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Impact of Micro Credit Services on Women Owned Businesses in Bureti District, Kenya

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The study sort to determine the impact of micro credit services on business owned and run by women in Bureti District. The overall objective of the study was to assess the impact of micro-credit services on the businesses owned and run by women and encompassed profitability, growth and expansion of the businesses run by women. The intention of the study is to help the institutional leaders including the government to acquire a clear perception and understanding of the importance of empowering women through these micro finance institutions A survey design was used in conducting the study with a sample of forty four women drawn from a population of four hundred and eighty six women registered by the micro financial institutions. Findings showed that women of age between 30 and 40 years of age were running businesses, this was attributable to maturity. It was found that graduates and secondary school level achievers were doing business. Findings also showed that 50% of women had problems in repaying their loans and others had to sell their assets to settle the loans. Findings also show that after receiving loans from micro finance profitability of the business increased and this led to increase in the purchasing power. The respondents suggested a reduction in interest rates; increase of the repayment period and also to be gender sensitive in the disbursement of loans. The research findings indicate that micro-finance puts women on the road to empowerment thus achieving social, economic and political empowerment and provide favorable environment for all ages of women as they form the fabric of the society. However micro financing institutions should draw or put in place more policies and strategies to empower women.

Key words: Micro credit services, businesses owned and women

Introduction

In the past two to three decades, the society in Africa has been based on the utter ignorance, prejudice and fixed ideas with spurious argument which claims that African women never had any significant rights in traditional society, where they were treated as objects or beasts of burden.

In spite of the above notion women have always played a central role in African societies. This has further been justified by the fact that women account for about fifty percent of the continents human population (were,1985). It therefore goes without saying that Africa's rapid development must depend upon the effective participation of its women in development process through access to resources; finance being regarded as a natural resource.

Micro finance has proven a strategy for reaching poor women. The micro credit summit campaign reported that 14.2 million of the world's poorest women now have access to financial services accounting for nearly 74% of the 19.3 million poorest served by micro finance (Cheston etal,2002).

There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance and lower standard of living. Women are poor and more disadvantaged than men. UNDP's often quoted 1995 Human Development Report found that 70% of the 1.3 billion people living on less than $ 1 a day are women. Studies in Latin America and elsewhere show that men typically contribute 50 to 68% of their salaries to the collective household, whereas women "tend to keep nothing back for themselves" (Chant, 1997). Because women contribute decisively to the well being of their families, investing in women brings about a multiplier effect. Evaur et at 1996 reports that micro- =credit or small loan to small businesses had received widespread international attention in the past years, This is because micro spending is seen by most government as most proactive way of building an enterprise culture enhancing domestic economic capacity as well as reducing both unemployment and transfer payments.

Dush 2008 asserts that though there is less quantifiable evidence to justify the effect of micro finance on human rights it is widely accepted that giving women access to saving and credit will increase women social and political empowerment and even change traditional gender relationship. These assumptions continue to be evaluated as recent microfinance studies are focusing more and more on women empowerment.

Many MFIS and NGOS offer credit services accompanied by integrated education on loan repayment through meetings thus on MFIS impact on women is not truly a result of quantifiable loan but also the result of education offered and trainings on capacity building.

The empowerment of women and gender equality while often attributed as being significant, impacted on women access to micro finance is micrometers.The government acknowledgement that the empowerment of women and attainment of equality and equity between women and men are prerequisites for achieving sustainable social, political, cultural and economic development.

Whilst much progress has been made in the issue of empowerment (issue of human rights), at international regional and national level, micro-finances have not taken advantage of the enabling environment to develop women empowerment policies and strategies. The majority of the microfinance institutions do not consider women empowerment on their agendas. Women empowerment is not a priority.

Simply getting cash into the hands of women (by way of working capital) can lead to increase self esteem, control and empowerment by helping them achieve economic independence and security; yet while cash in hand can have these impacts, it doesn't always, cause positive impacts. Empowerment is about change choice and power. It is a process of change by which individuals and groups with little or no power gain and the ability to make choices that affect their lives. The ability of a woman to transform her life through access to financial services depends on many factors – some of them liked to her individual's situation and abilities and others depend upon her environment and the status of women group (Cheston *et al,* 2002).

While many microfinance institutions seek to empower women as an implicit or explicit goal others believe they cannot afford to focus on empowerment because it is incompatible with financial sustainability or because it detracts from the core business of providing financial services. A study by FAO (1999) in Zimbabwe shows that the trend of most microfinance is to focus on their financial viability and sustainability of the institution itself.

Most of the micro finance institutions measure their impact by their profitability and portfolio quality (institutional health of the organization); they do not measure client helath or well being for example if their clients are becoming poorer or richer. Further more, microfinance institutions often lack women in governance, management and operations, meaning that women's voices and perspectives are not always incorporated into the design and implementation of product and servces consumed in the community.

According to Sabapathy (1994), financial institutions assume two different structures the informal and the formal institutions. The individual economic entities in the informal sector include moneylenders, tradesmen, friend, relatives, employers and landlords. The formal institutions cover savings credit unions, cooperatives commercial banks. Sabapathy notes that there are some institutions, which fall outside the purview of the country's central bank. Sabapathy later notes that there are some institutions, which fall outside the purview of the country's central bank but are subject to the regulatory and administrative control of the government ministries and statutory agencies or governed by charters and by laws, these include Multi-purpose co-operative societies (MPCS) as well as specializes Societies such as Saving and Credit Associations (SCA), Non Governmental Organization (NGOs) and Private Voluntary Organization (PVO). They are classified under the category of the semi- formal finance sector.

Micro finance institutions in Kenya operate largely as integral part of the informal sector due to the lack of regulatory framework. However, most institutions have taken the option of registering as companies, cooperatives, Non Governmental Organizations in order to operate (Wally, 1995).

Research done by UNDP, UNIFEM and the World Bank indicates that gender inequalities in developing societies inhibit economic growth and development. World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard of their people. The UNDP found a very strong correlation between its gender empowerment measure and gender – related development indices and its Human Development Index. Overall, evidence is mounting that improved gender equality is a critical component of any development strategy.

CIDA (1999), recognizes in its gender policy, "Attention to gender equality is essential to sound development practice and at the heart of economic and social progress. Development results cannot be maximized and sustained without explicit attention to the different needs and interests of women and men."

It is generally accepted that women are disproportionately represented among the world's poorest people. UNDP reported that 70 percent of the 1.3 billion people living on less than $ 1 per day is women. According to the World Bank's gender statistics database, Women have a higher unemployment rate than men virtually every country. This rationale supports women's access to financial services because women are relatively more disadvantaged than men. In addition, Baden et al, (1995) notes that "Although women are not always poorer than men, because of the weaker basis of their entitlement, they are generally more vulnerable and once poor may have less options in terms of escape."

By providing access to financing for income generation activities, micro finance institutions can significantly reduce women's vulnerability to poverty.

Women have been shown to spend more of their income on the households; therefore by helping people increase their income s, you are improving the welfare of the whole family. In its report on its survey findings the special unit on Micro finance of the UNCDF explains, "Women's success benefits more than one person. Assisting women, therefore generates a multiplier effect that enlarges the impact of the institutions "activities".

Arguments have been made for and against targeting women on the grounds of efficiency and sustainability. Proponents of targeting women for sustainability reasons cite women's repayment records and cooperativeness. A collective wisdom has emerged that woman's repayment rates typically far superior to those of men. Lower arrears loan loss rates have an important effect on the efficiency and sustainability of the institution (Salib, 2001).

Last but not least, one often articulated rationales for supporting microfinance and the targeting of women by microfinance programs is that microfinance is an effective means for empowering women. By putting financial resources in the hands of women, Microfinance institutions help level the playing field and promote gender equality (Cheston et al, 2002).

Empowerment of women and gender equality are prerequisites for achieving political, social, economic, cultural and environmental security among all people (Beijing, 1995).

Although microfinance often targets women because of the above named reasons and although women use microfinance, Johnson (1999) notes that product design rarely addresses gender-specific aspects of the use of financial services.

The national poverty eradiation plan recognizes social mobilization through group based as savings and credit as one form of self advancement and method of participatory development which is s7ustainable and has potential to expand and tackle poverty (republic of Kenya 1999:58). The priority action in Bureti was to avail credit to community for development of cottage industry, train the community in technical and management aspect of these industries (Republic of Kenya 2001).

The Kenya's economic survey justifies microfinance institutions intervention in the rural areas with the focus on women as a way of reducing poverty (republic of Kenya 2002:221).

It's noted that Kenya's pace of development can best be accelerated and sustained if creative and productive potential of both women and men are fully mobilized. However the major challenge is how to reduce gender disparities and enhance women participation in economic activities (Republic of Kenya 2002:19)

Micro finance programs targeting women have been a welcome corrective to previous neglect of women's productive role. For some women in some contexts microfinance programmes have indeed set in motion a process of empowerment.

The shift in terms from micro credit to micro finance reflects the acknowledgement that savings services – not just loans – may help to improve well being of the poor in general and of women in particular (Zeller et al, 2000; MacIsaac,1997; et al 1993). Its observed that microfinance role in gender awareness, value oriented, empowerment and confidence – building components are crucial in any economy (Awori, 1995:229; Aba, 1993:3).

Various studies claimed that the credit schemes of Grameen Bank and BRAC reduce poverty and empower women (Hashemi et al 1997, Hashemi amd Morshed, 1997; Chowdhury, 1997; Hague,1997; Pitt el al ,1996; Holcombe, 1995; Mizan,1994 Lovell, 1992;). Its noted that microfinance enables women to retain significant control on the use to which the loans are put (Susan *et al*, 1997: 15). These studies emphasize the effectiveness of credit as a tool for poverty reduction and women's empowerment.

Delivery mechanisms of Microfinance

The World Bank Development Report (1989) recognized the non viability of the financial sector in most of the developing countries and having reviewed the lessons f the past experience, stressed the need for efficient financial systems.
The World Bank development report (1997) called for the need for economic rationale to rethink on the microfinance institutions delivery strategies to increase involvement of people In micro enterprises with the aim of improving sustainability of both the micro finance institution and the micro enterprises.
Sharma etal (1998) notes that, the micro finance mechanism adopted to reach clients in providing services in developing countries is indispensable. These institutions share basic elements such as savings that provide the poor with precautionary saving facilities against future risks.
Studies have shown that most of the microfinance in Africa are centered on lending and borrowings, minimal are centered on group based credit and savings which reflect the Grameen Banks approach (Ferrand,2001).
Vonderlack M.R et al (2002) notes that women prefer mechanism that demand low transaction costs and assistance with deposit discipline. He affirms that rotating of Savings and Credit Associations (ROSCA), Annual Saving Clubs (ASC), In kind storage fulfils these criterion. On the other hand Reed (1994) notes that the mechanism uses simple delivery methods that requires little or no paperwork except credit education with emphasis on social values, business plans, as flow projections, market analysis is and technical assistance.

Research design and methodology

Survey design was used because the population under study was too large and required sample to chosen from the study.
The research targeted women accessing micro-credit services from the three microfinance institution the the area.

The sampling frame was obtained from the ministry of culture and social services. It has registers containing the name of its members who are registered. This was because the researcher aimed at looking on women who are actually accessing these services.

Bureti District has three different kinds of micro finance institution. A sample was selected randomly from each of the three institutions. Each institution formed a single stratum therefore stratified sampling was used to select women accessing micro- credit services. The number of women in each institution was listed and ten randomly selected to form the representative in each stratum. There were a total of four hundred and eighty six (486) registered women. Due to limited time only twenty percent about ninety six women were chosen from the sample using the stratified random sampling technique suggested in Gupta and Gupta (2001). The three institutions were represented as in the table 1..

Table 1: Microfinance institutions in Kenya

	Institution	No. of Reg. Women	Probability	Sample
Jamii Bora	1	102	0.1932	20
Faulu Kenya	2	120	0.2521	24
KWFT	3	264	0.5446	-

Results and Discussions

Women between the age brackets of 30-40 years of age are the majority running business accounting for 43.75% where 20-30 years bracket account for 27.5%. It can be seen therefore that women engage in business at middle age. This could be because it is the age at which most them start raising families and thus need income to cater for themselves and their families. There are few women at the age of 40 years and above may be due to the fact that most children have grown up by this age this age and the responsibilities of taking care of the young children would have passed to the grown-up ones. Another reason may because the ambition in life starts to fade above this age.

A total of 32.5% of the respondent were college graduates closely followed by secondary level at 25%. It is therefore an indicator that college and secondary graduates are most involved in business which could be due the fact that they are both informed than their primary level counterparts. University level graduates form a small percentage of those running the business as most of them have a better chance of employment. The university level respondents are either running a business to supplement their income and resign from employment to start their own business.

Out of the 80 respondent who returned the questionnaire 80%(64) of them acknowledgement having had problems in repaying back their loan due to short period of time for repaying the loan as well as high rate compared to interest to the income from the business thus making it hard to repay the loan.

About 50% (32) of those who acknowledge having problems in repaying their loan had to sell their assets, 21.9% borrowed money either from their relatives while 11% sought the help of their husbands and lastly 17.1% obtained money from other sources salaries from the employed, loan from a Sacco they belong among other.

Another 77% have been engaged in their business for the last five years. This may be because most women are found to be engaged in business at the age of 20-40 years with only a few at 40 years and above. Others may find their business collapsing before they grow and stabilize.

Profitability of the business

Out of the 80 respondents, 76% (respondents) acknowledge that their business was more profitable after receiving these services. This was indicated by an increase in stock thus more customers and as a result, more income is earned. While 20% had not recorded any profits and attributed this to the short period of repayment which usually kept them on their toes.

The remaining 4% could not determine any changes in terms of profitability, after careful analyzing this, the researcher found out that as a result of increased profits which essentially are the income, the business has a potential of expanding and growing further as these profits are ploughed back into the business after the loan is repaid.

About 58% of the respondent felt that the cost obtaining the credit was high while those that felt it was moderate were 27%.

Women's purchasing power

From the study, the researcher found out that 86% of the respondent purchasing power had changed since accessing these services that is as a result of economic independence. This is evident from their ability to make household purchases, food and other being in a position to pay school fees for their children, thus the welfare of their family is improved.

Suggestion provided by women

In giving their vies and suggestion on what steps micro finance institution should take to make it easy for women as a basis for gender equality to access credit, 52 respondents gave their recommendations 63% of them cited high interest rates which they felt should be lowered so as to reach many, while 20% felt that the loan repayment period should be increased. 96% of the respondent who gave their recommendation felt that education should be provided alongside the credit so as to address the gender-specific aspects of the use of these financial services.

The micro-finance institution was also advised to tailor their products to suit women specifically as their explicit or explicit goal to empower women. This may be achieved through developing of empowerment policies and strategies. In addition these institutions should have women in governance, management and operations so that their voices and perspective may be incorporated into the design and implementation of products and services by the institution themselves.

In a bid to meet the first objective assessing the impact of micro-credit services on the business profitability, it was found out that 76% of the women respondents acknowledge that their business was more profitable after accessing these micro-credit services as this increase their financial base. 20% of the respondents do say that no much profit as the loan repayment period was too short therefore no much time to make enough returns to enable payment. The remaining four percent could not give any comment on whether there are profits or not. From the above findings, it can be concluded that this women accessing mocro-credit services are in a better position to make profits.

Good management of the business as well as education on the use of credit led to steady growth of the business. This was evident by an increase in stock as well as the number of customers.

It was found that 86% of the total respondents do admit that their purchasing power had changed, that is their ability to purchase some basic necessities, for example, household goods, food and even other going to an extent of paying school fees for their children.

There exists a positive co-relation between accessibility of micro-credit and women development. This is seen from the changes in the purchasing power, economic independence as well as security and self esteem.

Conclusion

The study confirms that micro finance credit services on businesses owned and run by women have a positive impact not only on women but on the family unit and the community at large. This impact has a multiplier effect in eradicating poverty amongst women folk and sets competitive mood amongst them from one region to the other and from one country to another as there are several opportunities for bench marking. Literature review indicates that micro-finance puts women on the road to empowerment, thus achieving political, social, economic, cultural and environmental security among all people. However, micro-finance institutions should draw or put in place more policies and strategies to empower women.

Empowered women will always contribute positively to the overall improvement of the society and leads to securing the future for the girl child in many ways. It is therefore imperative that micro-finance institutions work closely with governments and other stakeholders in protecting and providing conducive environment for all ages of women as they form the fabric of the society.

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