake diversified economic activities which generate the flow of income throughout the year .With micro-finance services the poor households own and command assets and savings in which they

use to meet contingencies without sacrificing their independence or peace of mind by indebtedness.

Micro-credit borrowers can now depend substantially on their own property to meet their financial obligations without depending on borrowing from expensive money lenders with unfriendly borrowing conditions like high interest rates and the requirement for the collateral. In addition, micro-credit has raised self-respect and empowered borrowers as well as raised their social standing and participation in activities like building community roads, running health programmes and community schools. A study conducted by World Bank in 1999 showed that income of the poor had increased significantly (ibid).

Hewlett (2005), says that the Chinese government has been attempting in the recent past to tackle this problem by promoting economic development in rural areas through creating small and medium sized enterprises. The promotion has been done by the provision of micro-finance services. According to him, the Chinese government has granted licenses to companies offering micro-finance services in rural areas so as to bridge the gap between the rural poor and the urban population. The People's Bank of China and the China Banking Regulatory Commission has encouraged the creation of rural credit cooperatives and village micro-finance banks by offering big subsidies to them so as to offer micro-credit at an affordable and friendly conditions. According to Prahalad (2004), micro-credit has demonstrated that people can save, borrow and meet their financial obligations in cities and rural areas. Besides, the government of china has facilitated the creation of specialized and dedicated micro-credit companies.

According to Mamun (2007), micro-finance in Malaysia is operated by credit unions, cooperative banks and specialized micro-finance institutions. There are specialized rural credit institutions that provide micro-credit to the agricultural sector. Besides, a number of NGOs engage in micro-finance. He says that, in 2006 the government gave colossal sum of money to local financial institutions offering micro-credit to carry out micro-credit programs. The aim of the government was to make individuals and micro-enterprises who did not qualify to existing bank products due to lack of collateral or guarantors to access funds.

Harris (2002) argues that, the aim of micro-finance institutions is to give loans to finance income generating activities to the poor households and eventually move out from the

poverty group. It is the government's objective in the eradication of poverty among the poor households in Malaysia. Harris argues that, borrowers are given interest free loans to undertake income generating projects. The loans are rapid on a weekly basis. After the completion of repayment relatively bigger loans are granted. The advancing of loans follow Grameen Bank model where borrowers form groups who guarantee themselves. After formation of groups, the members undergo thorough training for one week on management of their businesses and how to repay the loans. Malaysia has reached 80% of the targeted poor households.

According to Mamun (2007) the government carries out screening of the poor before the loans are advanced. The loans are advanced through a special delivery system, no collateral, no legal action and no guarantors other than members of the group. What is striking is that the loans are delivered to the poor in the village. Formation of groups is meant to enhance peer pressure and support collective responsibility. Besides, loans being given to the poor for income generating activities, there is close supervision by field staff at designated centres and business premises. This has increased accessibility to MFIs.

## **2.7 Challenges Faced by MFIs in Women Empowerment**

Micro-finance institutions (MFIs) in Kenya face multiple challenges to growth. These include the lack of clear and actionable strategic plans, the need for strategic leadership development, and a range of operational issues. According to Honohan (2004), MFI penetration is still extremely low outside of cities in Kenya, and for both rural and urban areas of Tanzania. In both countries, the majority of people living in rural areas have absolutely no access to formal financial services. He states that, for MFIs to achieve maximum impact in these underserved areas, they need to be able to provide a complete set of financial services to a large number of clients. To do this, they need to reach scale and become a fully regulated financial institution.

Among other things, MFIs need to have a streamlined and efficient operations system, an appropriate governance structure, and a highly qualified Board of Directors and management team (Barron, John and Staten, 2001). Combined with overcoming the logistical obstacles that exist with serving primarily rural populations, this is no small feat for MFIs operating in Kenya and Tanzania. MFIs endeavouring to become regulated and

reach scale will require strong strategic leadership and an actionable strategic plan to guide them through the myriad of challenges associated with rapid growth.

Among challenges facing micro-finance industry in Africa are: high cost of service delivery with poor infrastructure, regulatory policy issues, and the need to develop institutional leadership. Because infrastructure and communication technology remain largely underdeveloped in Africa, it is significantly more expensive for MFIs in Africa to operate compared to their peers in developing countries. Another challenge in Africa is policy making and government regulations, which vary by country. In many countries, the supervisory capacity of central banks, which holds the ultimate responsibility of financial sector needs an adjustment because some of the policies do not support development in some rural areas. The countries which are able to close the micro-finance demand gap most successfully will be those that improve their policy frameworks and adapt their legal and regulatory systems in line with rapidly changing industries (Honohan, 2004).

According to Rose (2008) a low population density area where the number of women form a viable group is inadequate also poses as challenge. The situation is exacerbated by the unequal distribution of the family resources, which makes it difficult for women to raise the necessary savings and participate in a group. Some women access credit, but only to pass it onto others who are not directly accountable, leaving them with the loan repayment burden. The one year repayment period is one of the reasons for the default in repayments. Examples of such failure make other women reluctant to borrow. Because of the society's perception of a woman's place in the home, some women are not aware of the existence of sources of finance.

Kibaara (2006) says that, many MFIs are inadvertently limited by ties to their originating non-profit organisations, particularly with respect to ownership structure and appropriate governance. For example, many MFIs that were formed as non-profits have a Board of Directors made up of community members who may have been serving since the organisation originated, in some cases over a decade ago. While these Board members are committed to the organisation, they may not have the appropriate knowledge and/or experience to govern a regulated, commercial financial institution. This results in a significant obstacle to the growth for the MFI.

MFIs also experience challenges related to operations. The success of an organisation is very dependent on the team of people working to ensure its progress. However, because of their small size, MFIs are typically not able to pay as well as other institutions, so hiring and motivating competent staff for these difficult jobs becomes an additional challenge.

Research has shown that, tax issues may present obstacles to rural finance and micro-finance institutions from more effectively providing access to financial services. The legal and non-profit status of non-bank NGO MFIs may sometimes be questioned by tax authorities on the grounds that the credit services they are providing to their clientele are priced at commercial rates, rather than at “charitable” levels, as in the case of NGO MFIs in India. In other instances, licensed specialized banks and non-bank finance institutions may not be permitted by tax accounting laws and regulations to expense provisions for possible loan losses, in spite of prudential regulations issued by the central supervisory authority, as in Tanzania, which creates an unnecessary real economic burden to such specialized banks and non-bank finance institutions (Kibaara, 2006).

A related problem stems from the requirement by tax authorities that delinquent loans may be written off only when the sale and disposition of collateral securing such a defaulted loan results in recovering a monetary value that is less than the value of the collateral, as in the case of Kenya.

According to Honohan (2004), Credit registries allow borrowers to build up a credit history and can assist lenders in assessing risk, thereby reducing the cost of lending and improving access. Credit registries that give easy and reliable access to a client’s credit history can dramatically reduce the time and costs of obtaining such information from individual sources and, therefore, can reduce the total costs of financial intermediation. Credit reporting makes borrower quality much more transparent, which benefits good borrowers and increases the cost of defaulting on obligations. It helps borrowers build up a credit history and eases access to credit.

Credit registries are especially important for Small Medium Enterprises (SMEs), because their creditworthiness is more difficult to evaluate and because they have less visibility and transparency relative to large enterprises. Often, current regulations may provide for the sharing of only negative information (i.e., information on nonperforming loans). It is

preferable that regulations allow for sharing of both positive and negative information to improve reliability of credit risk evaluation and to increase competition.

## **2.8 Overview of Literature**

Women empowerment is increasingly being viewed as one of the key constituent elements of the poverty reduction strategy. It is not only seen as a development objective in itself but as a means of promoting growth, reducing poverty and promoting better governance (World Bank, 2001). Specialized microcredit institutions providing loans to poor women all over the world, since the 1980s, have been widely associated with their potential to 'empower' women. The link between micro-credit and empowerment, though repeatedly emphasized by donors and practitioners in conferences and summits, is a controversial area of empirical research. Isolating and teasing out the effects of micro-credit on empowerment alone is often very difficult to assess empirically. Data set to measure empowerment is scarce. The kind of treatment and control groups required to provide significant statistical insights for the differences in household decision making between participants and non-participants are also hard to find since empowerment takes different dimensions.

Kenya has one of the most diverse financial systems in Africa, including Commercial Banks and several savings and credit co-operatives (SACCOs) as well as many micro-finance institutions. The capital market is also relatively well developed by African standards, with the Nairobi Stock Exchange being one of the most active in the region. An analysis of the planning and budgetary process reveals the challenge of non-inclusion of gender concerns in the budget. The process does not require the use of gender disaggregated data in the preparation of annual estimates through which Government revenue is applied and distributed. The Kenyan Gross Domestic Product (GDP) has over the years been calculated as the sum of nonmonetary and monetary economies. However, the non-monetary economy paid little attention to work done in forestry, fishing, building and construction, water collection and housing, activities that are largely un-remunerated and done by women (African Development Bank, African Peer Review Mechanism, 2006).

Although male labour force participation rates have generally remained higher than those for females, the gap is gradually narrowing. The Government undertook to enhance the

participation of women in both labour force and employment with the directive in 2006 that 30% of all new posts in the public sector should be filled by women. The country has recorded some level of success, but women's labour force participation rates need to be further increased.

The proportion of women employed in both formal and informal sectors has slightly increased from 26.2% in 2000 to 29.5% in 2005. However, women's participation in wage employment in both formal and agricultural sectors stagnated in the period 1998/2005 rising from 29.3% of total wage employment in 1998 to 29.5% in 2005 only. The decline of Public Sector expenditure in 2005 and the slow growth in the economy made the employment prospects look very bleak for 2006 and beyond.

A report made by the Republic of Kenya in 2006 showed that women make up 30-40 % of the micro-finance clients. By far the most popular sources of finance for women are loans from their neighbours, Savings and Credit Cooperatives (SACCOs) and informal saving clubs. The approach used by most MFIs is the group-based, mutual guarantee approach that also enforces savings. As elsewhere, women who would need middle level lending facilities to expand beyond the micro-enterprise to medium scale businesses level with larger capital needs find that opportunities for them are particularly constrained because MFIs have lower lending ceilings and commercial banks consider women a high risk, or their demand for collateral cannot be met. In 2006 and 2007 respectively the government established a Ksh 2 billion Women Enterprise Development Fund and a Ksh 5 billion Women Investment Fund aimed at helping women entrepreneurs move out of the informal sector into the formal sector. The availability of these funds has encouraged the interest of intermediary finance institutions to target women entrepreneurs with special loan products.

A report by Republic of Kenya (2006), states that with the multiplicity of roles played by women, they tend to be "time poor," combining family duties with running their businesses, and with limited access to financial resources, women may be less likely to register their businesses. Yet, evidence indicates that women may respond well to simplified registration procedures. Business licensing requirements are onerous and are for some activities such as registration of business names, centralised in Nairobi. The Single Business Permit system which was launched in 1999 is not yet fully operational and the fees charged are considered to be prohibitive. This forces many businesses to stay



informal. In addition by-laws applied by County governments are not standard and may be applied for punitive rather than facilitative reasons.

## **2.9 Chapter Summary**

The literature review was on women empowerment, the services provided by MFIs to empower women, the impact of these services as well the challenges faced by MFIs as they contribute to the empowerment of women. The factors were important in addressing and understanding the situation in Kapreset Constituency, Uasin Gishu County.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY AND DESIGN**

#### **3.0 Introduction**

This chapter presents a description of the research design and methods applied in carrying out research. It is organized under the following sections: research design, area of study, target population, sampling procedures and sample size, data collection instruments, data collection procedures, ethical issues and data analysis and presentation.

#### **3.1 Research Design**

A research design is a specific plan for studying a research problem (Mutai, 2000). Kombo and Tromp (2006) observe that a research design is the 'glue' that holds all the elements in the research design as the scheme, out-line or plan that is used to generate answers to the research problems. It is a basic arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

In this study, a descriptive research design was employed. Kothari (2005) defines descriptive survey research as concerned with describing, recording, analyzing and interpreting conditions that either exist or existed for the purpose of employing data to justify current conditions, practice or make informed plans for improvement. This study aimed to examine the contribution of micro-finance institutions (MFIs) operating in Kapseret Constituency of Wareng Sub-County, Uasin Gishu County to the empowerment of women. A survey is a deliberate attempt by the researcher to collect data from members of population in order to determine the current status of that population with respect to one or more variables (Mugenda and Mugenda, 2003).

The research design generally entails collection of information by administering questionnaires to a sample of individuals (Orodho, 2003). Enon (1998) indicates that descriptive survey is applicable where the study involves stating conditions or relationships that exist. This descriptive survey included a simple frequency counts emanating from the many questions asked. According to Kerlinger (2004), this research design enables a researcher to have a keen observation and come up with facts about a

sample that can be used for generalisation purpose about the entire research population. Both primary and secondary information were sought. Secondary information was collected from libraries, magazines, newspapers and internet among others. Primary data were collected by use of the questionnaires and interview schedules.

### **3.2 Study Design**

The study adopted both qualitative and quantitative methods. Qualitative method was used to analyse items from the interview schedule while questionnaires were analysed quantitatively. Quantitative method deals with quantity or amount while the qualitative phenomenon on the other hand relates to quality (Kothari, 2005).

### **3.3 Study Area**

The study was conducted in Kapseret Constituency of Wareng Sub-County, Uasin Gishu County. This is a moderately populated sub-county. Its population comprises of different tribes from various parts of the country. The population is 121,178 with an area of 451.00 square kilometres. Majority of the people who live here are low income earners. Others live in trading centres and outskirts of Eldoret town, where they practice small businesses while others are jobless. Also included are indigenous settlers. The recurrent election-related violence the worst being the clashes of 2007/2008, has worsened the living conditions of the people due to loss of property and lives; thus impacting negatively on their economic status. The most affected are women and children,

Agriculture is an economic activity in this area. Farmers grow maize for subsistence purposes but few of the people own bigger farms, grow maize, wheat and keep dairy cows for commercial purposes. Agricultural sector has been affected by the unfavourable climatic conditions, exorbitant farm inputs and high costs of use of farm machinery. In addition, the liberalization of market prices for farm products has hit farmers who produce maize and wheat hence lowering the prices of these commodities. This has translated to low production.

### **3.4 Target Population**

According to Borg and Gall (1989), target population is all numbers or set of people, events or objects to which the researcher wishes to generalise the results of the research.

The study targeted 20 women groups and 5 micro-finance institutions because they are directly involved in the process of women empowerment. Furthermore, the target population that the study investigated and reported about are the women who belong to women groups in Kapseret Constituency. As a result, the study settled for all women belonging to 20 women groups.

### **3.5 Study Population and Inclusion Criteria**

For the purpose of this study, 20 women self help-groups whose members had been given loans one year or more before the study was conducted were considered in order to assess the effect of loans on empowerment of women. The groups were selected in the same geographical area allowing for neutralization of the effects of territory on the analysis. Each one of the self-help groups was contacted and asked to collaborate in the study by providing access to several of their members, who agreed to meet with the researcher. The focus of this study was on women who operate in different economic sectors to avoid biasness thus taking into account the main profiles of women's micro-credit clients.

### **3.6 Sample Design**

The sample for this study covered selected areas in Kapseret Constituency of Uasin Gishu County. Purposive and simple random sampling was used to pick the self-help groups and their members. A sample of 20 women self-help groups was used. Within the group, the researcher used group attendance registers to randomly come up with a sample of five women from each group making a total of 100 female respondents who participated in this study. The study included 5 micro-finance institutions and 2 officers from the MFIs which were selected purposively.

A sample is a finite part of a statistical population whose properties are studied to gain information about the whole (Kombo and Tromp, 2006). Sampling is the procedure of selecting a number of individuals from the population such that the selected group contains elements representative of the characteristics found in the entire group (Orodho and Kombo, 2002).

### **3.6.1 Simple Random Sampling**

Simple random sampling was used to select at least 5 members from the 20 women groups using Krejcie and Morgan (1970) method as cited by Amin (2005). ‘Yes’ and ‘no’ were written on pieces of papers and given to respondents to pick. Those who picked ‘yes’ were the ones who were considered. It was for the purpose of giving each of them equal and independent chances of participating in the study and enhancing representative of the entire population. In total there were a hundred women, 10 micro-finance officers totalling to 110 people who participated in the study. In simple random sampling, a sample is chosen from a large population. Each subject is then chosen by chance. Each sample has the same probability of being selected.

### **3.6.2 Purposive Sampling**

In purposive sampling the researcher selected 20 women groups from 65 active registered groups. Purposive sampling was also used to select 2 officers each from 5 micro-finance institutions.

## **3.7 Research Instruments**

Research instruments included questionnaires and semi-structured interview schedules. Questionnaires were for members of the women groups, while interview schedule were for micro-finance institution officials.

### **3.7.1 Questionnaires**

A questionnaire is a collection of items or questions to which a research subject is expected to respond as defined by Kothari and Pals (1993). It is preferred because of its confidentiality. It saves time and information can be collected from a large sample. It contained three sections A, B and C: Section A sought background information on women group members, Section B sought knowledge on entrepreneurship while Section C sought their knowledge on MFI’s products. It contained both closed and open-ended

items. The closed-ended items limited the respondents to specific answers thus making it easier to analyze the findings. Such items also made it easier for the respondents to answer thus giving more accurate response. The open-ended response also provided opportunities for self-expression. According to Mugenda and Mugenda (1999), closed-ended questions are easier to analyze since they are in the immediate usable form. They are also economical in terms of money and time. Since it is a standard research instrument, it allowed for uniformity in the manner in which the questions were asked and made comparison possible across respondents (Cohen and Manion, 2003).

### **3.7.2 Interview Schedule**

An interview schedule is an oral exchange between the interviewer and the interviewee. According to Kothari and Pals (1993). In this study these were, the micro-finance officers from selected micro-finance institutions. The use of interview schedule was preferred because it facilitated in-depth information which otherwise could not be acquired from the questionnaires, therefore making the interviewing process more achievable. Face-to-face interview sessions sought to clarify information. It contained one section for the interviewee to respond to the loaning process that governs women groups. The interview schedule is found in appendix II.

## **3.8 Reliability and Validity of the Research Instruments**

This section presents information regarding the reliability and validity of the study.

### **3.8.1 Reliability of Research Instruments**

According to Mugenda and Mugenda (1999), the reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after trials. Piloting was done to establish reliability using test-retest method. The questionnaires were administered and re-administered after two weeks to the same respondents. Pearsons Reliability Product Moment Correlation ( $r$ ) was used to determine the coefficient of stability of the data collection instruments which was 0.7. The Correlation Coefficient of 0.7 and above falls within McDonalds (1999) category that is considered reliable to be used in the study.

### **3.8.2 Validity of Research Instruments**

According to Mugenda and Mugenda (1999), validity of a research instrument is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Validity therefore is concerned with how the study represents variables in the study. If such data is a true reflection of the variables then inferences based on such data will be accurate and meaningful. The instrument was rated in terms of how efficient they sampled significant aspects of the purpose of the study. The researcher discussed the instruments with the supervisors and colleagues.

A pilot study was carried out in one women group selected randomly (Uwezo Women Group) in Wareng Sub-County with all members of the group filling in questionnaires. Distribution of questionnaires was done by the researcher. The responses of the subjects were checked against the research objectives. For the research instrument to be considered valid, the content selected and included in the questionnaire must be relevant to the variable being investigated (Creswell, 2007). Cohen and Manion (2003) agree that the purpose of a pilot study is to get the “bugs” out of the research instrument. Moreover, one can carry out preliminary analysis to see whether the wording and format of questions would present any difficulties and make changes or modifications. The instruments were also discussed with the supervisors.

### **3.9 Data Collection**

Data was collected by use of questionnaires and semi-structured interviews. Permission and research permit were sought from relevant authorities such as the National Council for Science and Technology through Moi University School of Arts and Social Sciences. Permission was also sought from County Commissioner and the County Director of Education Uasin Gishu County.

Officials from micro-finance institutions were interviewed by the researcher using semi-structured interviews. Participants from women groups were issued with questionnaires which consisted of both closed and open ended questions. The questions were based on the study objectives. The self-administered questionnaires were hand delivered to women group members who filled and returned them to enable the process of analysis to commence.

### **3.10 Data Analysis and Presentation**

Data from the questionnaire were coded, entered into the Statistical Package for Social Sciences (SPSS Version 18) and analyzed using descriptive statistics in the form of frequency tables, percentages and pie charts, where Strongly Agree (SA), and Agree (A), Disagree (D) and Strongly Disagree (SD) were used. Strongly Agree and Agree were merged into Agree while Disagree was merged with Strongly Disagree into Disagree. Data from interview schedule were analyzed qualitatively. Results obtained formed the basis for the interpretation, conclusion and recommendations from findings.

### **3.11 Ethical Consideration**

The major ethical considerations in this study were privacy, confidentiality, and informed consent of the respondents. The Participants were informed of their right to anonymity and autonomy in the questionnaire through the instructions to the respondent. No respondent was required to write his or her name on the questionnaire for confidentiality purposes. The information gathered from the respondents was kept private and confidential and were used for study purposes only as recommended by Oso and Onen (2005).

### **3.12 Chapter Summary**

This chapter has discussed the research design and methodological aspects of the study which is important in understanding how the research was conducted. Methodological aspects are also important because they give a clear picture of how the findings were arrived at.



## **CHAPTER FOUR**

### **RESEARCH FINDINGS, PRESENTATION AND DISCUSSION**

#### **4.0 Introduction**

This chapter presents the research findings on the contribution of micro-finance institutions (MFI) to the empowerment of women in Kapseret Constituency of Uasin Gishu County. The data for this study were collected through self administered questionnaire, and interview schedules. Results were analyzed through descriptive statistics. Data is analyzed and presented in tables, percentages and charts, and eventually analyzed to enable the researcher achieve the research objectives.

#### **4.1 Demographic Characteristics**

This section presents the findings from the analysis of demographic data. Background information of the respondents included their gender, age group, marital status and education level.

##### **4.1.1 Respondents' Gender**

Results showed that out of 100 respondents who were involved in the study 85.1% were females and 14.9% were males. Females are key players in women empowerment and we cannot discuss women empowerment without discussing the input of women. A study conducted by Hastings and Oakford (2003) showed that gender disparities had a significant influence on mainstreaming attitudes. Females, however, were more likely to accept it have positive attitudes than males. Gender, therefore, influences the type of response to a particular item in a research instrument, based on information contained in Figure 4.1. the study revealed that there is a significant agreement with Hastings and Oakford study since a majority of the women were of a positive attitude towards the contribution of MFIs to the empowerment of women. This also agrees with the views of Hallahan and Iggalls (2003) that gender influenced mainstreaming attributes.

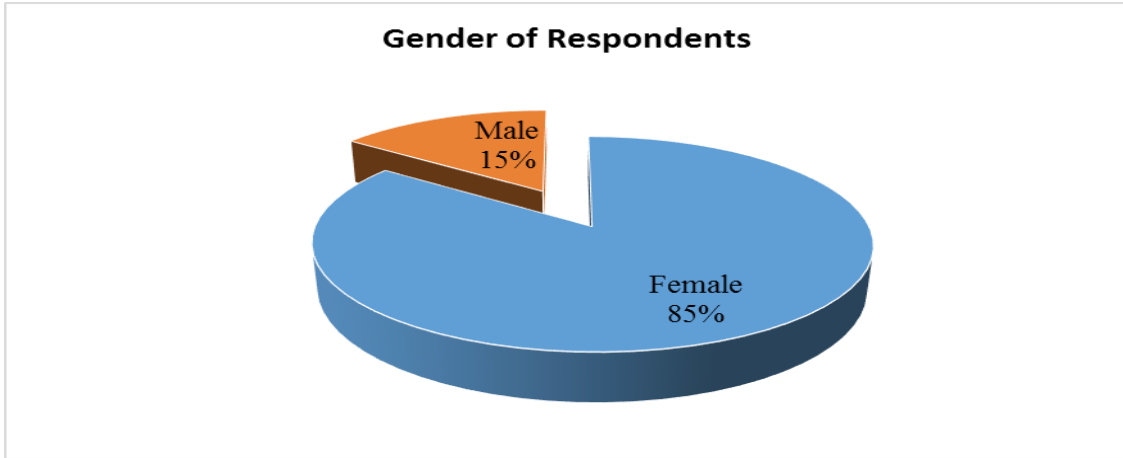


Figure 4.1 Respondents' Gender

#### 4.1.2 Age of Respondents

The age range of the respondents involved in the study was diverse as shown in Figure 4.2. From the study 39 (41.5%) of the respondents were aged between 40 and 50 years, with 36 (38.3%) aged between 30 and 40 years, with 15 (16%) between 20 and 30 years and 4 (4.8%) were below 20 years. These findings indicate that majority of the women were above 30 years and were eligible to be entrepreneurs.

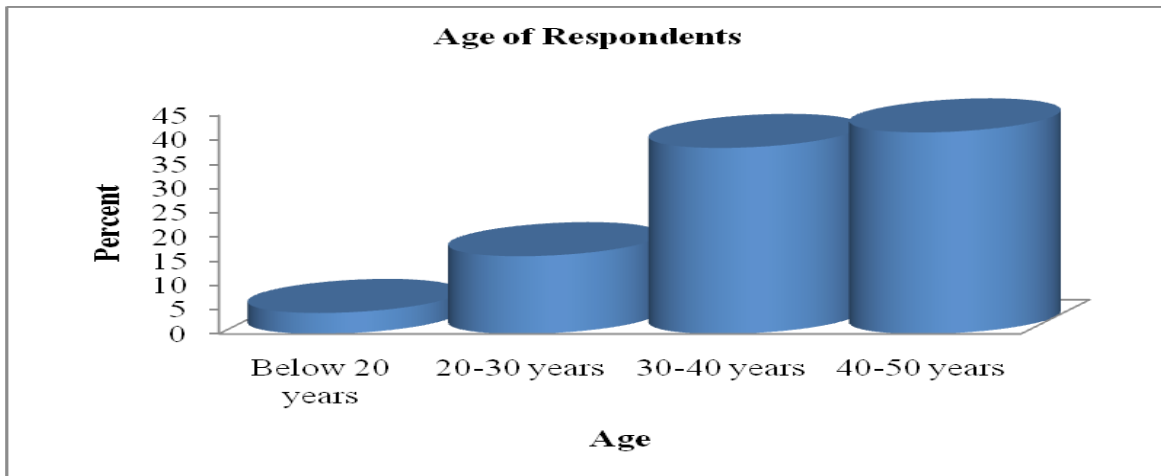
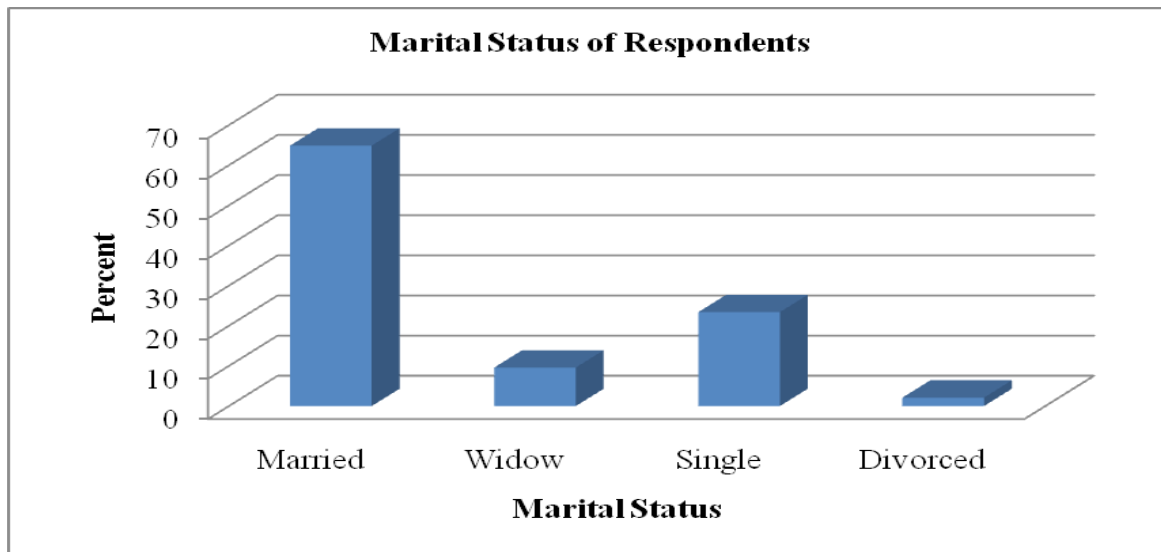


Figure 4.2 Age of Respondents

### 4.1.3 Marital Status of Respondents

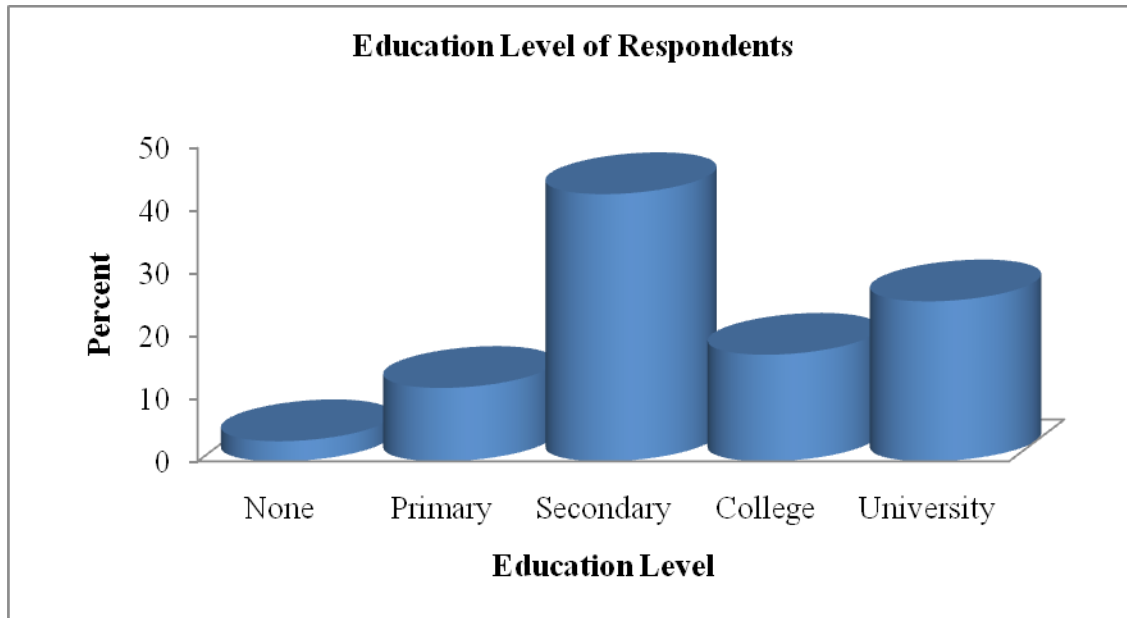
From the study 61 (64.9%) of the women were married, with 22 (23.4%) single, 7 (9.6%) widowed and the least 4 (0.5%) were divorced as shown in Figure 4.3. These findings indicate that majority of the respondents were married and venture into micro-finance as entrepreneurs to support themselves as well as their families. The demands of life necessitate the respondents to be entrepreneurs in order to create sufficient income from small and medium enterprises.



**Figure 4.3 Marital Status of Respondents**

### 4.1.4 Education Level of Respondents

Education level of respondents may affect women empowerment. It was expected that the more qualified they are, the more they become independent. According to Figure 4.4 majority of the respondents 40 (42.6%) had secondary education, with 24 (25.5%) having university education, while 18 (17%) had tertiary education and 9 (11.7 %) with primary education level and the least 3 (3.2%) without any education. The findings indicate that majority of the respondents had below tertiary education level.



**Figure 4.4 Education Level of Respondents**

From the study the years of service the MFIs staff had worked with the institution varied, with majority of the respondents 6 (60%) having worked for more than 5 years and 4 (40%) had worked for between one and three years. This indicated that most of the employees had worked with MFIs for more than five years. This implies that they had an adequate understanding of MFI issues relating to women empowerment.

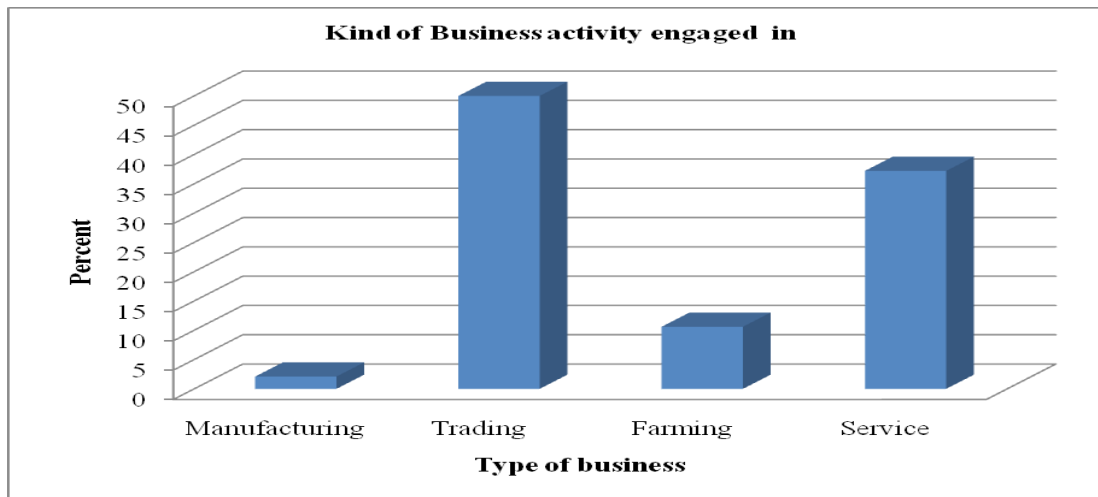
**Table 4.1 Years of Service the MFIs Staff Had Worked**

	Frequency	Percent	Cumulative Percent
1 to 3	4	40.0	40.0
5+	6	60.0	100.0
<b>Total</b>	<b>10</b>	<b>100.0</b>	

#### 4.1.5 Kind of Business Activity Engaged In

The characteristics of women empowered by micro-finance were sought during the study, through establishing the kind of business activity they engage in. From the study half of the respondents 47 (50%) undertook trade business, with 35 (37.2%) service provision,

and 10 (10.6%) practice farming and 2 (0.2%) were in the manufacturing industry as summarized in Figure 4.5.



**Figure 4.5 Kind of Business Activity Engaged In**

From the interview schedule the position held by respondents in the micro-finance institution comprised of assistant accountant, chairman, committee member, manager, micro-finance officers and public relation in MFI desk. This showed that the staff (10 in total) involved in the study were working in various departments. This shows that they possessed diverse knowledge regarding women empowerment.

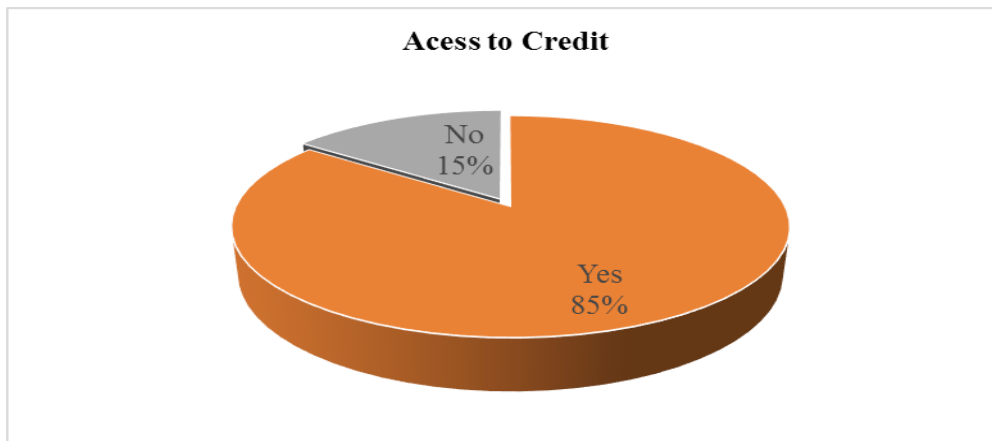
## **4.2 Services Provided by Micro-finance Institutions on Women Empowerment**

The first objective of the study was to identify and discuss the services provided by micro-finance institutions on women empowerment in Kapseret Constituency of Uasin Gishu County. This was in reference to establishing access to credit, duration of being a member of a micro-finance institution, frequency of obtaining a loan from micro-finance and the women’s desire to obtain another loan.

### **4.2.1 Access to Capital and Credit by Women**

The women involved in the study were required to identify whether they had had access to capital and credit in the last one year. From the findings, most of the women 80 (85%) had accessed credit and only 14 (15%) did not access the credit. The findings showed that

even if 85% had accessed credit, it was not sufficient due to small savings with MFIs which give three times one's savings. This was not sufficient for economic activities.



**Figure 4.6 Access to Capital and Credit by Women**

Of the women who accessed loan or credit, majority of them 52 (55.3%) used it to expand existing business, with 36 (38.3%) to establish business and 6 (6%) on expanding farming activities such as rabbit, poultry and dairy farming. They also got capital to buy goods such as 'Mitumba' clothes, and sell to customers as well as establish some income generating services such as 'MPESA' and 'bodaboda' services. The main purpose of obtaining a loan among the women was to create some form of self-employment in order to improve their living standards.

Staff of micro-finance institutions gave the criteria for loan qualification comprising of a member who should at least had deposited for six months, appraisal done by group members, had business income to enable the member and the loan offered to be 3 times members savings. From the study all the staff agreed that their financial institutions offer training to their clients on how they can utilize loans acquired. Also, the staff conduct monitoring process among beneficiaries both after receiving the loan and after repayment. The effectiveness of monitoring process was achieved through encouraging proper utilization of loan awarded. Effective monitoring was achieved through loan repayment at 100%, members became consistent in their businesses, increased clients, recovery up to date, recruited a number of groups, reduced bad debts and reduced loan defaults.

#### 4.2.2 Duration of Membership With Micro-finance Institutions

The longer the women membership in micro-finance institutions, the more they qualified to obtain loans or credit as shown in Table 4.2. From the study 53 (56.4%) of respondents identified that they had been clients with the micro-finance institutions for between 2 and 5 years, with 24 (25.5%) above 5 years and 17 (18.1%) for less than 2 years. The findings indicate that 74.5% of the women had been clients with the micro-finance institution for less than 5 years and therefore eligible to secure loans from MFIs.

**Table 4.2 Duration of Membership with Micro-finance Institution**

<b>Duration</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Less than 2 years	17	18.1	18.1
2-5 years	53	56.4	74.5
Above 5 years	24	25.5	100.0
<b>Total</b>	<b>94</b>	<b>100.0</b>	

Most banks were found to engage in various forms of micro-finance activities. From the interview schedule the MFIs chose this form of banking services because of various benefits derived from it. They included being easily accessible by all clients, helped women conduct their businesses freely in return assist the bank get cash for their operations. The banking service has been extended to informal sector to gather the unemployed, improve their liquidity and thus become profitable in the long run. The staff identified that the micro-finance scheme empowered the women through boosting their living standards, accessing banks, financing of small business, provision of funds, starting of businesses and ensuring proper use of loans.

#### 4.2.3 Frequency of Obtaining Loans from Micro-finance Institutions

The frequency of women obtaining loan from micro-finance were sought during the study and the findings is summarized in table 4.3. At least 29 (30.9%) had obtained a loan from micro-finance institutions twice and 29 (30.9%) more than three times

respectively. However, 21 (22.2%) had obtained the loan once and 15 (16%) thrice. The findings showed that most of the women had obtained a loan from micro-finance institutions more than twice indicating that they had at least benefitted from the acquired loans.

**Table 4.3 Frequency of Obtaining a Loan from Micro-finance**

<b>Loan Frequency</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Once	21	22.2	22.2
Twice	29	30.9	53.1
Thrice	15	16.0	69.1
More than three times	29	30.9	100.0
<b>Total</b>	<b>94</b>	<b>100.0</b>	

#### **4.2.4 Procedures for Loan Access at MFIs**

During the study the respondents were required to identify the procedures for loan access from MFIs and the findings is summarized in Table 4.4. Most of the respondents 67 (71.3%) used the process of completion of application form and 27 (28.7%) on training through seminars on how to complete the application forms. This implies that they were conversant with the requirements of MFIs. This was a challenge to the illiterate group because of the language barrier.

**Table 4.4 Procedures for Loan Access at MFIs**

<b>Procedure</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Training of prospective clients	27	28.7	28.7
Completion of application form	67	71.3	100.0
<b>Total</b>	<b>94</b>	<b>100.0</b>	

#### **4.2.5 Assistance Received from MFIs by Women**

The respondents were requested to identify the assistance they received from MFIs during the problems of their loan repayment. At least 8 (8.5%) had their loan written off because they had lost their property and were unable to repay, with 28 (29.8%) having extension in repayment period and 44 (46.8%) were refinanced. The findings showed that most of the women had been assisted by micro-finance through extension in repayment time and refinancing.



**Table 4.5 Assistance Received from MFIs by Women**

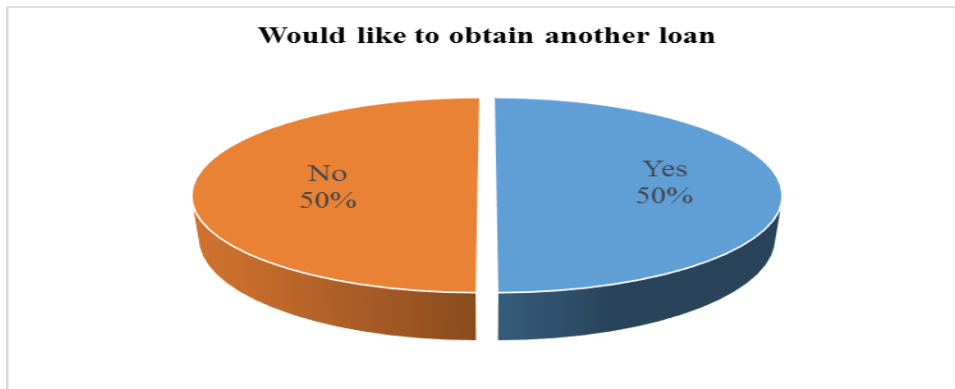
<b>Assistance</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Refinancing	44	46.8	46.8
Extension in repayment time	28	29.8	76.6
Write-off	8	8.5	85.1
Others	14	14.9	100.0
<b>Total</b>	<b>94</b>	<b>100.0</b>	

The respondents were requested to identify the other forms of assistance obtained from the MFI apart from financial assistance and the findings were varied. The MFIs assisted in encouraging formation of groups or becoming members of SACCOs. The women were given water tanks and gas cooker loans. They were trained through seminars to obtain knowledge and skills to run and maintain the business, learn how to save, to socialize and to associate with other group members and to avoid financial quarrels in the family. The staff interviewed during the study gave various products or services rendered to their clientele (those who use the services of business shop professional etc.). The products or services rendered by micro-finance to clientele ranged from business assessment and advisory, group savings, group individual loans to group project loans. This indicates that MFIs are supportive of women, hence contributing to empowerment.

#### **4.2.6 Women Who Would Like to Obtain another Loan**

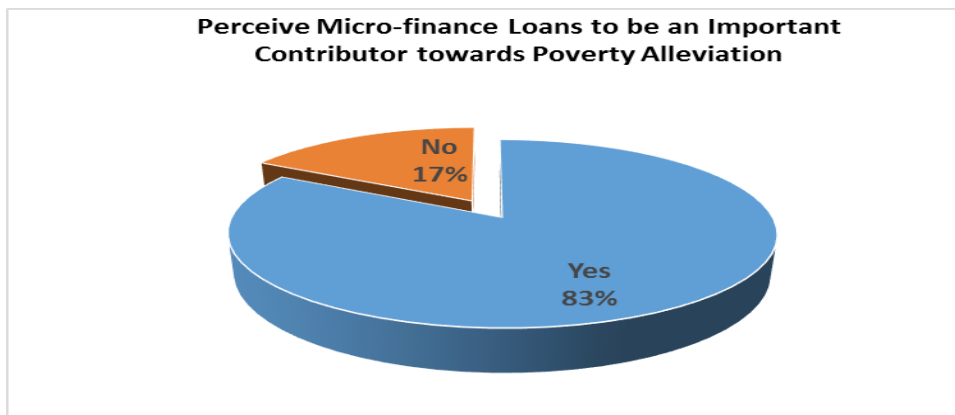
The respondents who would like to obtain another loan as well as those who would not like were the same 47 (50%) as summarized in figure 4.7. This indicated that the level of empowerment from micro finance institutions among the women were uncertain. Some respondents would like to obtain more loans because it has helped them raise their businesses. Some other respondents identified that they did not like to obtain loans because of the high interest rates and due to the short time repayment intervals given to them by MFI. According to some of the respondents who had defaulted in loan repayment, they did not like the way they had been treated by MFIs. The respondents

also did not like the MFI recovery style since some still had loans to clear and were not able to manage both at the same time since the pressure of loan repayment was high. There was high interest rate charged by the MFIs. Some lamented that they had taken the loan for more than 3 times and had done nothing good with the money.



**Figure 4.7 Would Like to Obtain another Loan**

From the study the majority of the respondents 78 (83%) perceived micro-finance institutions as an important contributor towards poverty alleviation especially among rural women and 16 (17%) perceived it as not important. This indicated that majority of the rural women perceived micro-finance loans as an important contributor towards poverty alleviation.



#### **Figure 4.8 Perceive Micro-finance Loans to be an Important Contributor towards Poverty Alleviation**

The reasons attributed to the importance of micro-finance loans towards poverty alleviation especially among rural women included enabling them to start projects that act as sources of income thus, changing their living standards as well as creating jobs. According to the respondents, MFIs helped the women develop a business idea, getting capital to start small businesses in order to improve their living standards. The MFIs have helped women to take their children to school and bring them up by providing basic needs. It has also supported women to maintain their businesses and maintain their families by engaging in viable businesses. The perception among rural women that, micro-finance loans were not important towards poverty alleviation was due to high interest rates and huge poverty gaps. They did not also see its contribution because, once they defaulted in repaying the loan, they were harassed until they sold their properties unless one had an existing business. This has a negative impact on women economic empowerment.

#### **4.2.7 The Loan Assisted in Transforming Women's Lives**

From the study, majority of the respondents 70 (74.5%) agreed that loans helped in transforming women's lives while 22 (23.4%) did not agree, whereas 2 (2.1%) could not determine the importance. 83 percent of women perceived micro-finance loans as an important contributor towards poverty alleviation, especially among those from the rural areas. The loan enabled the women pay school fees for their children thus being able to educate them as well as paying their bills. Other women used the loan to start income generating projects such as buying high yielding dairy cow, expand their existing businesses and to sort some domestic financial demands. According to the interview conducted on MFI officers, the training given enabled them to know how to plan and control money and uplifting their living standards. The loans obtained enabled the women's businesses to be strong financially and become more encouraged in doing business to an extent that, they have opened bank accounts and started saving for future investments.

**Table 4.6 The Loan Assisted in Transforming Women’s Lives**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Yes	70	74.5	74.5
No	22	23.4	97.9
Cannot determine	2	2.1	100.0
<b>Total</b>	<b>94</b>	<b>100.0</b>	

From the interview schedule, the staff identified that the loans provided by MFIs to women contributed towards women empowerment through expansion of businesses, give loans to improve their businesses, running their businesses smoothly, engagement in other businesses through supporting their families.

#### **4.2.8 Characteristics of Micro-finance Products**

The study sought to find out the characteristics of micro-finance products. The majority of respondents 64 (68.1%) agreed that there was little amounts of savings and loans given. 24 (25%) disagreed and 6 (6.4%) were undecided. These findings indicated that micro-finance products had little amount of savings. Most of the respondents 64 (68.1%) agreed that the short-term loan offered by micro-finance were usually for a term of one year, and 30 (31.9%) disagreed. From the study 53 (56.4%) of the respondents agreed that payment schedules was attributed to frequent instalments or deposits, with 20 (21.3%) undecided and 21 (22.4%) disagreed. This indicated that payment schedules were sometimes attributed to frequent instalments and deposit. At least 39 (41.5%) of the respondents identified that the instalments were made up from both principal and interest, which amortized in course of time, with 21 (22.3%) undecided and 34 (36.1%) disagreed.

From the study 37 (39.4%) agreed that there were higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labour-intensive work associated with making small loans and allowing the micro-finance intermediary to become sustainable over time. Also, 43 (45.8%) disagreed and 14 (14.9%) were undecided that higher interest rates on credit reflect the labour-intensive work associated with making small loans and allowing the micro-finance intermediary to

become sustainable over time. From the study most of the respondents 52 (55.3%) agreed that there was easy entrance to the micro-finance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status, with 30 (21.9%) disagree and 12 (12.8%) were undecided. At least 47 (50%) of the respondents agreed that the application procedures were simple, with 33 (35.1%) disagree and 14 (14.9%) undecided.

**Table 4.7 Characteristics of Micro-finance Products**

Characteristics	Agree		Undecided		Disagree	
	Freq	%	Freq	%	Freq	%
Little amounts of savings and loans given.	54	68.1	6	6.4	24	25.5
Short- term loans (usually up to the term of one year).	64	68.1	-	-	30	31.9
Payment schedules attribute frequent instalments (or frequent deposits).	53	56.4	20	21.3	21	22.4
Instalments made up from both principal and interest, which amortized in course of time.	39	41.5	21	22.3	34	36.1
Higher interest rates on credit which reflect the labour-intensive work associated with making small loans and allowing the micro-finance intermediary to become sustainable over time.	27	39.4	14	14.9	43	45.8
Easy entrance to the micro-finance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.	52	55.3	12	12.8	30	31.9
Application procedures are simple.	47	50	14	14.9	33	35.1
Short processing periods (between the completion of application and the disbursement of the loan).	38	40.4	13	13.8	43	45.8
The clients who pay on time become eligible for repeat loans with higher amounts.	65	69.2	4	4.3	25	26.6

From the study 38 (40.4%) of the respondents identified that there was short processing periods between the completion of the application and the disbursement of the loan, with 13 (13.8%) undecided and 43 (45.8%) disagreed. Majority of the respondents 65 (69.2%) agreed that the clients who paid on time were eligible for higher amounts of loan awarded, with 25 (26.6%) disagreeing and 4 (4.3%) undecided. From the study there were higher interest rates on credit (higher than commercial bank rates but lower than

loan-shark rates), which reflect the labour-intensive work associated with making small loans and allowing the micro-finance intermediary to become sustainable over time.

### 4.3 Impact of Services Offered by MFIs on Women Empowerment

The second objective of the study was to examine the impact of services offered by MFIs on women empowerment in Kapseret Constituency of Uasin Gishu County. The study sought to examine the impact of services offered by MFIs on women. This was significant in examining the effect of micro-finance institution on women empowerment.

#### 4.3.1 Contribution of Micro-finance Institutions to Women Empowerment

From the study contribution of micro-finance were sought from the respondents. Majority 57 (60.6%) agreed that the micro-finance contributed through provision of working capital, with 37 (39.4%) disagreeing. However, most of the respondents 74 (78.7%) viewed the contribution of micro-finance as not providing employment, and 20 (21.3%) as providing employment. 58 (55.7%) said it did not provide capacity building and 36 (38.3%) agreed, 50 (53.2%) said it had no community development, while 44 (46.8%) agreed with the community development. From the findings it indicated that, most of the respondents rated the contribution of micro-finance with provision of working capital and employment and sometimes capacity building and community development.

**Table 4.8 Contribution Made by Micro-finance Institutions**

Contribution made by Micro-finance	Yes		No	
	Freq	%	Freq	%
Provision of Working Capital	57	60.6	37	39.4
Provision of Employment	20	21.3	74	78.7
Capacity Building	36	38.3	58	61.7
Community Development	44	46.8	50	53.2

#### 4.3.2 Achievement of Micro-finance Institutions in Women Empowerment

The study sought to establish the training services offered by micro-finance during the study. This was important because it would give the benefits that the women groups have

obtained from the micro-finance. Most of the respondents 74 (78.7%) agreed that micro-finance had made it possible for operators of small business to access credit facilities, while 18 (29.2%) disagreed and 2 (2.1%) were undecided. This showed that the micro-finance has made women access credit facilities. Majority of the respondents 66 (70.2%) agreed that the micro-finance provided them with capital to start and or expand their businesses, while 24 (25.5%) disagreed and 4 (4.3%) were undecided. The micro-finance has empowered women to obtain capital to start and or expand their businesses. From the study 64 (68.1%) respondents agreed that micro-finance support had grown into medium enterprises creating employment opportunities for others through establishing small businesses, while 22 (23.4%) disagreed and 8 (8.5%) were undecided.

These results showed that most of women had established small businesses that had grown into medium enterprises creating employment opportunities for others in the society. At least 48 (51%) respondents agreed that micro-finance projects and programmes had gone a long way in building the capacity of clients in the areas of loan management, customer care, pricing, marketing and selling of products as well as on social and community issues, while 26 (27.6%) disagreed and 20 (21.3%) were undecided. These results showed that most of the women had benefited from micro-finance projects and programmes through building the capacity of clients. Majority of the respondents 53 (56.3%) agreed that micro-finance had helped communities to provide certain social amenities like portable water, while 26 (27.7%) disagreed and 15 (16%) were undecided. This implies that the empowerment had helped some communities to provide certain social amenities like portable water which enhanced community development.

**Table 4.9 Achievement of Micro-finance Institutions in Women Empowerment**

Statement	Agree	Undecided	Disagree
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	Freq	%	Freq	%	Freq	%
Training provided made it possible for operators of small businesses to access credit facilities.	74	78.7	2	2.1	18	19.2
Micro-finance provides training to people with capital to start and or expand their businesses.	66	70.2	4	4.3	24	25.5
Training to Small businesses with micro-finance support has grown into medium enterprises creating employment opportunities for others.	64	68.1	8	8.5	22	23.4
Micro-finance projects and training programmes have gone a long way in building the capacity of clients.	48	51	20	21.3	26	81.6
It has helped some communities to provide certain social amenities like portable water which enhances community development.	53	56.4	15	16.0	26	27.7

### 4.3.3 Impact of MFI Services Offered to Women Groups

Most of the respondents 58 (55.7%) rated that the impact of services offered by MFIs on women did not aid in poverty reduction, while only 36 (38.3%) reported that it had reduced poverty. However, 57 (60.6%) of the respondents rated that the impact of services offered by MFIs to women had not enhanced economic growth of women, while only 37 (39.4%) had empowered them economically. Most of the respondents 71 (75.5%) rated that the high entrepreneurship skills was not attributed to impact of services offered by MFIs to women and only supported by 23 (24.5%). Most of the respondents 66 (70.2%) had no job creation as an impact of services offered by MFIs to women and only enabled 28 (29.8%) to create jobs. The findings showed that the impact of services offered by MFIs on women empowerment was rated low by respondents. Thus the MFIs had not fully reduced poverty, enhanced economic growth of Women, and provided high entrepreneurship skills and job creation as was thought.

**Table 4.10 Impact of MFI Services Offered to Women Groups**

Impact of services offered	Yes	No
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	Freq	%	Freq	%
Reduction of poverty	36	38.3	58	55.7
Economic growth of Women	37	39.4	57	60.6
High entrepreneurship skills	23	24.5	71	75.5
Job creating	28	29.8	66	70.2

#### 4.3.4 Impact of Micro-finance Institutions on Empowerment at Family Level

The study sought to establish the impact of micro-finance empowerment at family level. Most of the respondents 66 (70.3%) agreed that impact of micro-finance empowerment at family level increased household income, while 22 (23.4%) disagreed and 6 (6.4%) were undecided. Majority of respondents 78 (83%) rated the impact of micro-finance empowerment at family level as an improvement in standard of living with respect to education, health and food security, for the short time that they had acquired the loan. However, 12 (12.8%) disagreed and 4 (4.3%) were undecided on improvement of standard of living. Most of the respondents 53 (56.5%) agreed that the ability to gain respect and contribute with decision-making in the family was attributed to the impact of micro-finance empowerment, while 22 (23.4%) disagreed and 20.2% were undecided. Majority of the respondents 68 (72.3%) agreed that the impact of micro-finance empowerment led to future aspirations about the family, while 8 (8.6%) disagreed and 18 (19.1%) were undecided. At least 43 (45.8%) of respondents agreed that impact of micro-finance empowerment had enhanced relationship between clients and family, while 34 (36.1%) disagreed and 17 (18.1%) were undecided. These findings suggest that MFIs were positively supporting women in their quest to achieve economic empowerment.

**Table 4.11 Impact of Micro-finance Institutions on Empowerment at Family Level**

Statement	Agree		Undecided		Disagree	
	Freq	%	Freq	%	Freq	%
Increase in household income.	66	70.3	6	6.4	22	23.4

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Improvement in standard of living (education, health, Food, etc.).	78	83	4	4.3	12	12.8
Relationship between clients and family.	43	45.8	17	18.1	34	36.1
Ability to make gain respect and contribute to decision-making in the family.	53	56.4	19	20.2	22	23.4
Future aspirations about the family.	68	72.3	18	19.1	8	8.6

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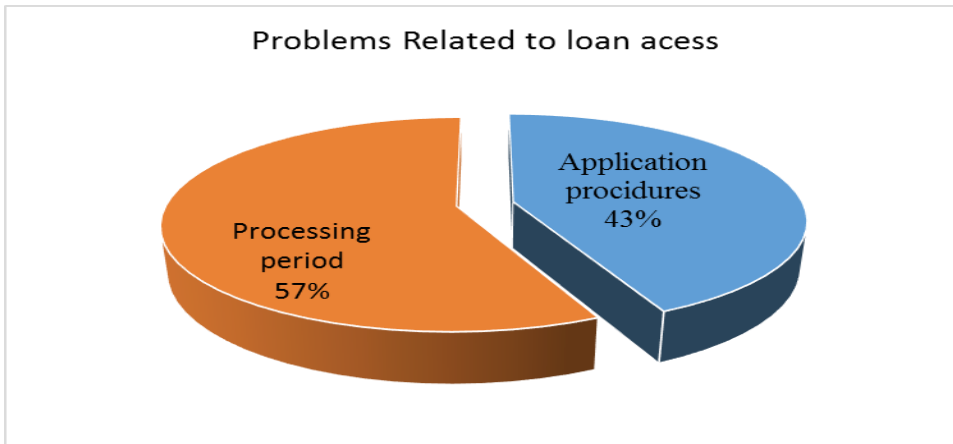
The impact of micro-finance empowerment at family level increased household income, improved in standard of living with respect to education, health and food security. The MFIs helped clients by lending money for settling their debts and topping up of the outstanding loans and also extending the repayment period. The ability to gain respect and contribute with decision making in the family was attributed to impact of micro-finance empowerment leading to future aspirations about the family.

#### **4.4 Challenges Faced by Micro-finance in Women Empowerment**

The third objective was to identify the challenges facing micro-finance in women empowerment in Kapseret Constituency of Uasin Gishu County. This was important in establishing the limitation that hinders micro-finance empowerment.

##### **4.4.1 Problems Related to Loan Access**

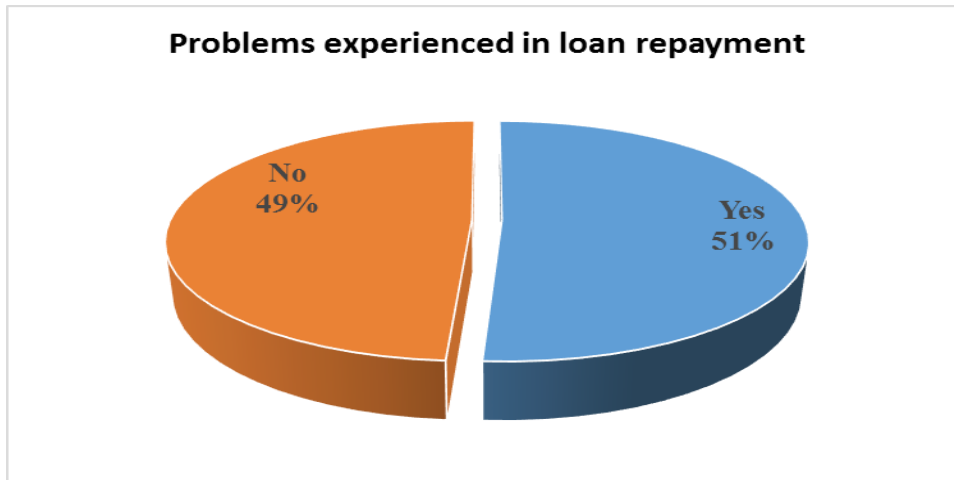
The respondents were requested to identify the problems they face during their loan access from micro-finance institutions. Most of the respondents 54 (57%) identified that the processing period related to loan access was a challenge and 40 (43%) said that, the application procedures was a challenge because the illiterate ones could not understand the economic terms used in the forms. The findings indicate that the problem associated with loan access were due to the stringent application procedure and lengthy loan processing period. This made it difficult to acquire loans in the event of an emergency.



**Figure 4.9 Problems Related to Loan Access**

#### **4.4.2 Problems Experienced in Loan Repayment**

The respondents were requested to identify whether they have experienced any problem during the repayment of loan and the findings were summarized in figure 4.10. Majority of the women 46 (49%) did not experience any problem in paying the loan and 48 (51.1%) had a problem in payment of the loan. This indicated that most of the women experienced problems in loan repayment. The respondents identified the difficulty in paying the loan to be caused by various reasons associated to trading and service industry. This was attributed to the business sometimes having low returns that could not meet the loan repayment, the interest charged was high and the loan repayment period was too short. The other challenge was the source of income from milk production that had been less than the amount borrowed leading to low profit margin. The insufficient income was caused by lack of customers, sickness to manage the business and low season that was experienced.



**Figure 4.10 Problems Experienced in Loan Repayment**

#### **4.4.3 Challenges Facing Micro-finance**

The study sought to establish the challenges facing micro-finance role in empowering women. At least 50 (43.2%) of respondents agreed that partial accounts for the slow growth of the sub-sector was a challenge facing MFIs. However 26 (27.7%) disagreed and 18 (19.1%) were undecided. Most of the respondents 57 (60.7%) agreed that the challenge facing micro-finance was the apparent lack of direction, fragmentation and coordination of empowerment activities, while 24 (25.5%) disagreed and 13 (13.8%) were undecided. Majority of the respondents 53 (56.4%) agreed that the inappropriate institutional arrangements was the challenge facing micro-finance, while 22 (23.4%) disagreed and 19 (20.2%) were undecided. Most of the respondents 56 (59.5%) rated the inadequate skills and professionalism as the challenge facing empowerment of women, while 32 (34%) disagreed and 6 (6.4%) were undecided. Majority of the respondents 56 (59.5%) rated the inadequate capital as the challenge facing empowerment of women, while 34 (36.2%) disagreed and 4 (4.3%) were undecided.

At least 36 (38.3%) of the respondents agreed that the poor regulatory environment was a challenge facing micro-finance, while 33 (35.1%) disagreed and 25 (26.6%) were undecided. Also, 43 (45.7%) of respondents agreed that the inadequate capacities challenge affected their empowerment, while 32 (34.1%) disagreed and 19 (20.2%) were undecided. However, 45 (47.9%) agreed that they faced lack of coordination and collaboration, while 36 (38.3%) disagreed and 13 (13.8%) were undecided.

From the study 45 (47.8%) of the respondents agreed that there was poor institutional linkages, while 24 (25.5%) disagreed and 25 (26.6%) were undecided. At least 44 (46.8%) of the respondents agreed that there was no specific set of criteria developed to categorize beneficiaries and channelling of funds, while 44 (46.8%) disagreed and 6 (6.4%) were undecided. Finally, 37 (39.4%) agreed that there was lack of linkages between formal and informal financial institutions, while 44 (36.8%) disagreed and 13 (13.8%) were undecided.

**Table 4.12 Challenges Facing Micro-finance Institutions**

Statement	Agree		Undecided		Disagree	
	Freq	%	Freq	%	Freq	%
Partial accounts for the slow growth of the sub-sector.	50	53.2	18	19.1	26	27.7
The apparent lack of direction, fragmentation and lack of coordination.	57	60.7	13	13.8	24	25.5
Inappropriate institutional arrangements.	53	56.4	19	20.2	22	23.4
Poor regulatory environment.	36	38.3	25	26.6	33	35.1
Inadequate capacities.	43	45.7	19	20.2	32	34.1
Lack of coordination and collaboration.	45	47.9	13	13.8	36	38.3
Poor institutional linkages.	45	47.8	25	26.6	24	25.5
No specific set of criteria developed to categorize beneficiaries and channelling of funds.	44	46.8	6	6.4	44	46.8
Lack of linkages between formal and informal financial institutions.	37	39.4	13	13.8	44	46.8
Inadequate skills and professionalism.	56	59.5	6	6.4	32	34
Inadequate capital.	56	59.6	4	4.3	34	36.2

The challenge facing micro-finance was the apparent lack of direction, fragmentation and coordination of empowerment activities, the inappropriate institutional arrangements, inadequate skills and professionalism. The inadequate capital, together with inadequate capacities and lack of coordination and collaboration were the challenges facing MFIs.

From the study the constraints faced by the micro-finance staff included bad debts, competition from other MFIs and commercial banks, diversity of members, liquidity problems, loan defaulters and logistical challenges.

#### **4.5 Chapter Summary**

This chapter presented and analyzed data. The organization of data was in such a way that related information was analyzed and reported together. Characteristics of the sample were presented first to facilitate analysis and reporting. To adequately address the research problems, data was analyzed under the following headings: respondents' general information, the services provided by MFIs, impact of the services offered and the challenges faced by MFIs.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents a summary of findings, conclusion and recommendations that the study aimed to achieve. The study sought to examine the extent to which women are empowered because most of them still lag behind when it comes to participation in economic activities. The main objective was to examine the contribution of MFIs to the empowerment of women in Kapseret Constituency of Uasin Gishu County.

#### **5.1 Summary of Findings**

This section summarizes the findings from the study with respect to the study objectives.

##### **5.1.1 Services Provided by Micro-finance Institutions towards Women Empowerment**

The first objective of the study was to identify and discuss the services provided by micro-finance institutions on women empowerment in Kapseret Constituency of Uasin Gishu County. The services include loans and items such as water tanks, posho mills, fencing wires and iron sheets; given on hire purchase. 85 percent of the women had access to credit but it was not enough because they had little savings with MFIs who give loans according to one's savings. Women who accessed loans or credit used them to expand existing businesses. The specific purpose of the loan was to expand farming activities which included rabbit, poultry and dairy farming. The purpose of obtaining a loan among the women was to create some form of self-employment in order to improve their living standards. Most of the women had been clients with the micro-finance institutions for less than 5 years. The micro-finance scheme empowered the women through boosting their living standards, accessing banks, financing of small business, providing funds, starting of businesses and through proper use of loans. The women had obtained the loan from micro-finance more than twice. The procedures of loan access from micro-finance included filling in of application forms and training.



8.5 percent of the women had their loan written-off, 29.8% of the women had their loan repayment time extended and still 46.8% were refinanced in order to achieve their business ideas. The products or services rendered by micro-financiers to clientele ranged from business assessment and advisory, group savings, group individual loans to group project loans.

83 percent of the women perceived micro-finance loans as an important contributor towards poverty alleviation especially among rural women. The loan enabled the women pay school fees for their children thus being able to educate their children and pay their bills. The training given enabled them to know how to plan, control money and uplifting living standards of women. The loan obtained enabled the women's businesses to stand firm financially and become more encouraged in doing business to an extent that they have opened an account and started saving for future investments.

The micro-finance products had little amount of saving, short-term loan offered by micro-finance were usually for a term of one year and schedules was attributed to frequent instalments or deposits.

There was easy entrance to the micro-finance intermediary, saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status. From the study, 68.1% of respondents agreed that little amounts of savings and the short-term loan offered by micro-finance institutions were usually for a term of one year. Payment schedules were attributed to frequent instalments or deposits. Clients who paid on time were eligible for higher amounts of loans awarded. From the study there were higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflected the labour-intensive work associated with making small loans and allowing the micro-finance intermediary to become sustainable over time.

### **5.1.2 Impact of Services Offered by MFIs on Women Empowerment**

The second objective of the study was to examine the impact of services offered by MFIs on women empowerment in Kapseret Constituency of Uasin Gishu County. Micro-finance institutions contributed through provision of working capital. They did not provide employment, and to some extent did not provide capacity building and

community development. From the study, it was established that micro-finance had enabled them make it possible for operators of small businesses to access credit facilities, provided women with capital to start and or expand their businesses. As a result, support had grown into medium enterprises creating employment opportunities. Sometimes the micro-finance projects and programmes had gone a long way in building the capacity of clients in the areas of loan management and helped communities by providing certain social amenities such as portable water containers which enhances community development. The findings also showed that the impact of services offered by MFIs on women was rated low by respondents. This implies that MFIs had not fully reduced poverty, enhanced economic growth of Women, provided high entrepreneurship skills and job creation.

The impact of micro-finance empowerment at family levels showed an increase in household income, improved standards of living with respect to education, health and food security, for the short time that they had acquired the loan. This was because they took loans and paid school fees. In the long run they did not engage in any economic activities to help them repay the loans. The ability to gain respect and contribute with decision-making in the family was attributed to impact of micro-finance empowerment, leading to future aspirations about the family.

### **5.1.3 Challenges Faced by Micro-finance Institutions in Women Empowerment**

The third objective was to identify the challenges facing micro-finance in women empowerment in Kapseret Constituency of Uasin Gishu County. Problems associated with loan access were due to stringent application processes and long loan processing periods. Most women had experienced problems in paying loans. The insufficient income was caused by lack of customers, sickness to manage the business and low season experienced. The challenge facing micro-finance was the apparent lack of direction, fragmentation and coordination of empowerment activities. Inappropriate institutional arrangements were the main challenge facing micro-finance as well as inadequate skills and professionalism. The inadequate capital was also a challenge facing empowerment of women, together with inadequate capacities and lack of coordination and collaboration. From the study the constraints faced by the micro-finance staff included bad debts, competition from other MFI, diversity of members, liquidity problems, loan defaulters and logistical challenges.

## 5.2 Conclusion

Micro-finance plays a significant role in the economic empowerment of women especially through provision of loans to women. It also helps the poor, uneducated and those who are not able to fulfill the collateral requirements that are laid down by other lending institutions. Micro-finance enables them to be self-employed. Consequently, some of the women have managed to increase their incomes and improve savings, although in small amounts. In addition, the decision making power of women on the loan secured from the MFI has enhanced following their participation in micro-finance. According to the theoretical framework utilized in this study, Kabeer (1999) has similar views. She argues that strategic life choices are based on three dimensions: Resources, agencies and achievements.

85 percent of the women had access to credit. Women, who accessed loan or credit, used it to expand existing businesses. The products or services rendered by micro-finance to clienteles ranged from business assessment and advisory, group savings, group individual loans to group project loans. Mayoux (1997) and Kabeer (2001) believe that investing in women's capabilities empowers them to make choices, which is a valuable goal in itself and it also contributes to greater economic growth and development. Besides providing loans, they also give items such as posho mills, fencing wires, water tanks and iron sheets, to be paid on hire purchase.

83 percent of the women perceived micro-finance loans as an important contributor towards poverty alleviation especially among rural women. The loans enable women to pay school fees for their children thus being able to educate them and pay their bills. The training given through seminars enabled them to know how to plan and control money and uplifted their living standards. The loan obtained enabled the women's businesses to stand firm financially and this motivated them to open bank accounts and make little savings for future use.

There was easy entrance to the micro-finance intermediary. This saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status. Application procedures were simple and clients who paid on time were eligible for higher amounts of loans. Despite this outcome, Mayoux (1997) explains that the impact of micro-finance programmes on women is not always positive.

Sometimes programs mainly benefit the women who are already better off whereas poor women are neglected by the programs or at least unable to benefit because of their low resource base, lack of skills and market contacts.

Micro-finance contributes through provision of working capital, did not provide employment, and did not provide capacity building and community development. From the study, it was found out that micro-finance had enabled them make it possible for operators of small business to access credit facilities. They also provided women with capital to start and or expand their businesses and support had grown into medium enterprises creating employment opportunities but in small scale.

The impact of services offered by MFIs on women was rated low by respondents. The impact of micro-finance empowerment on the family level increased household income, improvement in standards of living with respect to education, health and food security. A study by Sata (2008), investigated the percentage of families who were able to lift themselves out of poverty through access to micro-credit and found out that micro-finance reduces poverty by increasing per capita consumption.

Problems associated with loan access were due to the stringent application process and loan processing period. Most women had experienced problems in paying the loan but those who defaulted had their shares in the group taken. Where the shares could not offset the loan, their property was attached by group members.

Insufficient income was caused by lack of customers, sickness during the management process of the business and low profit seasons experienced. The challenge facing micro-finance was the apparent lack of direction, fragmentation and coordination of empowerment activities, the inappropriate institutional arrangements, inadequate skills and professionalism. Inadequate capital was a challenge facing empowerment of women, together with inadequate capacities and lack of coordination and collaboration. Constraints faced by the micro-finance staff included bad debts, were competition from other MFI, diversity of members, liquidity problems, loan defaulters and logistical challenges.

### **5.3 Recommendations**

1. The respondents identified that they do not like to obtain loan because of the high interest rates and short repayment intervals given to them by MFI. Thus the MFI should come up with interest rates that are friendly to women and include women in decision making. This will improve accessibility to resources.
2. The government should consider granting tax exemptions and offer incentives like giving them funds to offer interest free loans to organizations which seek to give credit to women as a way of motivation, as is done in Malaysia.
3. More training programmes should be provided to women in order to improve their entrepreneurial skills and engage in income generating activities.
4. Extension services need to be improved, made reliable and be conducted on time.

### **5.4 Suggestions for Further Research**

The following suggestions have been made for further research.

1. There is need to investigate whether women's economic empowerment has positive development outcomes. This is because some economic activities are small scale and have little impact on the overall development.
2. There is need to investigate women's economic security from the loans acquired because it determines their ability to access loans to a large extent.
3. There is need to further investigate whether micro-finance institutions empower women or not. This is because some of the women do not make any economic progress despite having acquired the loans.

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

I am a student at Moi University, carrying out a study on the contribution of micro-finance institutions to the empowerment of women through gender based self-help groups in Kapseret Constituency of Wareng Sub-County in partial fulfilment of my Degree Program. I kindly request you to answer the questions below. All the responses will be handled confidentially.

Please tick the appropriate answer.

#### Section A: Background Information

1. What is your gender?

Male  Female

2. What is your age?

Below 20 yrs.

20 – 30 yrs.

30 – 40 yrs.

40 – 50 yrs.

50 and above

3. What is your marital status?

Married

Widowed

Single

Divorced

4. What is your educational level?

Not at all  Primary  Secondary  College  University

**Section B**

5. What kind of business activity are you engaged in?

Manufacturing  Trading  Farming  Service

6. Do you have access to credit? No  Yes

7. If, yes what was the purpose for the loan?

To establish a business  To expand existing business

Others  Please specify.....  
.....

8. For how long have you been a client of this lender?

Less than 2 year  2-5 years  above 5 years

9. How many times have you been granted a loan by this lender?

Once  Twice  Thrice  More than three times

10. Which of the following are Procedures for loan access at MFIs?

Training of prospective clients

Completion of application form

Assessment and evaluation of businesses

11. Which of the following are problems Related to Loan Access?



Application procedures

Processing period

Interest rates

Collateral

12. Did you have any problems paying back? Yes  No

If yes what were the cause(s) for such difficulty?

.....

13. What assistance (if any) did you receive from MFIs when you were in such difficulty?

Refinancing  Extension in repayment time  Write-off

Others  Please specify.....

.....

14. Apart from financial assistance, what other form of assistance do you obtain from the MFI .....?

.....

15. Would you like to obtain another loan? Yes  No

16. If no, Why?

.....

.....

17. Do you perceive micro-finance loans to be an important contributor towards alleviation of poverty especially among rural women?

Yes  No  Cannot determine

Please explain your answer

.....

18. Has this loan helped transform your life in any way?

Yes  No  Cannot determine

If yes, then how?

.....

.....

**Section C: Characteristics of Micro-finance Products**

1. The following are characteristics of micro-finance products. Please tick the response which matches your opinion. Key: 1- Strongly disagree, 2- Disagree, 3- Not sure, 4- Agree, 5- Strongly agree).

Statements	1	2	3	4	5
Little amounts of loans and savings.					
Short- terms loan (usually up to the term of one year).					
Payment schedules attribute frequent instalments (or frequent deposits).					
Instalments made up from both principal and interest, which amortized in course of time.					
Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labour-intensive work associated with making small loans and allowing the micro-finance intermediary to					



become sustainable over time.					
Easy entrance to the micro-finance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.					
Application procedures are simple.					
Short processing periods (between the completion of the application and the disbursement of the loan).					
The clients who pay on time become eligible for repeat loans with higher amounts.					

### Contribution of Micro-finance

2. Which of the following is the contribution made by micro-finance?

Provision of Working Capital

Provision of Employment

Capacity Building

Community Development

3. The following are some achievement of micro-finance. Please tick the response which matches your opinion. Key: 1- Strongly disagree, 2- Disagree, 3- Not sure, 4- Agree, 5- Strongly agree).

Statements	1	2	3	4	5
Made it possible for operators of small business to access credit facilities.					

Micro-finance provides people with capital to start and or expand their businesses.					
Small businesses with micro-finance support have grown into medium enterprises creating employment opportunities for others.					
Micro-finance projects and programmes have gone a long way in building the capacity of clients in the areas of loan management customer care, pricing, marketing and selling on credit as well as on social and community issues.					
It has helped some communities to provide certain social amenities like portable water which enhances community development.					

4. Which of the following is the impact of services offered by MFIs on women?

- Reduction of Poverty
- Economic Growth of Women
- High Entrepreneurship Skills
- Job Creating

5. The following are impact micro-finance on the family level. Please tick the response which matches your opinion. Key: 1- Strongly disagree, 2- Disagree, 3- Not sure, 4- Agree, 5- Strongly agree).

Statements	1	2	3	4	5
Increase in household income.					
Improvement in standard of living (education, health,					

Food, etc).					
Relationship between clients and family.					
Ability to make gain respect and contribute to decision-making in the family.					
Future aspirations about the family.					

### Challenges Facing Micro-finance

6. There has so far not been a coherent approach to dealing with the constraints facing the sub-sector. The following are challenges facing micro-finance. Please tick the response which matches your opinion. Key: 1- Strongly disagree, 2- Disagree, 3- Not sure, 4- Agree, 5- Strongly agree.

Statements	1	2	3	4	5
Partially accounts for the slow growth of the sub-sector.					
The apparent lack of direction, fragmentation and lack of coordination.					
Inappropriate institutional arrangements.					
Poor regulatory environment.					
Inadequate capacities.					
Lack of coordination and collaboration.					
Poor institutional linkages.					
No specific set of criteria developed to categorize beneficiaries and channelling of funds.					
Lack of linkages between formal and informal financial institutions.					
Inadequate skills and professionalism.					

Inadequate capital.					
---------------------	--	--	--	--	--

**APPENDIX II: INTERVIEW SCHEDULE FOR THE MFIs STAFF**

1. Position held? .....
2. Years of service? 1-3 ( ) 3-5 ( ) 5+ ( )
3. Is the bank engaged in any form of micro-finance? Yes ( ) No ( )
4. Why did the bank choose this form of banking?  
.....
5. What are the products or services you render to your clientele? Please list them
  - a. ....
  - b. ....
  - c. ....
  - d. ....
6. Mention the criteria for loan qualification.....  
.....
7. Do you offer any training to your clients as to how best they can utilize the loan?  
  
Yes ( ) No ( )
8. Do you have any monitoring process in place for monitoring the beneficiaries both after receiving the loan and after repayment? Yes ( ) No ( )
9. How effective are these monitoring process?
10. What are the achievements .....?
11. What are the constraints faced by the organization .....?
12. How has your micro-finance scheme empowered in the beneficiaries?  
  
.....  
.....
13. In your opinion, have the loans provided by MFIs to women food vendors contributed towards women empowerment? Please explain.....  
.....
14. What changes do you propose MFIs should make to improve its system of providing Loans especially to women food vendors?

15. Please suggest what you think the government should do to improve women's access to credit .....
16. What are your comments on the loan repayment record of women or women groups who have benefitted from loans granted by MFIs?  
.....

**APPENDIX III: TABLE FOR SAMPLE SIZE DETERMINATION**

**A table for determining sample size for a given population (Krejcie and Morgan, 1970)**






**APPENDIX V: NAMES OF SELF-HELP GROUPS AND MICRO-FINANCE INSTITUTIONS**

**SELF-HELP GROUPS**



1. Joywo (Joyful Women)
2. Resco
3. Canaan
4. Adwet
5. Umoja
6. Kisewa
7. Better Living
8. Dhier Kiyombi- Mixed Gender
9. EAG- Mixed Gender
10. Fish Mongers- Mixed Gender
11. Unendo

REPUBLIC OF KENYA



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Email: cdeuasingishucounty@yahoo.com  
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Ref: No. **MOEST/UGC/TRN/9/199**

Office of The County Director of Education,  
Uasin Gishu County,  
P.O. Box 9843-30100,  
**ELDORET.**

Date: 14<sup>th</sup> November, 2014

Rose Adhiambo Ochuma  
Moi University  
P.O. Box 3900-30100  
**ELDORET**

**RE: RESEARCH AUTHORIZATION**

This office has received your letter requesting for an authority to allow you carry out research on "**Contribution of Microfinance to the Empowerment of Women**" in Uasin Gishu County.

We wish to inform you that the request has been granted for a period ending **11<sup>th</sup> September, 2015**. The authorities concerned are therefore requested to give you maximum support.

We take this opportunity to wish you well during this research.

A handwritten signature in blue ink, appearing to read 'Magdalene Wamukoya'.

**MAGDALENE WAMUKOYA**  
for: COUNTY DIRECTOR OF EDUCATION  
**UASIN GISHU COUNTY**



**NATIONAL COMMISSION FOR SCIENCE,  
TECHNOLOGY AND INNOVATION**

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

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

Ref: No.

Date:

**16<sup>th</sup> October, 2014**

**NACOSTI/P/14/3353/3452**

Rose Adhiambo Ochuma  
Moi University  
P.O. Box 3900-30100  
**ELDORET.**

**RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on *“The contribution of Micro Finance Institutions to the empowerment of women.”* I am pleased to inform you that you have been authorized to undertake research in **Uasin-Gishu County** for a period ending **11<sup>th</sup> September, 2015.**

You are advised to report to **the County Commissioner and the County Director of Education, Uasin-Gishu County** before embarking on the research project.

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

  
**DR. S. K. LANGAT, OGW**  
**FOR: SECRETARY/CEO**

Copy to:

The County Commissioner  
The County Director of Education  
Uasin-Gishu County.





