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## RESEARCH ARTICLE

### BENEFITS OF MICROFINANCE SERVICES TO WOMEN GROUP ENTERPRISES IN KERICHO TOWN

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#### ABSTRACT

This research study aims at establishing effects of microfinance on women borrowers, this is because it has been noted that, Women play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low income and social discrimination mostly in third world countries have hindered their effective performance of that role. This research is guided by the objectives as; to evaluate the benefits of microfinance to women borrowers, to examine the impact of credits, savings and social capital on women entrepreneurs and to determine the challenges faced by microfinance institutions on their lending rates to women borrowers. This research study is of great significance to the women entrepreneurs, the management of microfinance, the government and the community at large. The following challenges are faced; lack of enough funds, limited time, poor response to questions and weather changes. Case study design will be adopted basing the study on selected women borrowers within Kericho municipality with a target population of 60 respondents of which 30 of them will be sampled. The data will be analyzed both qualitatively and quantitatively. Validity will be achieved through pilot study, reliability will be ensured by discussing the relevance of the research with the supervisor.

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## INTRODUCTION

Microfinance enterprises in Kenya like other parts of the world are the heart of development because its programs lift women and families out of poverty. It is called micro but the impact on women is macro, as just a few shillings help them gain self-employment, (Micro-Credit Summit, 2007) in Geneva. Today, all over the world, there is recognition that credit alone is not only the means of alleviating poverty, poor people need and use a variety of financial services including savings (Vogel, 1984). Women are and have been playing crucial roles in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low income and social discrimination mostly in third world countries have hindered their effective performance. Overtime, it has been discovered that women entrepreneurship could be an effective strategy for poverty reduction in a country, since women can possibly multi-task hence most entrepreneurial activities are achieved. However, the rate of participation of women in the informal sector is lower than for males (David, 2011). The Microcredit Summit Campaign Report (Geneva, 2007) estimates that over 3,300 microfinance institutions reached 133 million clients with a microloan in 2006. Ninety Three million

of the clients were among the poorest when they took their first loan. Eighty Five percent of these poorest clients were women. Microcredit plays a critical role in empowering women helps deliver newfound respect, independence, and participation of women in their communities and in their households. Women entrepreneurs throughout the world contribute to economic growth and the sustainable livelihood of their families and communities. Microfinance helps empower women from poor households to make this contribution. According to Gibbons and David (2011), whilst a celebrated model for alleviating poverty in rural areas of developing countries, micro financing as a business idea is yet to truly make its mark in the West. It may come as a surprise to many then that the model worked out by Grameen and Yunus has been successfully implemented in poverty-stricken areas in France and America.

Research from developing countries has shown that as mothers gain a stake and control in the financial resources of a household, children are more likely to stay in the education system and less likely to suffer from malnourishment (Yunus, 2011). The Grameen Scotland foundation inspired by these facts, believed that they could transfer the same model to work in a moderated form for a westernized society. By encouraging savings and offering women are helped in a knowledge-based function, like planning nutritious meals for children, the organization was looking at tapping the far-reaching

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consequences from financial empowerment, and not only providing a few more shillings in the bank. Warning against judging the microcredit customer as a small time borrower, Yunus, (2011) talks about his response to jokes like this made by businessmen he met on his travels. Contends they shouldn't be judged as some small borrower who borrows the equivalent of 250 dollars or something like that. The hard-hitting truth is that today, the savings of Bangladeshi women and largely other women groups especially in developing who have participated in the scheme over the years have reached more than a million USD in total.

Microfinance institutions provide the needed opportunity for entrepreneurs to start or improve business in order to make profits and improve their lives. The very poor are always susceptible to income shocks, death, illness, natural calamities or other catastrophes that have devastating effects on household extinct or just above a subsistence level. With no asset base on which to draw in the crisis, they may be forced to severely reduce their level of consumption. Additionally, they may sell off their important income generating assets thus exacerbating their economic difficulties well into their future. Financial services allow poor women to save in times of prosperity and borrow or collect insurance when necessary to allow them to maintain a consistent level of consumption without selling income-generating assets. Microfinance can also provide an opportunity for pursuing new business opportunities that allow women and poor people to increase or diversify the sources of their income (Yunus, 2011).

### **Statement of the problem**

Poor performance in entrepreneurial activities of women may be attributed to limited access and control over production resources, access to financial services, insufficient access to education, lack of skills, technology, cultural impediments and other constraints limiting employment options and participation in decision making. All these serve to seriously constrain the ability of women to effectively participate in and benefit from economic development. Another view of women's empowerment argues that it needs to occur in multiple dimensions: economic, socio-cultural, familial/interpersonal, legal, political and psychological (Malhotra, Schuler and Boender, 2002). These dimensions cover a broad range of factors, and thus women may be empowered within one of these sub domains. For instance, the socio-cultural dimension covers a range of empowerment sub domains, such as marriage systems, norms regarding women's physical mobility, non-familial social support systems and networks available to women. Social capital, social networks, the capacity to make effective life and community development choices are all related to empowerment (Krishna, 2003). With regard to access to financial services, despite the existence of many microfinance organizations in Kenya and their crucial role in aiding women in business, their impact on women enterprises has not been very effective, as evidenced by the fact that most of the women entrepreneurs have low business performance as compared to their male counterparts due to lack of Title deeds, log books, illiteracy and other collateral demanded by MFIs. It is therefore crucial to investigate why this is the case, and

whether micro-finance non-financial services have improved Socio-economic status of women.

## **MATERIALS AND METHODS**

This study adopted descriptive research design. The researcher used it because it allowed an in-depth investigation with regard to the subject of study. The target population was 100 women and sample size of 79 respondents was chosen. Mugenda and Mugenda (2003) define sampling as a process of selecting individuals for a study. Stratified random sampling was used to select the sample from selected women groups to be given questionnaires. According to Mugenda and Mugenda (2003) stratified random sampling refers to probability technique that assures that each population category has an equal chance of being selected for the study. The data was collected by aid of questionnaire. A questionnaire is a list of questions in a set form that is developed to address specific objectives, research questions of the study both closed and open ended questions are used. Part one of the questionnaire addresses personal information of the respondent, while part two of the questionnaire addresses information assessment of the benefits of microfinance services on women group enterprises. The validity of the research design was achieved by carrying out a pilot study at Bomet town, targeting Women group enterprises within the town.

### **Reliability of the instrument**

The methods used by the researcher was quite reliable since, the standard questions which were in control of the researcher can be put in the simplest way possible which made respondents feel free to ensure the questions are mailed or personally delivered to ensure they are owned and so it is possible to get reliable answers compared to face to face or observation. The data was analyzed by use of qualitative method of data analysis. Qualitative assessment was conducted in-depth discussion held with selected women clients and in some cases families (spouses or grown). The questionnaires were screened for completeness, coding and final formatting was done. The data was analyzed using Statistical Package for Social Science. The findings were used to make inference as supported by scholars like (Schinder, 2001 and Crawford 1995)

## **RESULTS AND DISCUSION**

### **Demographic Characteristics of the Respondents**

#### **Marital status**

From the data collected, the research findings showed that 41% of the population is married. Most of these married people are women who own businesses in the region. Most of their businesses are established in town. 37% of the same population issued with questionnaires to fill is single women. This comprised of young women who have established their business in order to sustain their livelihood. Only 17% of the remaining population are widowed and hence have tried their best to keep the enterprise running in order to keep their lives moving and thus eradicating poverty. The remaining (5) 6% of the population are divorced.

### Level of education

On the level of education, 38% of the population interviewed had a level as their highest education attained. The studies showed that with a varied experience they have in business, they are good managers of their own. 27% of the same population is secondary school leavers and that is their highest level of education they have attained. The data findings further showed that 19% of the respondents attained Bachelors Degree in university. Hence most of these entrepreneurs have the knowledge and the capacity to build and grow their business. 10% of the respondents have attained primary level as their highest level of education, 5% has literacy class as their highest level of education and only 1% has not attained any level of education. This simply means this entrepreneur dropped out of school, primary level and started up business.

### Other training

On other training, Most of the respondents have vocational training. 48% of the population responded. 18% of the same population showed that they had apprenticeship training which has enabled them to work towards achieving the core objective of their business. Only 19% of the respondents have not attended any training. Significantly 9% of the same population issued with questionnaires to fill showed that they have attained professional training preferable in business. Most of them were retired auditors and accountants and others were certified legal officers. 6% of the respondents had other varied training experiences.

### Decision making

From the research findings, spouses are the one making decision on the operation of the business. 30% of the respondents make their own decisions based on the operations of the business. For the cases of extended families, other members are consulted in decision making hence they are the once making decisions. This was mentioned by 13% of the respondents. Other business had a structured management boards, and managers are the ones who decide on the direction of the business. This was also mentioned by 25% of the respondents.

### Information on women enterprise activities

#### Enterprise Activity

The research findings showed that most women entrepreneurs carry out trade as their enterprise activity. Among the respondents 60% contend trading as the main enterprise activity, 38% of the respondents offer services to their customers, Services offered include mobile banking M-pesa, and household business, among others. Only 2% of the respondents have business with the manufacturing industries like tea firms in the County.

#### Business ownership

Most of the respondents (75%) own businesses.. Only 25% of the remaining population not owns the business, therefore they are employed.

### Location of the business

Most of the entrepreneurs are carried out in the industrial site. 41% of the RESPONDENTS DO THEIR Businesses around industrial sites, 18% in open market, in the market stalls, and 13% at commercial Centre, where they gained more profits compared to those operating at home. 10% operate at home due to heavy financial cost of operation in commercial centers and 6% are doing their businesses by moving around the town (mobile).

### Business records

Majority of the entrepreneurs keep business records for reference and measurement of business performance over a specified period of time. 76% of the respondents keep their records while 24% do not keep their business records.

### Sales volume

The research findings showed the summaries of the monthly sales volume of each entrepreneur. 38% of the respondents indicated that the sales volume measured monthly on the performance of their enterprises are below average. This is due to factors that hinder growth. They however face challenges in their business, and this is what has caused the decline in the sales volume of the enterprise. 34% is on average and 28% is above average.

### Challenges facing women enterprise activities in Kericho town

From the data collected, the research findings showed that there are several challenges that women groups faces when operating on their business. 28% showed that they face a challenge since they have to cover up medical expense of their family members. This may weakened the profit maximization in the enterprise, 25% indicated that, price volatility in most of the products they deal with remains a challenge. The prices of commodities keep fluctuating depending on the legal terms levied to the manufactures by the government and this affect up to the retailer. 14% of the population indicated that they keep settling their children's school fees and therefore has a negative impact on the profit maximization of the business and this remains a challenge to the entrepreneurs. 13% occasionally settles funeral expenses of their beloved and this affects the growth of the enterprise, furthermore, Most of the customers default in paying their dues to the enterprise and this has an impact on the growth of the business. 6% indicated that most of the money is used for birth expense. Only 1% did not respond to the questionnaire.

### Solutions to the challenges facing women enterprise activities in Kericho town

The first solution recommended by 34% of the respondents is investing huge capital on fast moving goods so as to maximize returns 29% indicated that the profits need to be saved in a bank account so as to accumulate interest. Only 15% indicated that the only solution to such limitations like funeral expenses, school fees, among others can be solved by borrowing money

from financial institutions because the challenge is a short term and hence needs a short term solution too, 5% of the respondents mentioned that friendly contribution can help a great deal.

### **Benefits of microfinance services to women in Kericho town**

#### **Women empowerment**

From the research findings, women empowerment through provision of microfinance services, women entrepreneurship has been enhanced. 35% of the respondents agreed that women empowerment has led to increased output on development projects aimed at enhancing entrepreneurship. 33% of the respondents indicated that the targeted nets profits have been declining in a worrying note. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. 17% of the contends that unemployment has become a barrier to the growth and success of women entrepreneurship. 15% of the respondents showed that the rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business. From the data collected, the research findings showed that women in entrepreneurship have empower themselves on the microfinance services they get. Microfinance services offer network diversity to women entrepreneurs in the region. This network diversity helps the women entrepreneurs to open up marketing opportunities for them. This was confirmed by 17% of the respondents. 20% of the respondents stated that these microfinance services creates a long lasting bond between the women entrepreneurs, microfinance and the customers, 28% of the respondents indicated that the microfinance services increases market size even to the regional market due to market challenge training provided by microfinance institution and 35% of the respondents that due to network diversity, market size, regional bonding have increased savings in the business.

#### **Skills acquired**

From the data collected, the research findings showed that majority of women entrepreneurs enjoy microfinance services. 38% of the respondents have acquired skills in entrepreneurship. The skills acquired will be used to enhance the operation of the enterprise. Only 37% of the have done training in entrepreneurship instilling knowledge on general management of the enterprise. 17% of the respondents agreed that microfinance training and services offers network diversity to women entrepreneurs in the region. This network diversity helps the women entrepreneurs to open up marketing opportunities for them. Only 20% of the respondents stated that this microfinance service creates a long lasting bond between the women entrepreneurs, microfinance and the customers

#### **Women entrepreneurship**

From the research findings, 35% of the respondents agreed that micro finance service has led to increased output on

development projects aimed at enhancing entrepreneurship. 33% of the population indicated that the targeted nets profits have been declining in a worrying note. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. 17% of the population indicated that, it's due to employment which has become a barrier to the growth and success of women entrepreneurship. 15% of the remaining population showed that the rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business.

### **Conclusion and Recommendations**

Most of the women entrepreneurs in this region are married. These group of women have attained the A level as their highest education level they have, most of them are secondary school leavers who have business oriented minds. This showed that they lack basic education to enable them grow their business to higher levels. Women entrepreneurs in this region have receive the formal training meant for business development. The few who have gone through colleges have professional qualifications in entrepreneurship while others possess vocational training. Most of the respondents are trained by their parents, spouses or even friends those who have stayed in business for a long time in entrepreneurship. Most of the women entrepreneurs carry out their businesses in the open market , market stall , commercial Centre and some operate at home while others have their businesses mobile. Sales volumes recorded at the end of the month are either below average or above average. Some of the challenges faced by women enterprises include payment of medical bills, schools fees and birth fees., price volatility in most of the products, The prices of commodities keep fluctuating depending on the legal terms levied to the manufactures by the government and this affect up to the retailer. This may weakened the profit maximization in the enterprise. While others has on occasion has to settle funeral expenses of their beloved when hit by that problem and this also affect the growth of the enterprise. Most of the customers default in paying their dues to the enterprise and this has an impact on the growth of the business. Despite the challenges faced by entrepreneurs, there are solutions to the challenges faced. The first solution is investing huge capital on fast moving goods so as to maximize returns. The profits need to be saved in a bank account so as to accumulate interest. From the findings the only solution to such limitations like funeral expenses, school fees, among others can be solved by borrowing money from financial institutions because the challenge is a short term and hence needs a short term solution too.

The data collected reveals that, there are some microfinance factors that have either direct or indirect impact on women entrepreneurship. These factors have constantly affected the overall performance of microfinance. Most of the respondents showed that credit facility is the main factor. This has affected the performance of the enterprise to a high extend. Some of the respondents showed that the size of loan obtained in the microfinance institution (Kenya Women Finance Trust) also

affect its performance this is because of the repayment period and installments needed to repay back the loan. The data collected reveal that they acquire skills in entrepreneurship. The skills acquired will be used to enhance the operation of the enterprise. The researcher further concluded that women in entrepreneurship have empower themselves on the microfinance services they get. Microfinance services offer network diversity to women entrepreneurs in the region. This network diversity helps the women entrepreneurs to open up marketing opportunities for them. This further creates a long lasting bond between the women entrepreneurs, microfinance and the customers. Moreover, microfinance services increases market size even to the regional market due to market challenge training provided by microfinance institution. Network diversity, market size, regional bonding among others have increased savings in the business. The researcher concluded that it has led to increased output on development projects aimed at enhancing entrepreneurship. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. It's due to employment which has become a barrier to the growth and success of women entrepreneurship. The rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business. Women empowerment has been enhanced through provision of microfinance services, this has led to increased output on development projects aimed at enhancing entrepreneurship. Moreover, the researcher concluded that the targeted nets profits have been declining in a worrying note. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. It's due to employment which has become a barrier to the growth and success of women entrepreneurship. It is revealed that the rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business.

### Recommendations

Several Challenges has been faced by women in entrepreneurship. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. It's due to employment which has become a barrier to the growth and success of women entrepreneurship. The rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business.

Due to the challenges that have hindered development and the growth of women entrepreneurship, women in business should develop strong solutions to the barriers hindering them from business. This includes the following avenues to success; the first solution is by use of working capital. Women entrepreneurs should maximize working capital by investing huge capital on fast moving goods so as to maximize returns. The profits need to be saved in a bank account so as to accumulate interest. The only solution to such limitations like funeral expenses, school fees, among others can be solved by borrowing money from financial institutions because the challenge is a short term and hence needs a short term solution too. Women in entrepreneurship has to attend several training workshops and business meetings in order to develop in business skills that will help them grow and build business empires in the county. Furthermore, women entrepreneurs have to share experiences with fellow successful business men and women. Business consultants and experts in entrepreneurship have to be consulted too.

Microfinance services offer network diversity to women entrepreneurs in the region. This network diversity helps the women entrepreneurs to open up marketing opportunities for them. This further creates a long lasting bond between the women entrepreneurs, microfinance and the customers. Moreover, microfinance services increases market size even to the regional market due to market challenge training provided by microfinance institution. Network diversity, market size, regional bonding among others have increased savings in the business

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