

**THE EFFECTS OF EDUCATION ON MANAGEMENT OF WOMEN
OWNED SMALL AND MEDIUM ENTERPRISES IN KISUMU TOWN
EAST CONSTITUENCY: ASURVEY OF WOMEN ENTERPRISE
FUND**

BY

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ABSTRACT

Education is a powerful tool for building capacity which can lead to reducing poverty, redressing inequality, improving health and social well-being and creating a foundation for sustained economic growth. However, inadequate knowledge in financial management has actually led to the failure of many Small and Medium Enterprises (SMEs) established by women despite many opportunities provided to access finance for enterprise development. Women continue to have systematically poorer command over a range of production resources, including education and financial resources. The main purpose of this study therefore was to find out the effects of education on the management of women owned SMEs established through the Women Enterprise Fund. The specific objectives were; to examine the accessibility of Women Enterprise Fund (WEF) to the women entrepreneurs, to determine how management of SMEs established through WEF are affected by education level of the women borrowers and to examine management constraints facing the SMEs established through the WEF. The study was conducted in Kisumu Town East Constituency and it employed the use of survey research.

A sample size of 216 respondents was selected from the total population of 245 women groups. Simple random sampling was used to select the women group members for interviews while purposive sampling was used to select key informants. The instruments used to collect primary data included questionnaires, focus group discussions, observation and interviews. Quantitative data were analysed descriptively at a significance level of 0.05 and results presented in the form of charts, tables and graphs. Qualitative data were summarized into themes and presented in a narrative form to provide explanation on the findings. From the study, only 09% of registered groups had acquired funds since the inception of WEF. 74% of the respondents felt that the process of acquiring the fund was long and the registration fee charged was high. 71% were convinced that if women could have full control in decision making on acquisition of fund and management of business enterprise then many would go for the fund. 80% of the respondents agreed that they had been trained in various areas related to business and financial management. However, only 43% confessed that they had experienced improved living standards. 31% accepted that education affects the performance of a business. Women who are well educated have ease of accessing the funds because they have a better understanding of the processes involved. Some women disputed the perception that businesses established by educated women perform well. Some of the constraints that limit the success of SMEs established through micro-credit funds include poverty, cultural factors and strict institutional policies. The study concludes that though education is important in the success of women SMEs established through the micro-credit funds there are mixed perception among the respondents which calls for further investigations. The study recommends review of policy frameworks on credit acquisition, intensification of training on SMEs through needs assessment, creation of a level playing ground for all borrowers at group level and increasing sources of credit for women entrepreneurs. This study may be important to policy and decision makers in providing frameworks for improved performance of women SMEs and increased access to micro-credit funds. It may also benefit other researchers as a source of reference in their study.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Education is a powerful tool for capacity building which can lead to reducing poverty, redressing inequality, improving health and social well-being and creating a foundation for sustained economic growth. According to the International Finance Corporation (2011) there is mounting evidence that women's economic activity results in better bargaining power in the home. More bargaining power for women not only benefits the women but also results in greater investments in the health and education of children, thus promoting human capital of the next generation and therefore improving the potential for economic growth.

Hallman *et al* (2003) however points out that lack of investment opportunities for women negatively impacts the capabilities of the next generation and perpetuates cycles of poverty, which affect both men and women.

The importance of women's education has received a lot of impetus through various declarations and conferences. Education for All (EFA) for example was launched in Jomtien, Thailand in 1990 and its main aim was to achieve 50% improvement in levels of adult literacy by 2015 especially for women and equitable access to basic and continuing education for all adults (UNESCO, 2001). Women empowerment through education is also embedded in Goal 3 of the Millennium Development Goals (MDGs) which advocates for gender equality and empowerment of women. It targets to eliminate gender disparity in primary and secondary education and in all levels of education by the year 2015 (UN, 2011).

In Africa, management of SMEs and access to credit finance is still a challenging task that requires a diverse knowledge in order to adjust to the dynamics of the business environment.

In South Africa business people in the second economy sector enjoy little respect and many are women with little education lacking formal accreditation (Andrews, 2008). A similar finding by Ellis *et al* (2006) points out that the Uganda Revenue Authority have found it difficult to deal with women having less education, lower rates of literacy, and fewer formal business skills. According to her one businesswoman stated that she closed her shop every time the tax inspector visited because she did not understand how to keep her books properly.

In Kenya, according to (Idembe and Musa, 2011) women's poverty is attributed to limited access to and control over productive resources such as, credit, limited control over the proceeds of their labour and lack of skills and appropriate technology. They continue to explain that despite efforts by different institutions to avail market information through the internet there is still limited access to training and information for the majority of women, which is critical in transforming their knowledge and aspirations into reality.

However, the government recognizes the need for women empowerment through Vision 2030 and aims at increasing women's access to education, training, capital and productive resources (Kenya Republic of, 2010). The WEF was initiated in line with vision 2030 with the mandate of providing loans to women, attracting and facilitation of investment in SMEs (Kenya Republic of, 2007).

Access to credit facilities by women in Kisumu has been boosted by the introduction of WEF and several women groups have been able to access the fund for business investments. According to the Public Accountability Statement 2012/2013, about 245 women groups have borrowed from WEF in Kisumu Town East Constituency. However, the Social Services Department records of 2012-2013 indicates that there are about 2793 registered women

groups in the constituency but only 245 have been able to access the women enterprise funds. The low number of women who have borrowed credit from WEF in the constituency indicates that there are serious barriers which should be investigated.

1.2 Problem Statement

The inability of women to effectively manage their SMEs is attributed to limited access to information on business and financial management. Women's poverty is attributed to limited access to and control over productive resources such as credit and lack of skills and appropriate technology (Idembe& Musa, 2011). Women have limited access to training and information which is critical in transforming their knowledge and aspirations into reality. Lack of planning, improper financing and poor management have further been hypothesized as the main causes of failure of SMEs established by women(Longenecker, *et al* 2006).

Access to credit fund without adequate knowledge on management is a function of the failures of SMEs established by women. Gender discrimination in education has continued to isolate women from gainful economic activities. In addition, it is perceived that women do not have adequate knowledge to manage their enterprises or acquire credit without the support of their husbands or male relative.

Records from the Social Services department indicate that access to credit facilities by women is very low in Kisumu Town East Constituency where only 245 groups out of the registered 2,793 have been able to access the women enterprise funds. This study therefore examines SMEs funded by the WEF to establish how their performances are affected by women's education level in Kisumu Town East Constituency.

1.3 Objectives of the study

The main purpose of this study was to find out the effect of education on the management of SMEs established by women using the WEF in Kisumu Town East Constituency.

1.3.1 Specific objectives

1. To examine accessibility of women enterprise fund in Kisumu Town East constituency
2. To establish the level of capacity building provided to the borrowers of the WEF
3. To determine the relationship between education and performance of the SMEs
4. To examine constraints facing the SMEs established through the WEF in Kisumu Town East Constituency

1.3.2 Research Questions

1. What are the factors that contribute to difficulties in accessing credit finance?
2. What is the level of capacity building provided to women borrowers of WEF?
3. How does the level of education affect the performance of women-owned SMEs?
4. What are the constraints facing women owned SMEs initiated by WEF?

1.4 Scope of the Study

The study was conducted in Kisumu Town East constituency and with a focus on the SMEs that have been established by women through the WEF. The focus was on registered women groups who have acquired loan with an aim of initiating SMEs. The specific areas of focus included effects of education on the successes of the SMEs that have been established through the women enterprise fund since its inception in the year 2007, barriers to credit finance, capacity building among women entrepreneurs and constraints facing women SMEs.

1.5 Justification of the Study

The study was informed by the discovery from literature and sources such as print media that women owned SMEs are facing challenges due to limited knowledge on financial and business management. Researchers such as Ellis *et al* (2006), Idembe & Musa (2011) and Andrews, (2008) have mentioned inadequate knowledge as a major factor affecting the success of SMEs established by women. It has also been noted from the literature that there are many registered women groups in Kisumu Town East Constituency but only 245 have acquired credit from the WEF. The performance of the SMEs established by the women entrepreneurs in the constituency are also poor and the records received from the Social Services department indicate that most of the women groups have not been paying back their loan within the stated timeframe.

This study is therefore necessary and it may be helpful to the government, support groups such as Non-Governmental Organizations(NGO) and policy makers by providing information on how improved investment in women education or training can uplift the success of SMEs established through the micro-credit funds. The study also provides information on the challenges that face women SMEs and this may help the government to formulate policies and strategic measures to eliminate such challenges. The study further provides useful information that may be used by other organizations such as NGOs to provide financial and education support to women in order to improve women economic status through SMEs. Finally, the study may be used as a source of reference by other researchers interested in conducting research in a similar area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter involves review of secondary materials with thematic issues on women education, management of SMEs, socio-economic welfare and the challenges women face. It also looks at other related factors such as socio-cultural practices that are perceived to affect women education, acquisition of credit and control of their business initiatives.

2.2 Women's Access to Micro-credit Finance

Microcredit is a small amount of money loaned to an individual or through group lending client by a bank or other institution, often without collateral (UN, 2005). The urgency to empower women through micro-credit finance is not a recent initiative. In 1995 and 1997; the Beijing Conference of 1995 and World Micro-Credit Summit of 1997 respectively were held with an aim of promoting women's economic independence and people-centred sustainable development, including sustained economic growth, through the provision of basic education and life-long education, literacy and training (Ranadive, 2002 & UN, 1995).

It is against this backdrop that various governments have developed mechanisms for increased financial access to women entrepreneurs. In India for example the government has drawn up an ambitious 14-point action plan for public sector banks to increase women's access to bank finance, with a view to increasing women's access to formal finance, including SME finance (International Finance Corporation, IFC, 2011). The same report indicates that in South Africa, Women Enterprise Development Initiative (WEDI) is a seven-year, \$250 million closed-end, women-owned SME equity fund that combines high social impact investing and above average returns on investment by supplying up to 1 percent of funds under management

in the proper assessment and ongoing support required for women entrepreneurs to be successful in the medium and long term. WEDI incorporates a multi-disciplinary and holistic approach to enterprise development, while providing with capacity building to the services of the women-owned SMEs to build long term growth.

Microcredit is a small amount of money loaned to a client by a bank or other institution. Microcredit can be offered, often without collateral, to an individual or through group lending (UN, 2005). However, IFC (2011) indicates that weak creditors' rights and a lack of credit information can disproportionately disadvantage women, particularly if they have little collateral or control over assets. Since most women's main asset is their credit history, the limited availability of basic credit information and the lack of information sharing between financial institutions disproportionately impacts women entrepreneurs.

Kenya has set up a National Women's Enterprise Fund aiming to increase women's access to credit and development resources. The WEF was initiated in line with vision 2030 with the mandate of providing loans to women, attracting and facilitation of investment in SMEs, supporting women oriented SMEs, facilitation of marketing products and services and finally to support capacity of the beneficiaries of the fund and their institutions (Kenya Republic of, 2007). However, according to Idembe *et al* (2011) key challenges facing the Women's Enterprise Fund include fees for the application forms, lack of knowledge on how to fill in the application forms due to high levels of illiteracy among women, high interest rates charged by commercial banks who disburse the funds, and financial institutions who demand collateral from women before giving them loans.

Access to credit facilities by women in Kisumu has also been appreciated in Kisumu but the level of acquisition is still very low. According to the Social Services Department records of 2012-2013 there are about 2793 registered women groups in the constituency but only 245 have been able to access the women enterprise funds. This could also be attributed to the challenges pointed out by Idembe *et al* (2011) as well as cultural and bureaucracy in the social and institutional set-ups.

2.3 Capacity Building of Women Entrepreneurs

According to a report by UNDP (2006), the complementary relationship between microfinance and financial education is clear. Financial education can play an important role in helping women interface effectively with their financial landscapes, choose among the increasingly complex array of financial options, and better manage the financial resources they have. The purpose of financial education is to teach people concepts of money and how to manage it wisely. The aim is to enable people to become more informed financial decision makers, develop awareness of personal financial issues and choices, and learn basic skills related to earning, spending, budgeting, saving, borrowing, and investing money. Financial literacy can help people set financial goals and optimize their financial options. Khandker (1998) pointed out that those women with lower literacy rates are less mobile, which results in lower access to financial market information.

Improving money management skills has been a focus of micro-enterprise training programs for many years. A decade ago, training in cash flow management and record keeping was integral to many microenterprise programs involving credit. Since then, with the widespread adoption of minimalist microfinance approaches, many business development services beyond financial services have been dropped (Glasson, 2000).

However, UNESCO (2007) found that microfinance markets become more competitive and financial portfolios more complex, many clients find themselves juggling an array of financial products that they do not fully understand. This implies that they lack skills to cost out individual products, assess their best use, and compare alternatives. In this context, determining appropriate financial strategies to achieve investment and other economic goals becomes little more than guesswork. Products and services that are designed to better meet the needs, preferences, and opportunities of the women, complemented by financial education to improve their money management skills is a strategy funding agencies can use to expand and consolidate their market reach and better serve the poor.

World Bank (2007) highlighted accessing microfinance services to be increasing choices which plays an important role in empowering the poor, especially women. This economic freedom, which often is taken for granted by those with secure incomes, is a huge gap in the lives of the poor. It includes not only personal growth in self-esteem and self-confidence. Surprisingly, there has been limited attention to financial education in the context of microfinance, sustainable livelihoods, or other poverty reduction programs in developing countries. Despite the critical importance of money management skills and the scope for improving them, there are very few examples of efforts to build financial literacy skills among microfinance clients or other groups of people targeted by these programs.

2.4 Education and performance of women-owned Small and Medium Enterprises

The benefits of women's projects including the SMEs can be seen both in terms of their own human capital and ability to contribute to the economy as well as that of the next generation.

Understanding financial behavior is an emerging interest among many Micro-Finance Institutions (MFIs) and provides the starting point for identifying ways to improve the money

management skills of poor people. It requires an awareness of the economic goals of poor households, how people manage resources and activities in the context of their households, how they build assets, and how they deal with risk in their day-to-day lives. It further requires understanding the financial landscape in which people operate – and how, why, and when they use various formal, semi-formal, and informal sources of finance (Chua *et al*, 1999).

Improving women's access to adequate training and information is vital to increased women's participation in the labour force, in quality jobs and in entrepreneurial activities.

According to the Organization for Economic Cooperation and Development (OECD, 2012) steering women towards fields of study in line with market needs such as economic and business development would help develop their employability and hence their possible subsequent development as entrepreneurs. This implies that women can be empowered through provision of education and training opportunities to improve their skills and enhance their access to credit facilities (Okolo, 2012). Entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 1998).

There has been limited attention to financial education in the context of microfinance, sustainable livelihoods, or other poverty reduction programs in developing countries. Despite the critical importance of money management skills and the scope for improving them, there are very few examples of efforts to build financial literacy skills among microfinance clients or other groups of people targeted by these programs (World Bank, 2007). Limited attention to financial education plays a major role in the failure of most SMEs established by women due to limited knowledge in balancing their profit and loss accounts. UNESCO (2007) points out that for women who lack skills to cost out individual products, assess their best use, and

compare alternatives; determining appropriate financial strategies to achieve investment and other economic goals becomes little more than guesswork. Inadequate knowledge on financial and enterprise management is surprisingly the contributing factor towards the poor performance and failure of the women owned enterprises.

2.5 Challenges facing the management of SMEs

The small and medium enterprises play an important role in boosting national and domestic income. However, starting and operating a small business includes a possibility of success as well as failure. According to (Longenecker *et al.*, 2006) lack of planning, improper financing and poor management have been hypothesized as the main causes of failure of small enterprises. While not fully conclusive, some survey results indicate that limitations in access to finance for women entrepreneurs may be primarily associated with their propensity to operate smaller and informal businesses (International Finance Corporation, IFC 2011).

According to Oketch (2000) lack of credit has been identified as one of the most serious constraints facing SMEs and hindering their development. Female-run enterprises for example tend to be undercapitalized, having poorer access to information and credit than male-run enterprises, which hurt women's ability to participate in development and contribute to higher living standards for their families. Gender disparity has also constrained the women's ability to effectively manage their enterprises. Women continue to have systematically poorer command over a range of productive resources, including education and financial resources (Greenspan, 2002).

Armyx (2005) further argues that financial constraints are due to imperfect and asymmetric information, which give rise to the so-called adverse selection and moral hazard problems in

small business lending. Ruane and Sutherland (2007) add that women disproportionately bear the burden of financial crisis. Financial crisis can expose women's economic vulnerability by reducing women's earned income and the assets they control.

A study in Uganda by Hobomugisha, (2005) shows that most women do not have any asset to pledge, they find it practically impossible to get a loan without involving their husbands. As a result, men control the money women get from these projects. Further, most credit institutions follow lengthy bureaucratic procedures that are extremely time-consuming. Unequal gender relations tend to undermine women's relations with basic agricultural resources (land and labour), and impose crucial obstacles to their access to agricultural credit. According to Rau (2004) women have cultural and religious restrictions that prevent them from seeking credit. They may take up credit only with their fathers, brothers or husbands as co-signatories. Women's access to financial credit in Africa is therefore basically constrained by factors stemming from cultural practices.

In Kenya, according to (Idembe and Musa, 2011) women's poverty is attributed to limited access to and control over productive resources such as, credit, limited control over the proceeds of their labour and lack of skills and appropriate technology. Despite efforts by different institutions to avail market information through the internet there is still limited access to training and information for the majority of women, which is critical in transforming their knowledge and aspirations into reality. Many women's businesses therefore remain small with limited capacity and potential to transform women's economic status, or to absorb the economic shocks and turbulence from the global economy.

2.6 The study gaps

Although there is much writing on the effects of education on women's socio-economic performance, there is no comprehensive study that has been specifically conducted to address the management of SMEs that have been established using the devolved funds such as WEF. The funds are often disbursed to women groups for the establishment of SMEs in their backyards without looking into their education background, their training needs and their potential to invest. There are also no clear policy guidelines to ensure proper utilization of the funds. This study will therefore attempt to bridge the gap by identifying the effects of education on the management of SMEs established by women through the WEF.

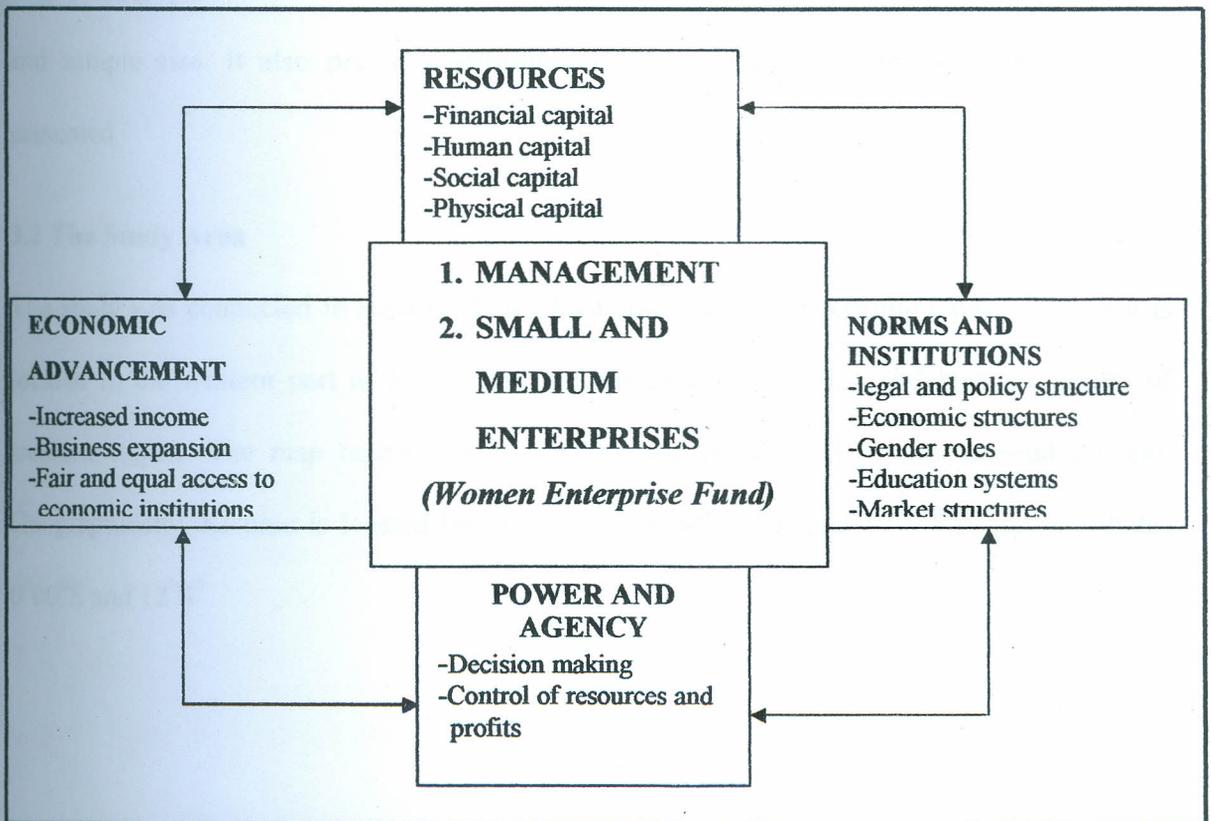
2.7 The Conceptual framework

Education plays an important role in enterprise management and defines its success or failure. According to the conceptual framework below, women require various important resources in order to compete effectively in the market. Some of the resources that have been identified include financial capital which may be obtained through savings or loaning, social capital which include a well-coordinated working mechanism between various stakeholders towards the improvement of women's welfare. Social capital also entails cultural aspects that determine the participation of women in capital market. Human capital is an essential resource provided through training of personnel in areas such as enterprise management. Physical capital include built environment with basic infrastructure facilities and services.

However, availability of resources is determined by norms and institutions such as legal and policy structure, economic structures, gender roles, education systems and market structures. If norms and institutions are favorable women will be able to achieve economic advancement through expanded business opportunities, fair and equal access to economic institutions.

The conceptual framework shows that the variables that determine the success or failure of women owned enterprises work through forward and backward mechanism. One variable may work in favour of or against another variable. It is through the working mechanisms of these variables that the study identifies education as an important component that determines the failure or success of women owned enterprises.

Figure 2-1: The Conceptual Framework



Sources: Adopted from Golla et al, 2011

Women can be empowered through provision of education and training opportunities to improve their skills and enhance their access to credit facilities (Okolo, 2012). Entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 1998).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The purpose of this research was to find out how the level of education affects the management of SMEs established through the WEF in Kisumu Town East constituency. This chapter elaborates the methods that were be used in carrying out the study, study population and sample size. It also provides information on how data collected was analysed and presented.

3.2 The Study Area

The study was conducted in Kisumu Town East constituency in Kisumu County. Kisumu is located in the western part of Kenya and is both an administrative and business centre of western region. The map below shows the location of Kisumu in the national context. Geographically, Kisumu is located between latitudes $34^{\circ} 35^{\circ} \text{E}$ and $34^{\circ} 55^{\circ} \text{E}$ and longitudes $0^{\circ} 00^{\circ} \text{S}$ and 12°S .

Figure 3-1: Location of Kisumu in the national context

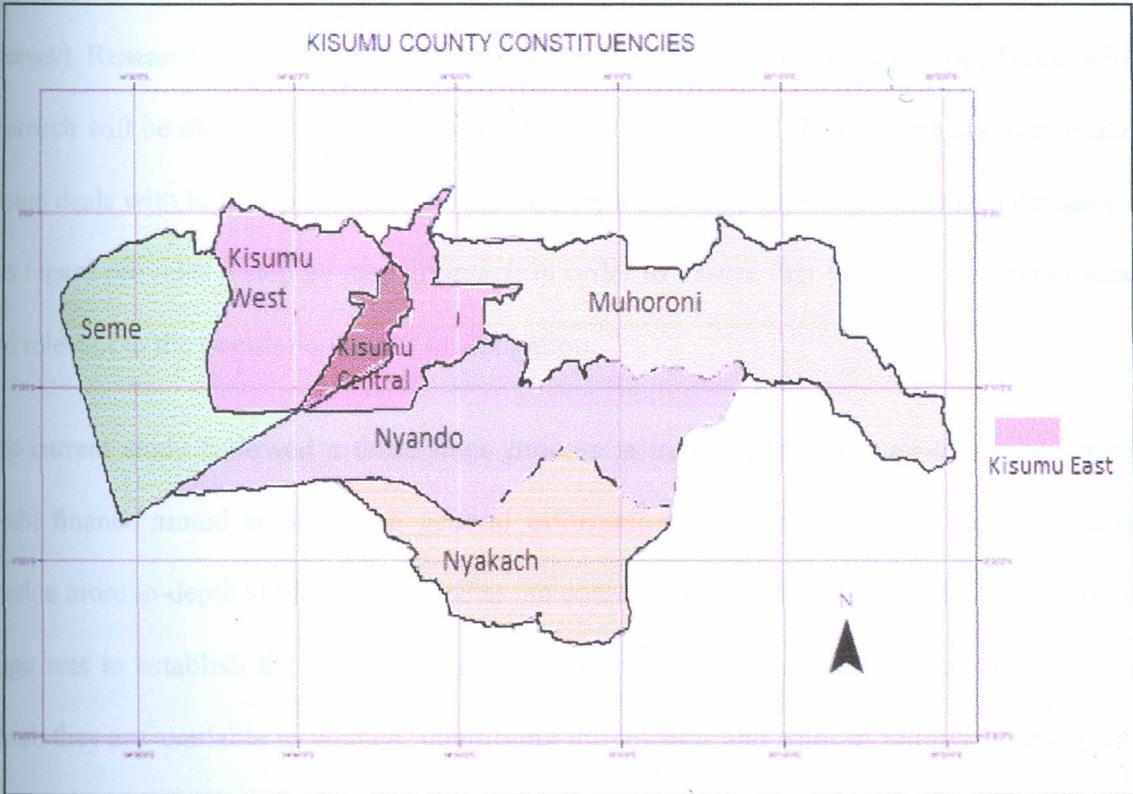


Source: Google Maps, 2013

3.2.1 Location and size

Kisumu Town East constituency is one of the seven constituencies found in Kisumu County and it is almost entirely within Kisumu Municipality. It is bordered to the west by three constituencies namely Kisumu Cental, Kisumu West and Seme. It is also bordered to the south by Nyando and Nyakach Constituencies while Muhoroni constituency is located on the eastern side. The constituency covers a total surface area of 133.9km².

Figure 3-2: Map showing the location of Kisumu Town East Constituency



Source: Redrawn from National Constituency map (2009)

3.2.2 Demography

According to the 2009 Population and Housing Census, Kisumu Town East constituency has a population of approximately 141,678 people with a density of 34.1 persons/km². In terms of gender composition, the constituency has 71,176 males while females are 70, 502 (Kenya, Republic of, 2009).

3.2.3 Economic activities

Kisumu Town East constituency has diverse economic activities since it is located within the boundary of Kisumu city which is the commercial centre of western Kenya. Most of the economic activities prevalent in the area include trade, manufacturing, agriculture, tourism and transportation services among others.

3.3 Study Design

(Survey) Research design is defined by Kothari (2004) as a strategy specifying which approach will be used for gathering and analysing the data. Yin (1989) explains that research design deals with logical problems and shows how the work plan flows. Research design with this regard provides a step by step approach in order to ensure that the study remains focused and relevant to the population under investigation.

The current study followed a three-stage process: a more general survey of women micro-credit finance aimed at providing general information on credit funds at the constituency level; a more in-depth study of the WEF at the constituency level. The specific aim of the first stage was to establish the different types of micro-credit finance and the channels through which they are available to women, identifying the impacts and roles in improving the women economic status. The first stage was basically a preliminary survey and it involved prior discussions with women running SMEs in Kisumu Town East constituency as well as officials from the Social Services Department. Literature on micro-credit funds for women was also studied at this level.

The second stage involved a survey of the women enterprise fund and how its utilization is affected by women's level of education. The WEF was picked for in-depth due to the realization from the preliminary studies that it is the form of micro-credit finance that is widely available for many women entrepreneurs.

The study was conducted through a survey approach due to its flexibility which allows the researcher to study the whole population rather than restricting it to a certain segment of the population. Surveys are only concerned with conditions or relationships that exist, opinions

that are held, processes that are going on, effects that are evident or trends that are observed (Kothari, 2004).

The study employed the use of qualitative and quantitative methods to collect, analyse and present the findings. The use of both methods was based on the arguments that though qualitative and quantitative approaches work differently, they reinforce each other, when planned carefully (Stake, 1995). Quantitative data provide precise information on a numerical basis while qualitative data provides an in-depth explanation of the study findings.

Kisumu Town East was purposively selected from the seven constituencies in Kisumu County based on the level of convenience to the researcher. Although Kothari (2004) explains that the use of convenience sampling may be biased, he states there are conditions under which sample designs may be considered better for reasons like convenience and low costs. The sample design to be used must be decided by the researcher taking into consideration the nature of the inquiry and other related factors. Kisumu Town East Constituency and the study population were therefore selected through convenient sampling after considering cost related factors such as transport and time.

3.4 Sample size

Kisumu Town East has got a large number of registered women groups. According to Social Services Department there are 2,793 registered women groups in the constituency but only 245 groups have been able to acquire credit from the WEF since its inception. Only 33 groups were identified through convenience sampling based on the availability of the contacts of the group leaders from the Social Services Department records. However 15 out of the 33 were conveniently sampled since they were ready to share their experiences. According to

Vanderstoep (2009) convenience sampling involves selecting people for your research who are available (or convenient) for study. Convenience samples often involve people whom the researcher knows or people who live close to the research site. He adds that the advantage of convenience sampling is the ease with which participants can be recruited through phone calls and geographical locations. The sample size was drawn from the 15 groups which had a total membership of 216. However, 140 members were selected as the study sample based on the formula below (Yamane, 1967))

$$n = \frac{N}{1 + N(e)^2} = \frac{216}{1 + 216(0.05)^2} = 140 \text{ members}$$

Where; n is the sample population

N is the total population

e is the precision level of 0.05

3.5 Sampling techniques and procedure

Sampling techniques

Purposive and simple random sampling was used during the study. According to Singh (2006) sampling is advantageous because sample groups data can be easily matched and it also ensures homogeneity of subjects used in the sample. Purposive sampling was used to identify key informants such as group leaders, director of social services and the chair of Constituency Women Enterprise Fund (C-WEF). Simple random sampling was used to identify group members. The study will therefore involve the use of probability and non-probability sampling.

The groups were identified through multistage sampling technique. The first stage involved the identification of all women groups in the constituency while the second stage involved the identification of registered groups that had acquired the WEF. Of these groups that had acquired the funds; quite a number had disintegrated while others could not be reached through the contacts given.

Sampling Frame

	No. of Groups	Overall Percentage
Number of registered groups in the constituency	2793	
Number of registered groups in the constituency that had taken the fund	245	09%
Number of registered groups in the constituency that had taken the fund but had since disintegrated	117	48%
Number of registered groups in the constituency that had taken the WEF but could not be reached	95	39%
Number of registered groups in the constituency that had taken the fund and could be reached	33	13%

Sources: Social Services Department; Standard Newspaper, 30/7/13

Sampling procedure

It was realized during the preliminary stages of the study that SMEs established by women were complex due to the level of heterogeneity. The groups had varied business activities that were difficult to categorise while some businesses were conducted in partnership or

collectively as a group. However, all the group activities such as crop farming were not considered in the study because of their locations in different areas outside the locality.

The group managed businesses were also eliminated due to the fact that the study was intended to investigate how individual members manage their businesses based on the level of education.

Individual women entrepreneurs were then interviewed irrespective of the type of business they operated. This was because of the complexity presented by the level of heterogeneity of the business activities

3.6 Data collection

The study involved collection of data from primary and secondary sources. This was done after considering the suitability of each source in the study research.

3.6.1 Secondary sources

This involved collection of data from written materials such as; journals, books, newsletters, internet, financial and business records. Secondary data was used to supplement primary data during the study.

3.6.2 Primary data sources

3.6.2.1 Focus Group Discussion

Focus Group Discussions (FGDs) was conducted with the groups during their monthly meetings. Berg (2001) explains that FGD enables researchers to access the substantive content of verbally expressed views, opinions, experiences, and attitudes than other traditional methods such as observation. This approach was helpful in providing collective information

from the women groups such as their operations, experiences, management of SMEs, access to financial credit and the procedures involved.

3.6.2.2 Observation

This is where the researcher observes a phenomenon of interest in the environment studied to draw information which is not obtainable from other methods (Noor, 2006). Observation was very critical in observing the nature and type of businesses established by the women entrepreneurs. An observation checklist was used to provide a systematic approach to the observation process.

3.6.2.3 Questionnaires

Structured questionnaires were randomly administered to the members of the targeted women groups. The questionnaire provided a quick means of reaching the households since other methods such as in-depth interviews were considered slow and could not cover the population sample within the set timeframe. Some questionnaires were self-administered while research assistants were also employed in administering the questionnaires. Questionnaires were useful in answering questions relating to level of education, constraints in accessing credit from the WEF and the benefits of the WEF in the establishment of the SMEs.

3.6.2.4 Interviews

Face-to-face interviews were conducted with key informants from the Social Services Department and group leaders. This was aimed at eliciting information that could not be provided through other means such as observation and questionnaires. These included rates of borrowing, repayment and their achievements through provision of credit to the women groups. Semi-structured interviews offers sufficient flexibility to approach different

respondents differently while still covering the same areas of data collection (Noor, 2008). It was also perceived that some of the women members would not provide reliable information especially on matters related to education.

3.7 Data analysis and Interpretations

Analysis is the task of systematically breaking down something into its constituent parts and describing how they relate to each other; it is not random dissection but methodological examination. You can play around with the parts, rearranging them into various configurations to explore possible leads. You should attempt to be systematic, rigorous and consistent (Kvale, 1996). The data was systematically organized and coded before entry for analysis, using SPSS software. The Focus Group Discussions and key informant interview results were analysed relying on the approaches outlined by categorization, condensation, structuring of meaning through narratives and interpretation of meaning.

The study generated both qualitative and quantitative data. The qualitative data were summarized, coded and organized into thematic issues due to large volume of data generated from the field. Qualitative data included those from key informant interviews, FGDs and observation. Quantitative data were analysed descriptively through frequencies and cross tabulation. According to Mugenda and Mugenda (2003) quantitative analyses are useful for assessment of the dimensions of characteristics of variables under investigation. Quantitative data was therefore useful in quantifying the degree of truth of certain claims of the variables in this study. Data Analysis was done at a significance level of 0.05 (5%). This implies that the researcher was 95% sure that the results of the study were true and not biased.

3.8 Validity and Reliability of Instruments

Validity, according to Oso & Onen (2008) is the extent to which research instruments measure what they are intended to measure. Validity is therefore the extent to which the interpretations of the results of a test are warranted based on the test's intended use. However, reliability is the degree to which a measurement technique can be depended upon to secure consistent results upon repeated application (Winer, 1962).

There are various measures that were taken to ensure that reliability and validity of the research were obtained. The first step involved a preliminary study in which a pre-test of the instruments was carried out to ensure that they are unbiased and relevant to the study. The questionnaires were then revised before final administration in the field. Corroboration of field data was conducted using other sources such as secondary materials for reliability.

3.9 Limitations of the Study

There are several challenges that were experienced during the study. Some of the women groups were not willing to be interviewed due to fears that the researcher wanted to acquire information that may be used against them. This challenge was addressed by clarifying the intention of the research to the respondents and assuring them of confidentiality. The other problem experienced was the inability to reach some women groups especially those that had defaulted to repay the loan. Some groups had been dissolved while some were not willing to have any discussion with the researcher. This challenge was addressed by replacing and having interviews with other groups who were willing to provide information. The other challenge was distance and poor accessibility that led to the delay in meeting some women groups. The researcher in this case had to create more time by increasing the number of days allocated to the assistant researchers for interviews and FGDs.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

This chapter is a discussion of the study results. In discussing the study results, I have highlighted common characteristics as well as attributes unique to the women groups. This is to ensure that the study gains from the richness of the results from each study group. The results and discussions are presented in accordance with the objectives.

4.2 Accessibility to the Women Enterprise Fund

This section addresses the first specific objective of the study which is *“To examine the accessibility of women enterprise fund in Kisumu Town East Constituency”*.

Accessibility to WEF was examined at two levels; lending institutions and at group levels. This was done with an aim of identifying the opportunities or challenges experienced by the women borrowers at each level.

4.2.1 Access to WEF from Lending Institutions

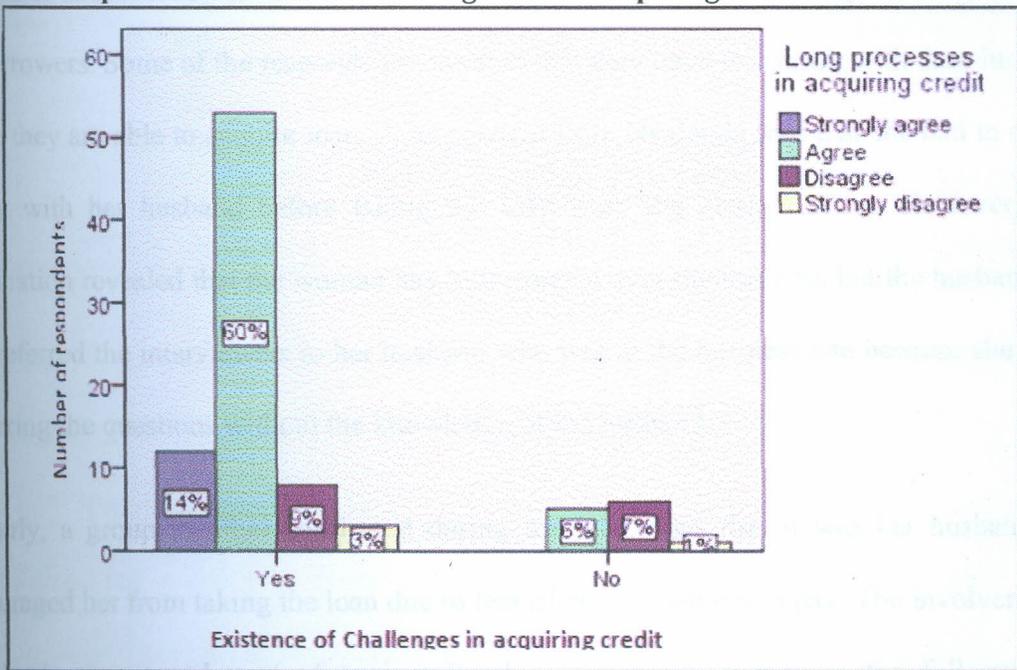
Access to WEF starts with formal registration of the group with the department of Social Services after which a registration certificate is issued. According to some of the group chairperson such as those of Chiga Lucky Women Group, the challenge to register a group to make it legible for a loan has several requirements. According to her, any group intending to be registered must pay a fee of kshs1500 which is sometimes difficult to obtain. Members are often pessimistic about acquiring loan and become hesitant to contribute registration fee.

According to figure 4-1 below 14% of the women respondents strongly agreed that there are long processes in acquiring the WEF while 60% agreed. Cumulatively, 74% accepted that the

process of applying for the loan from the WEF is often long and sometimes discouraging. Only 6% of the respondents said they have not experienced any delays in accessing the fund. However, one of the officials from the Social Services Department explained that the legal procedure is adhered to in order to avoid cases of groups failing to repay the loan.

According to his explanations processing of the loan takes between one to two months in order to ensure that all the legal procedures are duly followed. He explained that all the applications must be scrutinized before approval and before cheques are disbursed to the applicants. The foregoing explanation on the institutional process clearly indicates that acquiring the WEF by the women groups is bureaucratic and may impact negatively on the urgency to initiate SMEs.

Figure4- 1: Respondents views on the challenge faced in acquiring loans from WEF



4.2.2 Access to WEF from the Women Groups

Accessing loan through the WEF at group level was established to be easy as compared to the lending institutions. However, the amount borrowed is dependent on an individual's ability to repay the loan rather than the business to be initiated. A 30year old businesswoman who is a member of Motang' Kondele Women Group explained that some women fear borrowing because they doubt their capacity to repay the loan. The Secretary Chiga Lucky Women Group confirmed these sentiments and said;

"Some of our members fear taking loan because they fear that they might fail to repay and their assets can be confiscated to repay the loan. There is also inequality in borrowing because it is the members who have other sources of income and can repay the loan who take a larger share than their counterparts with limited sources of income".

It was also discovered that borrowing from the group is not just an independent decision of the borrowers. Some of the respondents revealed that they have to consult with their husbands before they are able to acquire loan. A respondent from Nyalenda said that she had to consult widely with her husband before taking the loan from the group's Kitty. However, close examination revealed that the woman has little control over the business but the husband. She even referred the interviewers to her husband who was at the business site because she feared answering the questions without the knowledge of the husband.

Similarly, a group member confirmed during the interviews that it was her husband who discouraged her from taking the loan due to fear of being unable to repay. The involvement of men leads to entrenchment of socio-cultural practices which reduces the full economic benefits of the WEF loan to women. The table below shows the views of women on the influence of cultural practices on acquisition of WEF the performance of the SMES

established with the fund. Cumulatively, 8.6% and 62.4% of the respondents observed that cultural factors affect their ability to access credit funds and to effectively manage their business enterprises while 24.7% strongly disagreed.

Table4- 1: Effects of cultural practices in accessing micro-credit by women

				Cultural Practices affect borrowing					Total
				Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
Challenges faced in acquiring credit	Yes	% within Challenges in acquiring credit	5.0%	72.5%	1.2%	1.2%	20.0%	100.0%	
		% within Cultural Practices affect borrowing	50.0%	100.0%	100.0%	33.3%	69.6%	86.0%	
		% of Total	4.3%	62.4%	1.1%	1.1%	17.2%	86.0%	
	No	% within Challenges in acquiring credit	30.8%			15.4%	53.8%	100.0%	
		% within Cultural Practices affect borrowing	50.0%			66.7%	30.4%	14.0%	
		% of Total	4.3%			2.2%	7.5%	14.0%	
Total	% within Challenges in acquiring credit	8.6%	62.4%	1.1%	3.2%	24.7%	100.0%		
	% within Cultural Practices affect borrowing	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
	% of Total	8.6%	62.4%	1.1%	3.2%	24.7%	100.0%		

The findings on the effects of socio-cultural factors corroborate those by the UN (2006) which points out that socio-cultural barriers often limit women's access to these services (UN,2006). Naidoo and Hilton (2006) continue to explain that among institutional factors explaining gender differences in access to credit might be property right restrictions for women. Such restrictions might include requirements for married women to obtain their husband's signature and approval for all banking transactions.

Given the prevailing challenges further investigations were conducted to determine the length of time taken by the groups to acquire loan. According to the Social Services Department, loan processing should take a period of one month. However 74% of the respondent pointed out that processing takes more than two months while 13% said it takes 1-2months. About 7% noted that it takes one month.

At the group level 86% of the respondents said they took less than one week to acquire the loan while 14% took one week. None of the groups were observed to more than one week in giving loan to its members. The results imply that delays are common at the institutional level due to the legal procedures.

4.3 Capacity Building of Women Entrepreneurs

This section addresses the second specific objective of the study which was *“To establish the level of capacity building provided to the borrowers of WEF”*.

Capacity building increases the women entrepreneurs’ abilities to manage their finances and SMEs. According to the findings of this study, capacity building has received impetus through various financial institutions with an aim of improving women’s money management skills.

The focus has been on micro-enterprise training programs, training in cash flow management and record keeping and customer relations. This study established that most of the women who have received training are capable of costing out and assessing their performance as well as improved money management skills that enhance saving. An in-depth analysis of women capacity building as established during the study are discussed in the subsequent sub-sections.

4.3.1 Capacity Building through Training on Entrepreneurship

There are various institutions that have been providing training to the registered women groups. Some of the institutions identified include Kenya Commercial Bank, Equity Bank, K-MET, Kenya Women Trust Fund, K-REP, KADET and SMEP. Group leaders also provide advisory services and other relevant information to their members during their scheduled meetings. The loans officer at the Department of Social Services explained that the department is involved in training of loan borrower before disbursement to ensure improved management of funds through financial literacy.

The women group leaders said that they offer in-group training or advisory services to assist illiterate members in improving the performance of their business enterprises. On training, 80% of the respondents agreed that they had been trained in various areas related to business and financial management while 20% had not received any training. The specific areas that the respondents said they had been trained in included record keeping, choice of business enterprise, savings and loan repayment.

The study examined the contributions of trainings offered to the women groups and the following were identified as the major areas where tremendous achievements have been experienced;

Record Keeping- this has helped them in tracking the performance of their businesses. Some of the respondents said that they have been able to make profits through improved record keeping as opposed to what they experience before.

Savings-some members explained that it is through the knowledge gained from training that they have been able to make saving with some finance institutions such as banks which has helped them to improve their standards of living. They have also been able to pay school fees.

Business stability-some women traders confirmed that trainings have helped them to acquire much knowledge and skills on business management and these have enabled them to run their business enterprises more smoothly than before.

Table provides a summary on how training/education has helped women entrepreneurs in the management of credit funds and their SMEs. The findings show that about 33% of the women have benefitted through improved knowledge and skills in record keeping.

Table4- 2: Contributions of training on women entrepreneurs

		Contributions of Education/training					Total	
		Record keeping	Savings	Customer relations	Others	None		
Training on Enterprise Management	Yes	Count	30	18	17	9	0	74
		% within Training on Enterprise Management	40.5%	24.3%	23.0%	12.2%	.0%	100.0%
		% within Contributions of Education/training	96.8%	94.7%	85.0%	81.8%	.0%	79.6%
		% of Total	32.3%	19.4%	18.3%	9.7%	.0%	79.6%
	No	Count	1	1	3	2	12	19
		% within Training on Enterprise Management	5.3%	5.3%	15.8%	10.5%	63.2%	100.0%
		% within Contributions of Education/training	3.2%	5.3%	15.0%	18.2%	100.0%	20.4%
		% of Total	1.1%	1.1%	3.2%	2.2%	12.9%	20.4%
Total		Count	31	19	20	11	12	93
		% within Training on Enterprise Management	33.3%	20.4%	21.5%	11.8%	12.9%	100.0%
		% within Contributions of Education/training	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	33.3%	20.4%	21.5%	11.8%	12.9%	100.0%

Source: Field Data

World Bank (2007) highlighted accessing microfinance services to be increasing choices which plays an important role in empowering the poor, especially women. This economic freedom, which often is taken for granted by those with secure incomes, is a huge gap in the

lives of the poor. It includes not only personal growth in self-esteem and self-confidence. Surprisingly, there has been limited attention to financial education in the context of microfinance, sustainable livelihoods, or other poverty reduction programs in developing countries. Despite the critical importance of money management skills and the scope for improving them, there are very few examples of efforts to build financial literacy skills among microfinance clients or other groups of people targeted by these programs.

4.3.2 Capacity building through credit finance

Personal interviews with the chairman of the WEF at the Department Social Services revealed that the fund was introduced by the government to help in poverty alleviation among women by increasing their capacity to invest in SMEs.

An investigation of the amount borrowed was conducted in order to determine the level of satisfaction and the potential to start any meaningful business. According to the findings of this study most of the groups had received between 20,000-35,000 and 36,000-50,000. However they stated that the amount distributed to each member was not adequate since it did not allow them the adequate amount to initiate the type of businesses they had focused on. From the findings 59.0% were satisfied with the borrowing while 41.0% were not. This implies that most of the women borrowers have been able to meet their investment dreams through the WEF loans. Table 4-3 shows a cross-tabulation of the amount borrowed and the respondents' views on the level of satisfaction for each cluster of borrowing.

Table4-3: Cross-tabulation showing amount of loan from WEF and its adequacy for business

Amount of loan from WEF	Amount acquired adequate for business		Total
	Yes	No	
20,000-35,000	24.0%	13.0%	37.0%
36,000-50,000	26.0%	25.0%	52.0%
51,000-65,000	4.0%	1.0%	5.0%
66,000-80,000	1.0%	1.0%	2.0%
81,000-95,000	1.0%	0.0%	1.0%
>95,000	3%	1.0%	4.0%
Total	59.0%	41.0%	100.0%

Source: Field Data

The above findings show that very few groups have borrowed substantial amounts of more than Kshs.51,000. An interview with the loans officer revealed that most of the women groups are recent formations which do not have the capacity in terms of collaterals to repay the loan.

Further investigations at the group level exposed that some members receive as low as Kshs3,000 while some have received up to Kshs60,000. This shows a large discrepancy and inequality in borrowing which creates further gaps in efforts to improve women's economic potentials. The discrepancy is caused by the fact that some members are in a better position to repay the loan and hence do not fear borrowing large amounts. Nonetheless, some groups have many members and equal distribution of the loan results into fewer amounts acquired. Such discrepancies reduce the women's capacity to meet their investment goals.

According to UNDP (2008) women entrepreneurs face many obstacles, such as limited institutional capacity, complicated procedures for business start-ups, collateral requirements, and limited mobility for networking and limited access to information, technology and

financial services. An observation of the nature of business enterprises was carried out in order to compare the nature of business premise as well as goods sold. It was established that most of the respondents who had acquired less amount did not have significant business premises or goods to sell.

4.3.3 Social and economic gains through capacity building

The initiatives to empower women through the WEF were aimed at increasing their socio-economic status. This study therefore undertook a survey on how the WEF loan has transformed the lives of women entrepreneurs. According to the findings in table4-4 below; 43% of the respondents said that they had experienced improved living standards. This was due to increased income resulting from improved business performance and savings. 28% on the other hand said they managed to expand their business enterprises as a result of increased capital base from the WEF. Other benefits revealed by this study include taking part financial decisions in the family and in financial contributions towards community social support.

Table4- 4: Contributions of SMEs to women entrepreneurs

		Percent
Contributions of SMEs	Business expansion	28.0
	Paying school fees	17.2
	Improved living standards	43.0
	Others	11.8
	Total	100.0

Source: Field data

The above findings on the contributions of SMEs established through the WEF loans were ascertained through personal interview with a widowed woman and a member of Chiga Lucky

Women Group who sells second hand clothes revealed how she has been able to take care of her large family through her business. She said;

It is through this business that I have been able to provide for my family. It almost collapsed before I received the loan but I have managed to expand it by buying new and unique stock from Mombasa. I have also managed to pay school fees for two of my children in secondary school and college (personal interview with a member of Chiga Lucky Women Group, June, 2013)

Tremendous achievements have been realized through capacity building and according to the loans officer in Kisumu Town East Constituency; women have been prompt in paying back the loan. According to World Bank (2007) accessing microfinance services increases choices and plays an important role in empowering the poor, especially women. This provides economic freedom, personal growth in self-esteem and self-confidence.

From the findings, 80% of the respondents agreed that they had been trained in various areas related to business and financial management while 20% had not received any training. The focus was on micro-enterprise training programs, training in cash flow management and record keeping and customer relations. Of this about 33% of the women have benefitted through improved knowledge and skills in record keeping. 43% of the respondents said that they had experienced improved living standards. This was due to increased income resulting from improved business performance and savings. 28% on the other hand said they managed to expand their business enterprises as a result of increased capital base from the WEF. Further, 17% have been able to pay for school fees from their business and 11% have experienced the benefits by taking part in family financial decisions and in financial contributions towards community social support.

This study established that most of the women who have received training are capable of costing out and assessing their performance as well as improved money management skills that enhance saving

4.4 The influence of women’s education on performance of Small and Medium Enterprises

This section addresses the third specific objective of the study which was “*To determine the relationship between education and performance of the SME’s*”

Education provides prior skills and knowledge about enterprise management. It is therefore an important tool that enables individuals that are engaged in business practices to get an insight on techniques of management and the eventual success of the enterprise. It is through education that new knowledge and skills are imparted and therefore creates an active and innovative population. According to the findings of the study 40% of the population interviewed has attained secondary education while 23% have managed to reach tertiary level.

A summary of the findings is shown in table4-5 below

Table4-5: Level of education attained by the respondents

	Percent
Level of Education	
None	5.0%
Primary	32.0%
Secondary	40.0%
Tertiary	23.0%
Total	100.0%

Performance in education is not generally good since 5% of the women interviewed have no formal education at all while 32% and 40% have primary and secondary education respectively. According to UNDP (2008) societies that increase women’s access to education,

employment, and credit, and that narrow differences between women and men in economic opportunities, increase the pace of economic development and reduce poverty.

The household findings on the level of education among women who have established small business enterprises through the WEF loans indicated that 32% of the respondents had attained primary education while 40% had managed to reach secondary level. About 23% have tertiary education while a dismal 5% have not acquired basic formal education.

Personal interview with a trader at Kondele market revealed that her profit margin has expanded because she is able to keep track of the business performance through the records.

She said;

My business has been performing well compared to previous years because knowledge in record keeping has helped me to expand my savings by calculating profits and expenditure and to keep track of my stock. It has also helped me to keep debt records for all my customers so that I don't make unnecessary losses (Interview with a member of Nyikisumo Women Group, July, 2013).

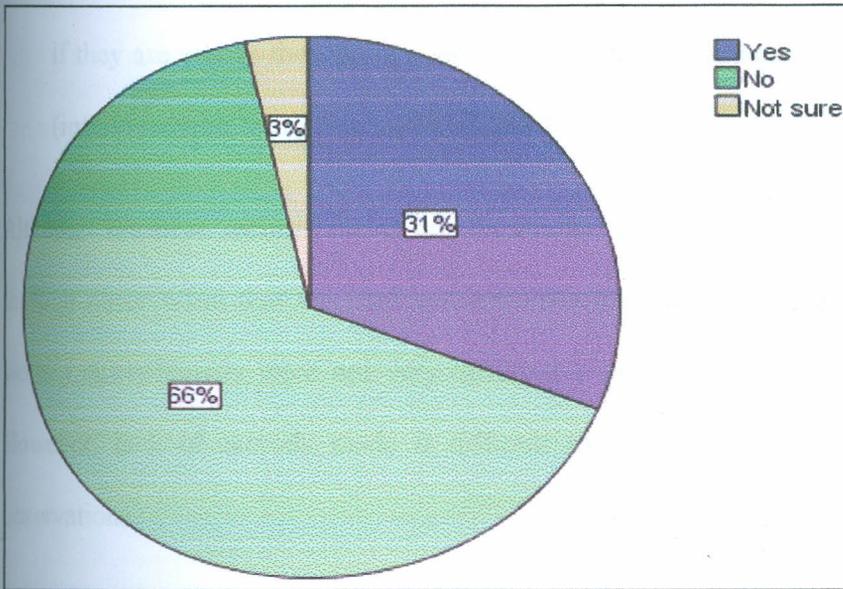
The respondent further pointed out that the training provided by the institutions has been vital in improving relations with their customers. Other areas where education/training has benefitted the women entrepreneurs include banking, marketing and choice and location of business among others.

However, the study established through observation and interviews that there was no significant difference in the performance of women enterprises and the level of education.

This finding creates a state of confusion on the earlier claims that have been put forth in the literature and by some respondents on the roles of education in financial and enterprise

management. According to findings from the women entrepreneurs, 66% of the respondents said that the level of education has no effect on the success of business enterprises while 31% accepted that education affects the performance of a business (see figure4-2 below).

Figure4- 2: Respondents views on the effects of education on the performance of women SMEs



Source: Field data

According to findings from literature, literacy and other basic skills are absolutely vital to empowering women and without the skills acquired in primary school and secondary education; women's life choices are limited (Mareng, 2010). Some of the women entrepreneurs nonetheless argued that financial management and the success of a business enterprise revolves around wisdom, experience and even local trainings offered by some of the already mentioned institutions.

One of the members said;

Low level of education doesn't affect the management of SMEs in any way. I am less educated but I have contributed positively towards the success of the Groups enterprise.

We have managed to harvest rice and sugarcane and I don't think these enterprises require

an individual to have wide knowledge or education (Interview with Mama Dorcas, Lucky Women Group, June, 2013)

The above claim was disputed by another member who said

Yes, what calls for proper management or handling of funds is knowledge and skills and if they are absent then there is no proper management and the business is bound to fail (interview with Mary Akinyi, June, 2013)

Although business records could not be availed during the interviews, it was established through observation that the business activities undertaken by the literate and semi-literate women entrepreneurs were not very different in terms of location and goods and services. However, lack of records made it difficult to access statistical records to ascertain the observations.

On the contrary, findings from literature explain that entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 1998). UNESCO (2007) further explains that women who lack skills to cost out individual products, assess their best use, and compare alternatives. In this context, determining appropriate financial strategies to achieve investment and other economic goals becomes little more than guesswork.

The findings of this study show mixed reactions on the contributions of education in the performance of women SMEs. 66% of the respondents said that the level of education has no effect on the success of business enterprises while 31% accepted that education affects the performance of a business.

Some of the women entrepreneurs nonetheless argued that financial management and the success of a business enterprise revolves around wisdom, experience and even local trainings offered by some of the already mentioned institutions. Others also argued that knowledge and skills is key to proper management or handling of funds and if they are absent then there is no proper management and the business is bound to fail. It is therefore necessary to carry out further investigations on the key elements of education that affect the performance of women SMEs established through the micro-credit funds.

4.5 Constraints Faced by Women Small and Medium Enterprises

This section addresses the fourth specific objective which is *“To examine constraints facing the SME’s established through the WEF in Kisumu Town East Constituency*

The WEF was introduced in Kenya by the Government in 2006 with an aim of increasing women economic empowerment through the SMEs (Kenya Republic of, 2007). However, this study established that there are several constraints that women still face in acquiring the fund for initiating business and or managing their enterprises. The constraints have been categorized into three namely; economic, legal and socio-cultural.

4.5.1 Economic constraints

Economic constraints that were facing women were the driving forces towards the introduction of the WEF. The stability of the SMEs was studied and was established that price fluctuation is a major threat to most of the enterprises initiated through the borrowings from the WEF. A 30year old woman who sells charcoal at Manyatta lamented that;

“My business is never stable because of price fluctuation. The prices go high during the rainy season but fall sharply during dry seasons. I also face stiff competition from other

sellers who have the capacity to import cheap charcoal and sell it at a price that is more favorable and affordable to the locals”.

Some members expressed concerns that they have not been able to get adequate credit from the WEF kitty or their group’s account because they are not often sure whether their businesses will succeed to guarantee them the capacity to repay. According to the study findings in table4-6 below, only 8% of the respondents are in business and are employed as civil servants. It is these groups that enjoy the advantage of full security in loan repayment. Others rely on small businesses and farming which are often affected by economic and environmental factors.

Table4-6: Sources of respondents' income

		Valid Percent
Source of income	Business	61.0%
	Business& Farming	31.0%
	Business & Civil Servant	8.0%
	Total	100.0%

Economic class also related to the source of income determines the level of borrowing. Women with good sources of income are capable of obtaining reasonable amount of credit due to their capacity to repay.

Poverty is one of the factors that drive some women into consulting their husbands who have to assess the viability of the loan and their capacity to repay. One of the principal reasons given for members’ failure to obtain credit is risk aversion, given the low level of assets. i.e. the fear of losing what little property they have in the event the business fails and they are

unable to pay back the loans(Ruhindi and Livingstone, 2009). Management of group projects is also a huddle due poverty as explained by one of the group chairpersons;

“We used all the loan we acquired from WEF (Kshs50,000) to lease land and cultivate sugarcane. Management has become difficult because members are not ready or able to contribute towards management. The project has not done well because of poor management”.

4.5.2 Legal and institutional constraints

From the initial findings on access to credit (section4.2) it was revealed that the lengthy legal procedure for acquiring loan is a barrier to the development of SMEs. The terms and conditions for loan acquisition and repayment are not favorable to the borrowers. It was established that the amount borrowed by women groups depend on the level of loan repayment from the initial borrowing. This implies that groups which borrow and repay their loan within the stipulated timeframe can increase their borrowings. Study findings by Ruhindi and Livingstone (2009) show that the women have not been going to ask for loans because the lending institution (MFI) needs collateral in form of land and women have no land of their own. In addition, the payment terms are not friendly to the women. Obomugisha (2005) also reiterates that most credit institutions follow lengthy bureaucratic procedures that are extremely time-consuming.

The need for collaterals hinders many women from borrowing due to economic factors such as lack of employment and inadequate resources. According to table4-6 only 8% of the respondents are in gainful employment as civil servants and also operate SMEs while 61% rely solely on the SMEs. It is therefore difficult for some of the women groups to process and acquire loans due to difficulties in meeting the financial or collateral requirements.

Some respondents operating within the jurisdiction of the City Council of Kisumu complained of local taxes which are imposed whether one has or has not made any sale. The Council charges Kshs30 on a normal day and Kshs50 on market days. A recent World Bank Urban Informal Sector Investment Climate Analysis Survey found that women perceive tax rates, tax administration, and customs as greater constraints to business growth than men. The reason for this is that taxation places a particular strain on smaller businesses that have smaller profit margins, a category in which many women-owned businesses are found (World Bank, 2004).

4.5.3 Socio-cultural Constraints

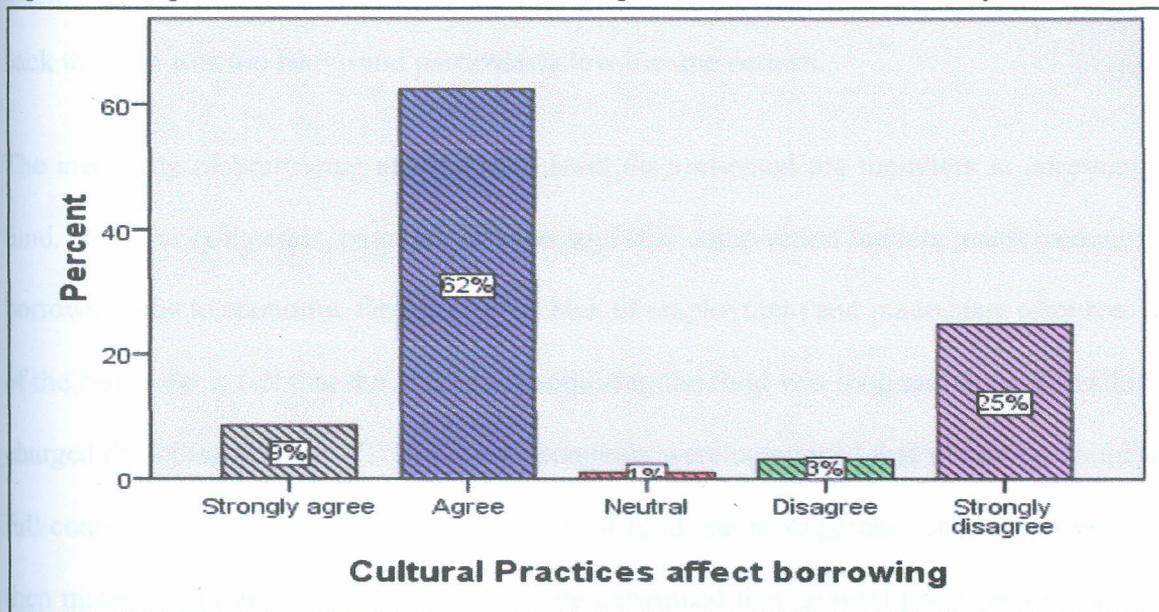
The decision to acquire credit is not done in isolation but some women entrepreneurs have to consult their husbands who will then determine whether she should go for the loan or not. This was revealed in an interview with one of the respondents who did not acquire loan due to influence from her husband. The husband, she claimed, asserted that she could not take the loan because they did not have the means to pay it back. She also said that the husband feared they would lose their assets through auctioning in the event that she could not manage to pay back the loan within the stipulated timeframe.

In another case, one of the respondents was observed to be running her business with the husband whom she said is in control since the loan for the enterprise was acquired with his permission. The husband was in the business premise during the time of interview while the respondent was attending to household duties. When asked whether she was comfortable with this partnership, she expressed that she had no otherwise but to accept.

According to figure 4-3 below 71% of the respondents accepted that cultural practices play a role in inhibiting women from acquiring credit. About 25% of the respondents strongly

disagreed and explained that such cultural practices are only experienced at individual group levels but have got very little impacts on borrowing from the WEF. It is important to note that accessing the credit from WEF may be easy but it can fail to make any socio-economic significance on the lives of women entrepreneurs if socio-cultural barriers exist.

Figure4- 3: Respondents views on influence of cultural practices on SMEs established by women



Source: Field data

Socio-cultural practices inhibit women from exercising their rights and freedom to manage their enterprises. This means that women who experience such practices do not control their resources and therefore limit their capacity to contribute fully towards building their socio-economic welfare.

Sanusi (2012) observes that socially accepted norms and expected family roles have a profound effect on the type of economic activities that women can engage in, the technologies available to them, the people and agencies with whom they can interact, the time they have available and the control they can exert over their own resources such as capital.

From the findings, Price fluctuation was a major threat to most of the enterprises initiated through the borrowings from the WEF. Some of the 61% respondents who rely on business alone expressed concerns that they have not been able to get adequate credit from the WEF kitty or their group's account because they are not often sure whether their businesses will succeed to guarantee them the capacity to repay. Many also felt that penalty for not paying back the loan was too heavy and particularly low income earners.

The inequality of borrowing at the group level discriminated the members in accessing the fund. Need for collaterals, payment of taxes and stiff competition hinders many women from borrowing due to economic factors such as lack of employment and inadequate resource. 74% of the respondents felt that the process of acquiring the fund was long and the registration fee charged discouraged them. 71% of the respondents were convinced that if women could have full control in decision making on acquisition of fund and management of business enterprise then many would go for the fund. They were convinced that cultural practices play a role in inhibiting women from acquiring credit.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study has been investigating the effects of education on the management of SMEs established through the WEF in Kisumu Town East Constituency. This chapter provides a summary of the main findings before making conclusion and recommendations on the arguments presented. The chapter also provides other areas that should be researched further in order to improve women economic welfare.

5.2 Summary of findings

5.2.1 Accessibility to the Women Enterprise Fund

From the findings, 74% of the respondents felt that the process of acquiring the fund was long and the registration fee charged discouraged them. 71% of the respondents were convinced that if women could have full control in decision making on acquisition of fund and management of business enterprise then many would go for the fund. Many also felt that penalty for not paying back the loan was too heavy and particularly for low income earners. The inequality of borrowing at the group level discriminated the members in accessing the fund.

The study examined accessibility to the WEF at two levels namely; borrowing from the institution and borrowing from the group. The findings were that each level presents its own challenges that the women borrowers have to overcome in order to acquire credit. At the Institutional level it was found that the lengthy legal procedure leads to high cost in terms of time, between the time of application and the time the fund is released to the group. The groups have to meet all the legal requirements through a formal application which must be

certified by the authority. The legal procedure is adhered to in order to ensure that the groups' identity and intention to acquire loan for business purposes are valid.

At the group level, the loan acquired is either distributed equally among the members or given based on the nature of business that an individual is willing to initiate or her ability to repay. It was confirmed from the findings that individuals who have low income tend to borrow less and are not satisfied with the amount they receive. This inhibits them from initiating the businesses of their dream. Further, the borrowing at group level is influenced by the prevailing circumstances at the household level. After the group has acquired the loan from WEF kitty, it was found out that some women still consult their husbands whether to take the loan or not. Due to fear of their incapacity to repay the loan and the related penalties, the couples end up not taking the loan.

5.2.2 Capacity Building of Women Entrepreneurs

From the findings, 80% of the respondents agreed that they had been trained in various areas related to business and financial management while 20% had not received any training. The focus was on micro-enterprise training programs, training in cash flow management and record keeping and customer relations. Of this about 33% of the women had benefitted through improved knowledge and skills in record keeping. 43% of the respondents said that they had experienced improved living standards. This was due to increased income resulting from improved business performance and savings. 28% on the other hand said they managed to expand their business enterprises as a result of increased capital base from the WEF. Further, 17% have been able to pay for school fees from their business and 11% have experienced the benefits by taking part in family financial decisions and in financial contributions towards community social support.

This study established that most of the women who have received training are capable of costing out and assessing their performance as well as improved money management skills that enhance saving. Increasing the women's capacity through trainings and financial credit was revealed to have contributed to reduced levels of poverty alleviation. Generally, capacity building has provided social and economic freedom, personal growth in self-esteem and self-confidence to the women entrepreneurs.

5.2.3 The influence of women Education on performance Small and Medium Enterprises

The findings of this study show mixed reactions on the contributions of education in the performance of women SMEs. 66% of the respondents said that the level of education has no effect on the success of business enterprises while 31% accepted that education affects the performance of a business. Some of the women entrepreneurs nonetheless argued that financial management and the success of a business enterprise revolves around wisdom, experience and even local trainings offered by some of the already mentioned institutions.

Others also argued that knowledge and skills are key to enterprise and financial management.

The study found that the group leaders were chosen due to their level of literacy on the assumption that they could easily understand all the procedures of the group transactions. About 53% of the respondents agreed that education and training plays a pivotal role in the performance of a business enterprise. Education according to the findings has helped in improved decision making, record keeping and business stability. Business owners with no training/basic education have experienced difficulties in managing their businesses. It is therefore necessary to carry out further investigations on the key elements of education that affect the performance of women SMEs established through the micro-credit funds.

5.2.4 Constraints Facing Small and Medium Enterprises Established by Women

From the findings, Price fluctuation was a major threat to most of the enterprises initiated through the borrowings from the WEF .Some of the 61% respondents who rely on business alone expressed concerns that they have not been able to get adequate credit from the WEF kitty or their group's account because they are not often sure whether their businesses will succeed to guarantee them the capacity to repay Many also felt that penalty for not paying back the loan was too heavy and particularly low income earners.

The inequality of borrowing at the group level discriminated the members in accessing the fund. Need for collaterals, payment of taxes and stiff competition hinders many women from borrowing due to economic factors such as lack of employment and inadequate resource. 74% of the respondents felt that the process of acquiring the fund was long and the registration fee charged discouraged them. 71% of the respondents were convinced that if women could have full control in decision making on acquisition of fund and management of business enterprise then many would go for the fund. They were convinced that cultural practices play a role in inhibiting women from acquiring credit.

5.3 Conclusion

The relationship between education and the management of women-owned enterprises is evident and its impacts are affecting women entrepreneurs both at the institutional and group level. This study was an attempt to identify how education influences the management of SMEs established by women through the WEF. The study concludes that:

Accessing loan from the WEF is determined by the prevailing socio-economic and legal and institutional factors that prevail at the institutional and group level. The study concludes that

the long, legal and institutional process and socio-economic factors work against the ability of women to acquire credit for business initiatives. Socio-cultural factors such as involvement of husbands in decision making limits the rights and freedom of women to operate their businesses independently.

Capacity building through trainings and credit provision provides opportunities for increasing the women's ability to participate actively in socio-economic activities and to improve their living standards. Expanding the capital base through microcredit schemes will continue to expand investment opportunities for women entrepreneurs. This should be accompanied by comprehensive trainings on financial and enterprise management.

Education plays an important role in enlightening women about business management skills and credit acquisition. The findings of the study show that knowledge and skills are key to proper management of a business. Women who are well educated and those who have received training on financial management and management of SMEs perform better than those without training. Education can play an important role in enhancing the performance of women-owned SMEs and knowledge on financial acquisition and management. Education can also help women to develop positive self-concept and increase their confidence in acquiring credit. However, the study also reveals mixed reactions on whether the successes of SMEs are affected by the levels of education. Wisdom, experience and institutional trainings are argued to be just enough. The study therefore concludes that more research should be conducted on the specific element of education that affects the success of business enterprises established by women.

Constraints that women face in acquiring credit and running their businesses reduce the success of their businesses. Stiff competition, seasonality of certain goods, collateral, taxation

and involvement of men in decision making or managing the enterprises are some of the challenges that women have to cope up with. It can be concluded that women enterprises can perform better if favourable business environment is created.

5.4 Recommendations

The study reveals that the success or failures of women enterprises are dependent on the knowledge and skills. Education plays a critical role in imparting the knowledge and skills which eventually enhance women's capacity to acquire loans, manage their businesses enterprises and participate in decision making. The following recommendations have been made for improved performance of SMEs established through WEF.

Review of policy frameworks on credit acquisition

The current legal procedure is lengthy, bureaucratic and complex and therefore discourages some women groups from acquiring loan. Procedure should be reviewed to make it simple and to reduce the length of time taken between application and the actual release of the fund.

Intensify training on SMEs through needs assessment

Even though most of the respondents agreed that they had received some training on SMEs, most of them pointed out that they still need training especially on areas such as book keeping, investment decision and financial management among other areas. Training through needs assessment will help the training institutions to meet the specific training requirements of women entrepreneurs.

Create a level playing ground for all borrowers at group level

The study established that there is fragmentation in borrowing of funds at the group level. Members with stable sources of income are able to acquire more hence they continue to

expand their businesses. Those with low income receive less or none and therefore continue to live in poverty. Women groups should create an environment that ensures equity in the distribution of funds irrespective of the socio-economic class.

Increasing sources of credit for women entrepreneurs

There are very few institutions that provide women entrepreneurs with credit at affordable rate. The number of credit institutions should therefore be increased and devolved to the local level to increase accessibility. The observation on the location of the micro-credit institutions show they are located at the headquarters which makes it difficult for some women to access due to distance.

5.5 Areas for further research

1. Microcredit policies and their impacts on women borrowing
2. Key elements of education that affect the performance of SMEs established by women
3. The effects of socio-economic disparity on credit acquisition at the group level

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