MICROFINANCE SERVICES AND PERFORMANCE OF WOMEN OWNED BUSINESS ENTERPRISES IN BUSIA COUNTY, KENYA

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RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (ENTREPRENEURSHIP OPTION) KENYATTA UNIVERSITY

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DECLARATION

This project is my original work and has not been presented for a degree or other award in any other university. No part of this research project should be reproduced without authority of the author or Kenyatta University.

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| Abbreviation | Description |
|--------------|-------------|
| CBK          | Central Bank of Kenya |
| GDP          | Gross Domestic Product |
| GoK          | Government of Kenya |
| IFC          | International Finance Corporation |
| ILO          | International Labor Organization |
| MFIIs        | Microfinance Institutions |
| SMEs         | Small Micro Enterprises |
| SPSS         | Statistical Package for Social Scientists |
| UNDP         | United Nations Development Programs |
| USA          | United States of America |
| US           | United States |
| UK           | United Kingdom |
| WEK          | Women Enterprise of Kenya |
| WOE          | Women Owned Enterprise |
OPERATIONAL DEFINITIONS OF TERMS

Credit
Credit is the process of purchasing power created by lending institutions such as banks and Micro finance through lending. In this study, lending institutions have an obligation to lend women entrepreneurs based on their credit policy, interest charged, and the collateral considered to enable women owned enterprises get the much needed working capital to advance their businesses.

Financial training
It is the process of providing women owned entrepreneurs education on financial management skills, credit knowledge, and entrepreneurial skills aimed at advancing the literacy level of women on how to run their business enterprises putting while considering their income and expenditure patterns.

Legal framework
Performance is the end result or output of a given undertaking estimated against present known principles such as Market share, sales volume, stock levels and number of branches with precision, on cost and speed.

Micro finance service
Financial services such as savings accounts, insurance funds and credit provided to poor and low income clients so as to help them increase their income, thereby improving their standard of living.

Performance
Performance is the end result or output of a given undertaking estimated against present known principles such as Market share, sales volume, stock levels and number of branches with precision, on cost and speed.
Saving

Portion of income not spent on current expenditures that can be used as collateral to help women owned enterprises access credit. It also refers to the members’ contribution within their groups that is used as security for the women group to access credit from financial institutions.

Social capital

Social capital is a non-financial service that focuses on improving the welfare of entrepreneurs such as their guarantee, members discipline in group attendance, peer pressure in loan servicing and savings, guaranteeing each other, and other non-financial activities that benefits a group.

Women owned business

Enterprise Women owned and managed enterprises are businesses whereby women manage more than a half of the entire business operations.
ABSTRACT

Women entrepreneurship and empowerment plays a great role in the economic development of societies. In its household context, women empowerment enhances economic stability within the family. However, Access to money for startup of a business, operation of businesses and expansion of businesses is one of the major challenges of any entrepreneur with women entrepreneurs facing extra constraints to secure financial muscles. The main objective of this study was to determine the effects of microfinance services on the performance of women owned business enterprises in Busia County. The specific objectives of the study were; to establish the effect of credit on the performance of women owned business enterprises in Busia County, to determine the effect of financial training on the performance of women owned business enterprises in Busia County, to examine the effect of savings on the performance of women owned business enterprises in Busia County, to conceptualize the effect of social capital on the performance of women owned business enterprises in Busia County and to examine the effect of legal framework on the performance of women owned business enterprises in Busia County. The study was anchored on the resource-based theory and institutional theory. This study adopted a descriptive survey research design. The target population was 500 women entrepreneurs in Busia County, Kenya. Stratified random sampling technique was used and the sample size constituted 20% of the total study target population thus making a sample size of 100 respondents for this study. The study respondents were selected women entrepreneurs, customers of specific selected Microfinance institutions found within Busia County business ecosystem. The primary data was collected using questionnaires. Qualitative data was analysed using content analysis technique and descriptive statistics including mean and standard deviation were used in analysing quantitative data. Findings revealed that, an increase in credit, financial training, social capital, savings, and legal framework by one unit leads to an increase in performance by 0.502, 0.124, 0.081, 0.236, and 0.059 units respectively with a p-value of <0.05 for each variable. The researcher can conclude that, women led enterprises are key drives to the economic development in Kenya, therefore the study recommends that the training program should be emphasized to enhance the literacy of financial management for exemplary performance of the enterprises. Savings, social capital, financial training, legal framework, and credit services significantly influences performance of women-owned business enterprises. Based on the research findings, financial training programs for women-owned business enterprises should be designed to meet the standard needs for women entrepreneurs and more so the new entrants. In addition, the frequency of training should be increased to keep them abreast with modern methodologies for better performance.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Globally, the microfinance service concept has spread drastically, for instance in America, Inter-American Development Bank (2015) states that women have greatly increased their role in the workforce in America. Currently, about three quarters of women in America are economically stable; this number has doubled since 1970s. Similarly, to undeveloped countries, majority of women who own businesses in the United States also face challenges of access to credit of which microfinance institution objective of providing credit facilities becomes essential (Inter-American Development Bank, 2015).

According to International Finance Corporation (2018), microfinance is an important banking service that is not restricted on the status of employment whether employed or unemployed, therefore it is provided to unemployed persons or those low-income individuals. This grants groups with no other access to financial services a chance to obtain such services. In this regard the objective of microfinance is to give low income persons an opportunity to become self-sufficient by showing them a way to save money, borrow money and get insurance services.

In Chile, a highly developing country, around 33% of all business people are ladies and this has expanded from 20% three years back. The gauge is that by 2020 female business people in Chile will rise to be equal to the male business people and make over half of the occupations in new undertakings. As per the International Trade Center (2014), Canada has encountered a 200% development in the quantity of ladies business visionaries in the course of the recent 20 years. In the late 1980s microfinance organizations came up in the US. They
greatly served low finance generating persons and minority in societies. Microfinance history in Canada came up through creation of credit unions. These credit unions gave financial assistance to the Canadians who had never accessed any financial means.

In the African perspective, for instance, Cameroon women entrepreneurs manage 57% of businesses, while in Uganda women entrepreneurs form the most of the country’s business people. The other vital aspect is being informed of the ability of the applicant in managing the intended business hence repayment ability in the long run (Blackburn, 2014). This works hand in hand with the provision of financial services such as credit access, financial training, social capital and an opportunity to save by the poor people in both towns and rural settings who are unable to obtain such services from the formal financial sector.

Women businesses play a vital exercise in the monetary extension. In spite of this fundamental job, Researchers have found that women business, have low business muscles in contrast with men; this has been attributed to absence of credit, reserve funds, financial training, opaque legal framework and social capital. Subsequently, this has caused poor money related history for women (Sena, Scott & Roper, 2012). In creating, Countries microfinance establishments benefit a wide scope of administrations, for example, stores, credits, installment administrations, cash movement and protection to low-salary families and their endeavors. As per IFC (2015) numerous examinations show that women businesses are perceived to have higher financing costs and insurance to get a credit, they need a higher portion of the advance and approach not just shorter-term advances.

In regard to microfinance service access, one major drawback in the African set up is the academic level of the applicant for credit which is important to avoid cases of being misled by lenders. According to Mwobobia (2012) lower education levels of women entrepreneurs
denies women appropriate means of accessing entrepreneurship training. It also limits the level of understanding during training. Women always have the knowledge needed to do well in business. This skills in business plays a key role to the country’s overall economic prosperity. In most Africa countries such as Uganda and Kenya education was limited to the boy child hence making women less informed and this has affected business management by women. This has created a limitation to women on developing their businesses (Women Entrepreneurs in Kenya, 2016). Kenya's budgetary area developed consistently during the 1990s as shown by the development of the portion of the monetary segment in GDP as the advantages of microfinance organizations expanded by 16% (Central Bank of Kenya, 2014). As the monetary part develops, institutional decent variety is normal. The Kenyan financial division is commanded by a couple of huge firms, which center predominantly on the present moment.

Execution of Women Enterprises is the final product or yield of a given undertaking estimated against present known guidelines of exactness, culmination, cost and speed (Kiraguri, 2012). Therefore, our study is tasked with the responsibility of analyzing the effect of microfinance on the performance of women owned business enterprises in Busia County. The performance of these enterprises will be measured in regard to market share, stock level, and sales volume. Despite the interest rate capping where the interest rate should be not more than 4% from the central bank rate, microfinance institutions have not reduced their rates which is still a gap in the amendments of interest rates. The high rates have therefore made women owned enterprises not to perform well. However, women still go for credit in these institutions due to easier terms of credit access and non-financial services provided. It is
noted with great concern that high expenses, rigidity of collateral demands and tedious paperwork are further hindrances to women entrepreneurs (Karani, 2012).

Women empowerment in African has taken a new twist where the percentage of wealth generation and job creation has increased. It should be noted that in Kenya women are going an extra mile of starting up and running their own businesses apart from competing with men economically and in leadership forums in the corporate arena. There are considerable differences in women's and men's access to opportunities to exert power over economic structures. In the economic context, such financial decisions, monetary decisions, commercial decisions and generally the economic policies, women are neglected in decisions that negatively affect performance of women owned business enterprises. Women in Kenyan rural communities are poor and still face extreme financial hiccups (Kiraguri, 2012).

The structural adjustment initiatives by the government have had negative influence on the poor and the less fortunate which are majorly women and children. Steps have been taken by the Kenyan government to promote women economic empowerment, among them is subscribing to microfinance institutions for improvement of women businesses, for instance Kenya Women Finance Trust (KWFT) has championed assistance to women to grow economically. Women in self-employment have greatly increased in recent years and yet the number of women involved in business is lower than that of men, this shows that many women entrepreneurs are operating in more difficult conditions than men entrepreneurs (Karani, 2012). Statistically, women comprise more than half of the Kenyan population and make a notable contribution to the growth of an economy.
1.1.1 Microfinance Services

Microfinance organizations empower venture proprietors to build up their smaller scale and little endeavors, which upgrade their salary acquiring limit, and consequently appreciate an improved expectation for everyday comforts. Though numerous MFIs developed to lend starting capital and working capital in Kenya, importance and cost-adequacy is frequently wrong in fulfilling the specific needs of potential and working women business visionaries (Government of Kenya, 2014). The presence of microfinance establishments empower the potential customers to get to the administrations given by the foundations. These administrations give the customers chance to help their endeavors, monetary exercises just as their family unit budgetary administration and utilization need.

Microfinance is providing credit services, savings for its subscribers together with necessary financial services within the access of billions of people who are unable to be served by regular banks due to their inability to offer sufficient collateral. Microfinance organizations subscribe members whether poor or not unlike banks that go for people with money. Women entrepreneurs are job creators who therefore improve standards of living in the society. In doing this, it provides self-satisfaction, flexibility and independence in the community (Waita, 2012). In this study, microfinance services included; credit, financial training, savings, social capital and legal framework.

Credit is considered a factor of production. Access to credit allows SMEs to utilize productive assets to enhance productivity and economy of scale (Kira & He, 2012). According to Kira and He (2012) credit accessibility plays a crucial role for both business start-up and operation. Access to finance is important as credit is considered a factor of production. Access to credit allows women enterprises to utilize productive assets to enhance
productivity and economy of scale. Furthermore, credit accessibility encourages market entry, facilitates growth, reduce risks, fosters innovation and entrepreneurial activity. However, raising external finance is of a great challenge to women enterprises because of their limitations in creditworthiness, collateral, profitability, capital management and entrepreneurship.

Financial literacy is a process of developing abilities of people to facilitate making decisions that are correct and to manage finances successfully and it has become essential in the running of businesses and operations of organizations in the complex and dynamic environment today (Ani, Kelmara & Wesley, 2016). Wise (2013) finds that increase in financial literacy leads to more frequent production of financial statements and such an entrepreneur has a higher probability of loan repayment and a lower probability to voluntarily close his/her business. It is therefore important for women enterprises managers to develop financial abilities that facilitate correct decisions and to manage their businesses’ finances successfully.

Koko (2014) observe that personal saving is the key basis of start-up capital as a result of the difficulties faced by women enterprises in the entire process of receiving loan from microfinance banks and other financial institutions. Savings offered by microfinance increases the performance of women enterprises. This is in line with Anane, Cobbinah and Manu (2013) who observe that there is a positive relationship between the savings offered by microfinance and the performance of women enterprises. The author also argues that while savings may be used by a firm to make further investment in another sector saving can also be utilized in acquiring shares in another firm.
The concepts of social capital have become prominent because of their ability to help businesses remain market leaders and increase their profitability and growth. Social capital influences the efficiency of strategic businesses or firms’ objectives and initiatives (Lechner, Frankenberger, & Floyd, 2015). According to Adler and Kwon (2018), social capital has been attributed to help businesses develop better communication, more efficient collective actions, improved stock management, and efficient use of intellectual capital, as well as better access to resources required for business performance. Therefore, social capital facilitates information flow and can help the start-ups of many new businesses become innovative, thereby improving their performance.

The legal framework governing the ownership, financing, and organization of business firms can be expected to affect the performance of the women enterprises (Deakin, Lele & Siems, 2017). Deakin, Lele and Siems (2017) further observe that regulations and practices affecting the way in which companies are governed and controlled, will affect the nature and scale of external financing of firms and the effectiveness of the capital market as a resource-allocation mechanism. Armour, Deakin, Sarkar, Siems and Singh (2019) indicate that through these channels, corporate governance regulations can be expected to have effects on the innovation path of firms and on the quality of management. Other aspects of the legal framework governing companies include insolvency law, which affects credit flows to firms and the governance of firm-level risk, and employment law, which affects hiring and labour use strategies and the quality of employment relations.

1.1.2 Performance of Women Owned Business Enterprise

Performance is the end result of a given task measured against the known standards of expenses, accuracy, speed, and completeness (Kiraguri, 2012). According to Karani (2012),
women owned enterprises are businesses whereby women manage more than a half of the entire business operations. Enterprise performance simply implies the attributes that show changes in volumes of activities. According to Waita (2012) an entrepreneur is a person who controls and manages a business putting in mind the financial risk to ensure there exists efficiency and effectiveness in businesses. Performance attributes in a business enterprise determine the success of an enterprise in the market environment. Performance for this study is presented in form of stock level, market share, number of branches and sales volume.

Business performance is measured from the economic perspectives in terms of increase in sales volume or turnover, employee strength and profits. Due to the nature of women and the circumstances surrounding their entrepreneurial motivation, variables such as business net worth and outcome may be used in measuring their entrepreneurial performance (Gales & Blackburn, 2013). This is in line with the Bigoness’s (2019) argument who reported that women had a stronger preference for jobs that offer opportunity for professional growth to jobs that offer opportunity for higher income.

Evaluating the relationship between the motivational factors that influence women entrepreneurs and their performance in SMEs, certain variables will be looked at. These variables include; psychological, economic and social-demographic variables. The choice of these variables is subject to the entrepreneur’s view. According to Marlow (2009), most African women are often under-utilized; therefore they seek to be self-employed in order to alleviate poverty, overcome unemployment issues as well as issues of gender bias in the work place. Nigerian women entrepreneurs are usually hindered by high level of illiteracy and lack of skills/competencies.
Carter (2013) that showed women with high self-efficacy and internal locus of control exhibited higher entrepreneurial behaviour than those with low self-efficacy and external locus of control. In Kenya, women entrepreneurs are considered as an integral part of economic growth. Women who are active in entrepreneurship and SMEs enable them to effectively combine their productive and reproductive roles because the flexibility in hours of work which permit them to care for their children and also contribute substantially to economic growth (Barrett & Weinstein, 2006). This has made women to be regarded as the central focus of the economic development and public policy concern.

1.1.3 Busia County

Busia County is situated in western Kenya and serves as the gateway to Kenya’s regional neighbors Uganda, Rwanda, Burundi, DRC Congo and Southern Sudan, with two border crossing points at Busia and Malaba Towns. Busia County is predominantly inhabited by the Luhya and Teso speaking people. Other inhabitants include the Luo, Kikuyu, Somali and Kisii. Most of the residents of Busia County are Christians, although there is a significant population of Muslims in the urban centers. Kakapel National Monument, a UNESCO World Heritage Site, is located on a huge rock site in the Chelelemuk Hills – a few kilometers from the Kenya-Uganda border, is one of the top attractions of Busia County. The site that was gazetted as a National Monument in 2004 comprises spectacular rock art that is believed to have been crafted by a group of hunters about 4,000 years ago. Kakapel has red paintings (drawn with fingers) illustrating animals, geometric designs and ceremonial symbols. The site is administered by the Trust for Africa Rock Art (TARA) and the National Museums of Kenya. Agriculture, fishing and trade are the main economic activities in Busia County. Being the entry points between Kenya and Uganda, Busia and Malaba Towns are thriving
trade towns where livestock, agricultural products and manufactured goods are traded. Busia County’s climate is conducive for agriculture. Some of the crops that are grown within the county in small scale include maize, beans, sweet potatoes, millet, cassava, cotton, tobacco and sugar cane. Fishing is a major economic activity in Busia with Lake Victoria being the main source of both Nile Perch and Tilapia. Busia County Government has its headquarters in Busia Town. The County covers an area of 1,694.5 square kilometres (km2). The County is situated at the extreme Western region of Kenya and borders Bungoma to the North, Kakamega to the East and Siaya to the South East, Lake Victoria to the South West and the Republic of Uganda to the West. It lies between latitude 0° and 0° 45 North and longitude 34° 25 East. The County can be accessed through Kisumu International Airport which is 112 Km away. Busia County is well structured in business being on the Kenyan border vested in business ventures hence best suited for such a study.

1.2 Statement of the Problem

Women entrepreneurship and empowerment plays a great role in the economic development of societies. In its household context, women empowerment enhances economic stability within the family. However, Access to money for startup of a business, operation of businesses and expansion of businesses is one of the major challenges of any entrepreneur with women entrepreneurs facing extra constraints to secure financial muscles (Wole, 2012). Additionally, for a long time, women entrepreneurs have reported low business performance in relation to businesses owned by men (Kiraguri, 2012) and this has been attributed to factors which normally affect entrepreneurial performance such as lack of credit, savings, education or training, and social capital.
Iswan, Arasa and Ntale (2020) observe that many women owned business enterprises in Busia County, Kenya find it difficult to raise sufficient capital. This essentially relegates them to small scale businesses with no growth prospects. On the other hand, it is very difficult to get loans from financial institutions because most of them require collateral. Insufficient business management skills are another problem that women entrepreneurs have to bear with. Women entrepreneurs in Kenya have to balance their business life and managing their homes. Women are expected to take care of their homes. Essentially, this leads to overworking and might lead to eventual burn out and finally collapses of the startup.

Yusuf (2014) insists that in under-developed and developing countries such as Kenya, women entrepreneurs are underfunded which creates a problem in running of their businesses. It is upon this underfunding that special funds concept that includes microfinance and women fund emerged to bridge this gap. Ochola (2013) continues to indicate that in the developing economy at large; women’s access to funding is limited because lending agencies usually require tangible and substantive collateral from borrowers. In funding entities, the most commonly accepted tangible form of collateral is land which most women lack. Furthermore, Karwenji (2012) points out that women entrepreneurs are most times hijacked from managing competitive businesses by their perceived low education and skill levels and this has limited their access to the various support and credit services. However even though it is acknowledged that women face many barriers in accessing microfinance, studies have failed to address the problem. This is the gap this study sought to address. It focused on effect of the micro finance services’ and the performance of women owned business enterprises in Busia County, Kenya.
This study therefore identified and sought to answer questions on lack of access to credit, low business performance, inadequate business training, inadequate social capital and legal constrains among others in relation to women owned business enterprises.

1.3 Research Objectives

1.3.1 General objective

The general objective of the study was to determine the effect of microfinance services on the performance of women owned business enterprises in Busia County -Kenya.

1.3.2 Specific Objectives

Specifically, the study sought to:

i) To establish the effect of credit on the performance of women owned business enterprises in Busia County, Kenya.

ii) To determine the effect of financial training on the performance of women owned business enterprises in Busia County, Kenya.

iii) To examine the effect of savings on the performance of women owned business enterprises in Busia County, Kenya.

iv) To conceptualize the effect of social capital on the performance of women owned business enterprises in Busia County, Kenya.

v) To examine the effect of legal framework on the performance of women owned business enterprises in Busia County, Kenya.

1.4 Research Questions

The study will be guided by the following research questions;
i) What is the effect of credit on the performance of women owned business enterprises in Busia County, Kenya?

ii) How does financial training influence the performance of women owned business enterprises in Busia County, Kenya?

iii) What is the effect of savings on the performance of women owned business enterprises in Busia County, Kenya?

iv) Does social capital influence the performance of women owned business enterprises in Busia County, Kenya?

v) Does legal framework influence the performance of women owned business enterprises in Busia County, Kenya?

1.5 Significance of Study

The findings of this study would benefit the government and policy makers in both national and county governments and other statute bodies in designing strategies to deal with women entrepreneurs.

The research would benefit finance institutions in developing new products and services that will lead to the promotion of women owned business enterprises in Kenya.

The study findings will help researches and academicians gain a deep understanding of the challenges that affect access to microfinance services and performance of women owned enterprises and additional availability of literature.

The study will also assist aspiring women entrepreneurs both individuals and groups to get into business with clear information on how they can get financial help and advice that will better the performance of their business enterprises.
1.6 Scope of the Study

The study was done within Busia County which is located in western Kenya. Busia County is well structured in business being on the Kenyan border vested in business ventures hence best suited for such a study. The main economic practices within Busia County are trade transactions with neighboring Uganda. Busia town is the largest town in the county and the county headquarters; furthermore, it is a cross border Centre.

On the outskirts of Busia town, the district economy is intensely dependent on agricultural and yield cultivating, with cassava, millet, sweet potatoes, beans, and maize as the chief harvests. In spite of the fact that most inhabitants of Busia County are ethnically Luhya, there is likewise a significant populace of Luo and Iteso occupants. The county has an absolute populace of 743,946 which is sufficient for such an investigation (Census of Kenya, 2009). The women-based businesses are roughly 20% of the absolute ladies populace inside the county.

The study took six months and targeted women business entrepreneurs because they are most vulnerable not only in financial access but also collateral ownership, social and cultural responsibilities, access to information through education and training and language barrier used by financial officers and bank documents which undermine their business performance as compared to their male counterparts. Women empowerment would also ensure that most households are financially secure and can procure basic needs in the family unit.

The study sought to establish the effects of microfinance services on women owned enterprises within the defined area and determine how micro financing has taken effect on them.
1.7 Limitations of the Study

The research was conducted in light of a few limitations; there was the likelihood of respondents not willing to provide information for fear of being compromised. This might have contributed to a negative effect on the response rate. However, the researcher clarified the purpose of the research as purely academic in nature to avoid fear of victimization. The researcher also assured respondents that their responses would be treated with utmost confidentiality thus restored their confidence and trust.

The study was also limited in terms of time to get the target population’s attention as they were engaged almost all the time. The researcher however used their opinion leaders in order to explain the need and the importance of the study to the women in business hence gain desired attention.

Another limitation was on language barrier from some of the women entrepreneurs in order to understand and answer the questions appropriately. The researcher however, used local research assistants to be able to translate the questions in mother tongue hence enabled the repentance to answer questions well.

1.8 Organization of the Study

The project was organized into three chapters. The background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, and significance of the study, limitation of the study, scope of the study and organization of the study are all covered in chapter one. Chapter two covers Theoretical and empirical literature. Chapter three consists of research methodology. Research methodology involves research design, target population, sampling design, and rationale for sample selection, data collection
instruments, questionnaires, validity of the research instrument, reliability, data analysis and ethical considerations. Chapter four consists of data collection, data analysis, response rate, demographic information, test of normality and inferential statistics and lastly chapter five contained a summary of the findings, conclusions and recommendations made then suggestion of further studies.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter provides review of the relevant literature to the study. Theoretical and empirical insights into the study are provided. Theories include institutional theory and resource-based theory, a critique of the literature review, a summary of the research gaps, a detail analysis of conceptual framework and their study variables.

2.2 Theoretical Review

This study laid its theoretical concept on resource-based theory and institution theory. Resource based theory points out performance of women owned enterprises in relation to credit and financial training as microfinance services. Institution theory points out performance of women owned enterprises in relation to social capital, savings and legal framework as microfinance services.

2.2.1 Resource Based Theory

Wernerfelt in the years 1984 came up with the Resource-Based View (RBT) theory which shows that resource owned by the organizations that are of great value, distinctive and cannot be imitated or substitutable can enable the organization to attain and maintain a competitive edge. But it is argued that not all the assets owned by the firm are good for developing a strategy. The organization’s aim is to make sure that it owns important resources that are accessible and manageable to create and acquire resources internally or externally.

Barney (1991) outlines that key assets is a benefit that is significant, uncommon, hard to mimic, and non-substitutable. An asset is important to the degree that it enables a firm to
make techniques that benefit from circumstances and avert dangers. Southwest Airlines' way of life fits this standard well. Most carriers’ battle to be productive, yet Southwest profits grew basically consistently. One key explanation is an unbelievable authoritative culture that motivates representatives to do their absolute best. This culture is likewise uncommon in that strikes, cutbacks, and poor confidence are regular inside the carrier business (Chi, 1994).

Porter (1980) A long debate has been developed on resource-based theory (RBT) since the 1980s. When the new assumptions of this theory were explicated, deep and strong reactions came out. The main theoretical questions that have been constantly posed in international debate are essentially two: 1) how can firms gain their competitive success, that is to say their sustainable competitive advantage 2) Why do firms exist? In the last decades, different theories have been developed trying to answer these questions. Among them, some can be regarded as ‘strategic’. Their main questions are in fact posed from a typically strategic point of view (more attention is paid to the first one of the above questions): in this category, industrial organization contributions have to be considered (Porter, 1980, 1985), as well as the strategic side of evolutionary theory (Nelson & Winter, 1982), and resource-based theory. Other theories can be considered as non-strategic. These are, in particular, transaction cost economics, agency theory and options theory: they are all based on the assumption that in equilibrium situations or in the long run firms may make the same choices, that is they can arrive at equal results.

The resource-based theory is an important guide in understanding the scope of business enterprises of which women owned enterprises is part. Resource based theory states that those enterprises with resources of value are rare and have the ability of achieving greater
output (Wiklund & Shepherd, 2003). According to resource-based theory there are two classifications of resources which are usually categorized as either property-based resources or knowledge-based resources. In this regard property-based resources are simply the tangible input resources whereas knowledge-based resources are the ways in which entities come together and transform tangible input resources. Based on these classifications, it can be generalized that Knowledge-based resources are of value in providing sustainable competitive advantage. Literacy is a resource and lower levels of literacy hinder women’s ability to gain directly in business financing agencies (UNDP, 2015). Credit is a monetary resource which is easily provided by microfinance services and is an example of property based resources as it comprises of essentials such as collateral. Furthermore, an example of knowledge-based resource is financial training characterized by literacy level, credit knowledge, entrepreneurial skills, training policy and expenditure skills of women entrepreneurs. Therefore, credit and financial training as microfinance services are capitalized by this theory. This theory is used to explain the relationship between credit access and financial training and their impact on women owned entrepreneurs. It is therefore a key theory that binds the concept of microfinance entities and their services to women owned businesses enterprises.

2.2.2 Institutional Theory

Institutional theory as propounded by Fligstein (1997) state that the institutional condition can emphatically impact the improvement of formal structures in an association, regularly and more significantly than showcase pressures. Inventive structures that improve specialized productivity in early-receiving associations are legitimimized in the earth. At last, these developments arrive at a degree of legitimization where inability to embrace them is viewed
as "unreasonable and careless" (or they become lawful orders). Now new and existing associations will receive the auxiliary structure regardless of whether the structure doesn't improve proficiency. Meyer and Rowan (2006) contend that frequently these "institutional fantasies" are simply acknowledged ceremoniously all together for the association to pick up or keep up authenticity in the institutional condition. Associations embrace the "vocabularies of structure" common in their condition, for example, explicit occupation titles, methodology, and hierarchical jobs.

The selection and unmistakable presentation of these institutionally-satisfactory "trappings of authenticity" help protect an emanation of authoritative activity dependent on "great confidence". Authenticity in the institutional condition guarantees authoritative endurance. Be that as it may, these conventional structures of authenticity can lessen productivity and frustrate the association's focused situation in their specialized condition. To lessen this negative impact, associations frequently will decouple their specialized center from these legitimizing structures. Associations will limit or ceremonials assessment and disregard program execution to look after outside (and inward) trust in formal structures while lessening their proficiency sway.

DiMaggio and Powell (1983) presume that the net impact of institutional weights is to build the homogeneity of hierarchical structures in an institutional situation. Firms will embrace comparable structures because of three kinds of weights. Coercive weights originate from lawful orders or impact from associations they are reliant upon. Mimetic weights to duplicate effective structures emerge during high vulnerability. At long last, regulating weights to homogeneity originate from the comparative frames of mind and approaches of expert
gatherings and affiliations brought into the firm through contracting rehearse. They indicate
that pace of institutional isomorphism is expanded when firms; are exceptionally subject to
the institutional condition, Exist under high vulnerability or equivocal objectives and depend
broadly on experts.

Rowan, Tolbert and Zucker (1999) analyzed the development of three managerial
administrations in California state funded schools (school wellbeing, brain research, and
educational program) from the outlook of institutional hypothesis. He found that when there
is an elevated level of accord and collaboration inside the institutional condition,
dissemination of imaginative structures is consistent and enduring. In any case, when the
institutional condition is combative and unfocused, appropriation of imaginative structures is
moderate and speculative. Tolbert and Zucker (1999) expanded Rowan's discoveries by
assessing the pace of appropriation of common assistance associations in the United States
from 1880-1935. Their outcomes firmly bolster the institutional hypotheses sketched out
above.

An institution is similarly an organization and in this context a business entity, therefore for
an institution to grow, it focuses on key elements. This theory focuses on the role of social,
economic and political systems in which women entrepreneurs conduct their businesses
(Baughn, Chua & Neupert, 2006). It further capture institutional framework whereby an
organization in an institution and there exists legal framework which addresses credit policy
among other on microfinance services in regard to loan guarantor ability, membership ability,
reduction of defaulters, ethics and loan services discipline as well as loan guarantee and
lending policies in general. The evolving institutional guidelines might constrain women’s
businesses as far as emerging market economy is concerned. It is noted that women from marginalized and rural social backgrounds are not well informed about business operations and microfinance services hence fail to take advantages of the opportunities as they arise (International Labor Organization, 2014). Therefore women entrepreneurs need technological knowledge on social capital and savings which is appropriate for their entrepreneurial operations (Government of Kenya, 2015). This study while capitalizing on institutional strength which directly refers to microfinance entities or agencies is vital for this study whereby savings and social capital groupings are key institutional services.

2.2.3 Credit Rationing Theory

The credit rationing theory, propounded by Stiglitz and Weiss (1981), provides a framework for analyzing financial market inefficiencies. It asserts that, information asymmetry is the main cause of financial market malfunctioning in developing countries. Banks that advance loans to economic agents are not only interested in the interest they receive on loans, but also the risks of such loans. Also, the interest banks charge on loans have the tendency to affect the risks of a pool of loans by either sorting potential borrowers (the adverse selection effect) or affecting the behavior of borrowers (the moral hazard problem).

The end result of these two decisive problems are that banks have to resort to various screening means to identify potential borrowers who are more likely to pay back their loans; since the expected return on such loans depends crucially on the probability of repayment. One of the methods of screening suggested by Stiglitz and Weiss (1981) is the interest rate that an individual is willing to pay. This is because, according to Diagne and Zeller (2011) given the efficient financial markets hypothesis, individuals who are willing to pay high
interest rates may on the average not pay back the loans collected and banks are mostly discouraged to give loans to such borrowers.

Stiglitz and Weiss (1981) further argued that the problem of adverse selection and credit rationing can again occur if banks require collateral for loans. They argue that since low-risk borrowers (borrowers who face a lower rate of return if a project returns its highest outcome) expect a lower rate of return if the rate of inflation is high, they are on the average less wealthy than high-risk borrowers (after some time period) and even, are unable to provide more collateral for extra loans (as they may not have the necessary collateral). The most important conclusion from Stiglitz and Weiss (1981) argument is that information asymmetry in the form of adverse selection and moral hazard is the source of market inefficiency in developing countries and this leads to low risk borrowers such as SMEs being sidelined or even excluded from the stream of potential borrowers.

2.2.4 Dual-Process Theory

The dual-process theory was propounded by Lusardi and Mitchell (2007). This theory posits that financial decisions can be driven by both intuitive and cognitive processes which mean that financial literacy may not always yield optimal financial decisions. The Dual-Process Financial literacy theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of the two thinking styles: intuition and cognition (Lusardi & Mitchell, 2011; Glaser & Walther, 2013). Intuition is the ability to acquire knowledge without inference or the use of reason. Intuition provides views, understandings, judgments, or beliefs that cannot be empirically verified or rationally justified. Taylor (1981) as cited by Chan and Park (2013) asserts that individuals who rely on intuition prefer to use mental short cuts as they make decisions which tend to be largely influenced by their
emotions. Glaser and Walther (2013) point out that the positive effect of financial literacy on reasonable investment decisions is diminished by a high prevalence of intuition. Therefore, increased use of intuition results to sub optimal investment decisions.

The dual process theory is considered relevant to this study because it shows that individuals who are high on cognition will seek out for information and are more likely to be influenced by a relevant message. This means that their decision making skills can be boosted by financial literacy training using simple easy to understand methodologies. Moreover, use of intuition may be reduced by provision of relevant information to support decision-making through financial education since individuals tend to rely on intuition where relevant information is lacking. However, optimal results may not be achieved where individuals trust their intuitions in decision making.

2.3 Empirical Review

The empirical review focused on the four independent variables and one dependent variable of the study as outlined on the study conceptual framework figure; credit facilities, financial Training, social capital and savings assumes the independent variable while Performance of women owned Business enterprises as the study dependent variable respectively.

2.3.1 Credit Services and Performance

Okello, Candiya, Bongomin, Mpeera, Munene and Akol (2017) study examined the relationship between access to finance and growth of SMEs in developing economies: Financial literacy as a moderator. Cross-sectional research design was used in the study and data were collected from 169 SMEs located in Jinja and Iganga central markets. The findings reveal a positive and significant relationship between access to finance and growth of SMEs in developing economies.
Hussein (2017) carried out a study on the relationship between credit accessibility and growth of Small and Micro Enterprises in Langata Constituency. Questionnaire was the primary tool for data collection. Quantitative data collected was analyzed by use of descriptive statistics. Test of the relationship between independent and dependent variables was done through use of regression statistics. The study found out that the number of lending institutions has a positive relationship towards growth of SMEs.

Magembe (2017) did and explorative study on the effects of credit access by Small and Medium Enterprises in Tanzania: A Case Study of Dar es Salaam City. The study employed survey method. Data was collected using questionnaires from 300 SMEs owners and analysed using descriptive and inferential analysis. The study found that the major challenges that lenders encounter when lending among SMEs include; high interest charged and collateral requirement as the decisive factor for loan approval. Furthermore the main reasons for bad loans among SMEs operators in the region are credit management, high interest rate, short term repayment and poor business skills.

2.3.2 Financial Training and Performance

Lusimbo (2016) study investigated how financial literacy relates to the growth of micro and small enterprises in Kenya: A case of Kakamega Central sub-county. The study adopted descriptive cross sectional survey design. Stratified proportionate sampling technique was used to select respondents. A structured questionnaire was used to collect primary data while document analysis was used to collect secondary data. Data was analyzed using descriptive statistics. Results of the study indicate that most MSE owners have low level of budgeting and Book keeping literacy since they do not engage in formal financial planning, budgeting
and control and do not keep proper books of account as well as preparation of financial statements.

A study by Cherugong (2015) focused on the effect of financial literacy on performance of Small and Medium Enterprises in Trans Nzoia County. A descriptive research design was used. Data was collected using questionnaires from a sample of 85 SMEs who were selected using stratified random sampling technique. and analysed using descriptive statistics. The study established that there is a positive strong effect of financial literacy on SMEs performance exists.

Esiebugie, Richard and Emmanuel (2018) carried out a study on the effects of financial literacy and performance of Small and Medium Scale Enterprises in Benue State, Nigeria. Both primary and secondary sources from a sample of 154 respondents was obtained using structured questionnaire and analyzed using descriptive statistics. The found that that financial knowledge and attitudes influences SMEs performance.

2.3.3 Social Capital and Performance

Roomi (2013) study examined the role of social capital and human capital in the growth of women-owned enterprises in the United Kingdom. This mixed method study involves both collecting and analysing quantitative and qualitative data. Statistical analysis using SPSS was applied to analyse quantitative data collected through 517 on-line completed questionnaires from three different regions. The qualitative data collected through face to face interviews with 42 women entrepreneurs were also analysed and interpreted. The findings suggest that the social capital possessed by women entrepreneurs plays an important role in the growth of
enterprises. Women entrepreneurs use different sources to build and use their social capital at different stages of growth and in different industry sectors such as manufacturing or services.

Tundui and Tundui (2013) study examined an empirical analysis of social capital and enterprise performance in Tanzania: The case of women owned businesses. The paper uses data from a random sample of 429 women business owners who had accessed microloans in Morogoro and Iringa municipalities. An ordered probit was used to determine the impact of social capital on enterprise performance. Results have shown that certainly, social capital plays a significant role in the performance of women owned businesses. Specifically, results have demonstrated that business owners who received business support and advice from informal networks were more likely to experience profits increase in their enterprises than otherwise. Results have also shown that overall, the impact of bridging social capital on enterprise performance was more important than the bonding social capital.

A study by Roomi (2019) investigated the impact of social capital development and use in the growth process of women-owned firms. Friends and family as well as women-only networks in the start-up stage; customers, staff, and suppliers in the survival stage; mixed networks as well as business and professional advisers in the success and take-off stages; and suppliers and/or distributors in the maturity stage have been found to be the main sources of women entrepreneurs' social capital. In particular, the study highlights industry differences as well as norms of behavior based on trust and obligation through which they successfully transform their contacts into useful resources.
2.3.4 Savings Mobilization and Performance

Nwodo, Ozor and Okekpa (2017) carried out a study on savings behavior among small scale business owners in Nigeria (A Case Study of Enugu Metropolis). The study applied a descriptive research method to survey 200 randomly selected small business owners in the metropolis using a standardized questionnaire as the instrument for data collection. The result of the findings revealed that belonging to a microfinance group actually increases the rate of savings among the business owners. However, the motive of savings for most of the business owners is to acquire household appliances, not even for business growth.

BenonzaofTiere (2016) study investigated on savings habit of the small business owner case study: central business district of Kumasi. A total of 190 business owners from the central business district of Kumasi, were conveniently sampled for the study. The study revealed that, business owners do not save much because of their spending pattern and some were dissatisfied with some aspects of the services in banks they were saving.

Muriithi (2016) carried out a study on what determines saving culture among employees in Small and Medium Enterprises in Nairobi County, Kenya. The study used questionnaires as a data collection instrument and data was analysed using inferential statistics. The results in the study show that saving culture is poor among employees despite the healthy and reliable financial systems that relates to the savings mobilization. The study further established that transaction cost, trust, socio cultural beliefs found to have a significant influence on the saving culture.
2.3.5 Legal Framework and Performance

Wube (2015) study examined the influence of legal framework on the performance of women entrepreneurs in micro and small enterprises. A sample of 203 women entrepreneurs engaged in 5 sectors was taken for the study using stratified and simple random sampling. Moreover, interviews were held with top officials of MSEs, micro finances and TVET educators. After the data has been collected, it was analyzed using simple statistical techniques. The main legal/administrative factors include access to policy makers, high amount of tax and interest, bureaucracies and red tapes, and overall legal and regulatory environments.

Chowdhury and Rabbani (2013) study investigated policies and institutional supports for women entrepreneurship development in Bangladesh. In this study mixed method approach has been chosen. To attain the objective of the research researchers relied solely on the secondary sources. The study revealed that Government agencies provide policy, legal and financial support with active support from non-State actors. On the contrary, they do not get proper support from all relevant institutions because of corruption and lack of information. It is suggested that combined initiatives of Government and nongovernment institutions will be successful in meeting the needs of business women in Bangladesh.

Kyalo (2016) study evaluated legal framework influencing performance of women entrepreneurs in Kenya: A case of Bungoma south. The target population for this research included all the 12300 women entrepreneurs in Bungoma town, Bukembe, Kibabii and Mayanja, with a sample size of 370 determined from Krejcie and Morgan table and randomly selected. A descriptive Research design was used. Stratified random sampling was used.
where each location formed strata. The study established a positive significant relationship between legal framework and performance.

2.4 Summary and Research Gaps

The study theoretical literature review identified the following gaps as illustrated in the table below.

Table 2.1: Summary and Research Gaps

| Author(S)         | Study Focus                                                                 | Study Findings                                                                 | Gaps                                                                 | Focus of the current Study                       |
|-------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------|
| Okello et al. (2017) | Access to finance and growth of SMEs                                         | Positive and significant relationship between access to finance and growth of SMEs | Cross-sectional research design                                      | Descriptive Survey Research Design               |
| Hussein (2017)     | Credit accessibility and growth of Small and Micro Enterprises                | The number of lending institutions has a positive relationship towards growth of SMEs | Exploratory research design which disallow making inferences          | Explanatory and descriptive research design that supports making inferences |
| Magembe (2017)     | Effects of credit access by Small and Medium Enterprises in Tanzania         | High interest charged and collateral requirement as the decisive factor for loan approval. | A Case Study of Dar es Salaam City                                    | A case study of Busia County                     |
| Lusimbo (2016)     | Relationship between financial literacy and growth of micro and small enterprises in Kenya | Most MSE owners have low level of budgeting and Book keeping literacy          | Purposive sampling design that yields a sample that is not representative | Stratified proportionate sampling that draws a representative sample |
| Cherugong (2015)   | Effect of financial literacy on performance of Small and                      | There is a positive strong effect of financial literacy                        | The study context was Trans Nzoia County                              | The study context was Busia County               |
| Study (Year) | Title | Research Question | Methodology | Findings |
|-------------|-------|-------------------|-------------|----------|
| Esiebugie et al. (2018) | Financial literacy and performance of Small and Medium Scale Enterprises | Medium Enterprises on SMEs performance exists. | Qualitative data used | Quantitative data was used |
| Roomi (2013) | Role of social capital and human capital in the growth of women-owned enterprises | Social capital possessed by women entrepreneurs plays an important role in the growth of enterprises. | Purposive sampling design | Stratified proportionate sampling that draws a representative sample |
| Tundui and Tundui (2013) | Empirical analysis of social capital and enterprise performance in Tanzania | Social capital plays a significant role in the performance of women owned businesses | Secondary data was used | Primary data was used |
| BenonzaolTiere (2016) | Savings habit of the small business owner case study: central business district of Kumasi. | Business owners do not save much because of their spending pattern | Respondents were randomly selected | Respondents were selected through stratified method |
| Wube (2015) | Legal framework on the performance of women entrepreneurs in micro and small enterprises | High amount of tax and interest, bureaucracies and red tapes, and over all legal and regulatory environments. | Data was collected using interviews | Data was collected using questionnaires |
| Kyalo (2016) | Legal framework influencing performance of women entrepreneurs in Kenya | A positive significant relationship between legal framework and performance | The study was a case of A case of Bungoma South. | The study was a case of Busia County |
2.5 Conceptual Framework

The conceptualization explains the relationship between the dependent and independent variables as influenced by moderating government regulations. Credits are generally on the basis of size and purpose, while the recipients of such credit require sufficient skills and knowledge to effectively and efficiently employ the funds in a productive investment. Financial training as well as savings influence performance of women owned enterprises. On the other hand, social capital elements constitute the dynamic framework under which any business operates. All these can only yield positive outcomes depending on the investment opportunity in the investment environment where the independent variables are made to function through favorable opportunities. The outcomes for businesses may affect the performance measurement such as market share, stock level and sales volume. The realization of these will also be influenced by the business owner’s attitude to risk in each line of investment.
Figure 2.1: Conceptual Framework

The study was guided by the conceptual framework below;

| Independent variable | Dependent variable |
|-----------------------|--------------------|
| **Microfinance services** | **Performance of Women Owned Business Enterprises’** |
| Credit | • Market share  
| • Collateral  
| • Credit policy  
| • Interest charged  
| • Demand for credit  
| • Credit accessibility | • Sale volume  
| Financial Training | • Number of branches.  
| • Literacy level  
| • Financial management skills  
| • Credit knowledge  
| • Entrepreneurial skills  
| • Training policy  
| • Expenditure skills | • Stock Levels  
| Social capital | • Loan Guarantor ability  
| • Member accessibility  
| • Minimize loan default  
| • Member discipline  
| • Loan servicing | Savings  
| • Credit access ability  
| • Membership strength  
| • Collateral base  
| • Loan Security  
| • Lending policy | Legal framework  
| • Licensing policies  
| • Taxation policies  
| • Loan recovery policies  
| • Training policies  
| • Lending policies | Source: Researcher (2020)
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on covering research design, target population, sampling frame, sample size & sampling techniques, research instruments, data collection procedures, Pilot study, data processing /analysis and findings presentation.

3.2 Research Design

The study adopted a descriptive survey research design. Thorn hill (2003), described a research design as a plan of action that a researcher has to take in order to tackle a problem. This is on the grounds that a descriptive survey design centers for the most part around one point in time. Orodho and Kombo (2002) Descriptive research design that includes watching and depicting the character of an investigation subject without influencing it. Utilizing descriptive research design the researcher has no impact over the factors however to explore them as they may be. A descriptive research incorporates surveys and reality discovering enquiries of various types (Kothari, 2005). Descriptive research is depiction of the situation as it exists at present without modifying any substance state that descriptive survey is a technique for gathering data by talking or regulating a poll to the examined gathering. Mugenda and Mugenda (2012), is of the view that in a descriptive research design, an assistant, the researcher details an easier issue proclamation. This design was proper for investigating the impact of microfinance services administrations and the exhibition of women owned business enterprises in Busia County, Kenya.
3.3 Study Target Population

A population is the subject on which the estimation is being taken. It is a unit of study (Cooper & Schindler, 2003). The objective populace of this examination was small and medium size enterprises in Busia County, Kenya which are 2000 legally registered enterprises according to the data with business name registration bureau and among this number; one thousand two hundred enterprises (1200) are actively involved in executing their entrepreneurial mandates thus mainly in the line of food outlets, retail shops, boutique, salons and communication such as phone accessories shops. Out of the 1200 enterprises in the study target area Busia County 42% of these enterprises are owned by women thus equivalent to 500 enterprises which form the study target population of women entrepreneurs respectively.

A sample frame is a rundown that establishes the objective populace Kothari, (2004). The essential thought of testing is that by choosing a portion of the components in the populace, one can reach inferences about the whole populace. In this way, an example outline is a portrayal of the components of the objective populace that comprises of a rundown of the considerable number of components of that populace Cooper and Schindler, (2006). In this investigation the examining outline comprised of five different elements of small and medium women owned enterprises thus Food outlets; retail shops Boutiques, Salon, and communications. The study drew a hundred (100) women entrepreneurs from each category element.
### Table 3.1: Sample Frame of the Selected Women Owned Enterprises in Busia Town

| Category of women owned Enterprises Stratum | Target Population Distribution |
|-------------------------------------------|--------------------------------|
| i. Food Outlets                           | 100                           |
| ii. Retail Shops                          | 100                           |
| iii. Boutique                             | 100                           |
| iv. Salons                                | 100                           |
| v. Communication                          | 100                           |
| **Total**                                 | **500**                       |

#### 3.4 Sample and Sampling Techniques

Sampling technique or design is the engineering or the technique used to choose study members (Kothari, 2004). Examining alludes to the precise choice of a predetermined number of components out of a hypothetically indicated populace of study components. The purpose behind inspecting in this investigation is to bring down cost, availability of study populace and the more prominent speed of information assortment. This examination utilized purposive stratified arbitrary inspecting technique. Based on the study sample frame, the study target population was 100 persons who are made up of enterprises proprietors and their key employee managers. The sample size constituted 20% of the target study target population stratum; Mugenda and Mugenda (2012) suggests test of between 10-30% of the objective populace could be suitable for the investigation which this examination utilized. Arbitrary testing was utilized. In basic arbitrary examining every component of the populace has an equivalent possibility of being chosen into the example (Cooper & Schindler, 2003). The sampling technique to be used was stratified random sampling.
Table 3.2: Strata Group for Selected Women Owned Enterprises in Busia County

| Category of women owned Enterprises Stratum | Population Distribution | Sample Size (20%) |
|-------------------------------------------|--------------------------|-----------------|
| i. Food Outlets                           | 100                      | 20              |
| ii. Retail Shops                          | 100                      | 20              |
| iii. Boutique                              | 100                      | 20              |
| iv. Salons                                 | 100                      | 20              |
| v. Communication                           | 100                      | 20              |
| Total                                     | 500                      | 100             |

3.5 Data Collection Instruments

The research instrument employed in the study was questionnaires to all the respondents. The questionnaire was preferred over other methods of collecting data because of its ability to extract information from the respondents as well as giving a better understanding and a more insightful interpretation of the results from the study (Creswell, 2013). This study used a questionnaire containing both open and close-ended questions so as to be able to capture more information from the respondents. The close-ended question was on 5-point likert scale for the respondents to show their level of agreement on respective statements addressing respective study objectives.

3.6 Pilot Test

Pilot study is an activity that assists the research in determining if there are flaws, limitations, or other weaknesses within the research instrument design and allows him or her to make
necessary revisions prior to the implementation of the study (Orodho, 2005). A pilot study was carried out on 2 women based entrepreneurs involving 10 respondents.

3.6.1 Data Validity

Validity is the degree to which the research instruments will appropriately and accurately measure what they are supposed to measure (Orodho, 2005). Based on the analysis of the piloting, modification and removal of ambiguous or unclean items such as questions, inaccurate responses or indicated weaknesses were done to attract appropriate responses from the respondents. Yaghmaie (2013) assert that content validity of an instrument is improved through expert judgment and as such the researcher sought assistance of the university supervisors to find out whether the instruments would measure what it intended to measure.

3.6.2 Data Reliability

Cronbach’s alpha test was used to measure the internal consistency of the research instrument by obtaining a correlation coefficient. It also allows measurement of reliability of every statement used to measure an objective under different categories and estimates the extent to which scores vary in different variables attributed chance or random errors (Reid, 2006). The author further shows that for the instruments to be reliable the correlation coefficient must be greater than 0.7. This study obtained a correlation coefficient of 0.799 which showed that the instrument is reliable for data collection as recommended by Mugenda and Mugenda (2003).
The results in Table 3.3 indicate that all the variables studied had an alpha correlation coefficient greater than 0.7. Orodho (2005) observes that an alpha coefficient of 0.7 makes the devices accurate. The findings of the reliability check of the pilot study were therefore 0.799, suggesting excellent reliability.

### 3.7 Data Collection Procedures

The researcher first contacted the owners and affirmed the purpose of carrying out the study and clarified the significance of the study and the commitment required from the management. Self-administered questionnaires were dropped to each respondent and picked later after two weeks. The researcher made a follow up through phone calls and in addition, visited the respondents before the stated period to remind them on the importance of responding to the questionnaire.

### 3.8 Data Analysis and Presentation

Primary data from the field was edited to eliminate errors that may have been made by the respondents. Coding was done to translate question responses into specific categories so as to
organize and reduce research data into manageable summaries. Quantitative data was analyzed using descriptive statistics such as mean and standard deviation and presented in form of tables, pie-charts and bar-graphs with the aid of Statistical Package for Social Sciences (SPSS) version 20.0. Content analysis technique was used to analyse information obtained from the open ended questions and reported in narrative form.

Inferential statistics such as correlation analysis and multiple regressions were used to determine the relationship between variables. The multiple regression equation took the form as expressed below:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

Whereby

- \( Y \) = Performance
- \( X_1 \) = Credit
- \( X_2 \) = Financial training
- \( X_3 \) = Savings
- \( X_4 \) = Social capital
- \( X_5 \) = Legal framework
- \( \beta_1 - \beta_5 \) = Beta coefficients
- \( \varepsilon \) = Error term

### 3.9 Ethical Issues

The researcher got a research permit from the National Commission for Science, Technology and Innovation (NACOSTI) and introduction letter from the University before proceeding to the study area. The sampled respondents were told the purpose of the study, the procedure that would be followed, the credibility of the researcher and the way in which the results would be used. This enabled the respondents to make an informed decision on whether they
want to participate in the study or not. Participant confidentialities were not compromised as their names were not indicated in the questionnaire.
4.1 Introduction

In this chapter, data analysis is done and findings presented. The findings are also interpreted in line with the study objectives. The chapter first presents a section on the demographic information for the respondents. The purpose of the study was to determine the effect of microfinance services on the performance of women owned business enterprises in Busia County, Kenya. The findings are then categorized into descriptive and inferential.

4.2 Response Rate

The researcher administered 100 questionnaires to women owned business enterprises in Busia County. Table 4.1 presents response rate.

**Table 4.1: Questionnaire Return Rate**

|                      | Number of respondents | Response rate (%) |
|----------------------|-----------------------|-------------------|
| Responses            | 83                    | 83.0              |
| No response          | 17                    | 17.0              |
| **Sample size**      | **100**               | **100.0**         |

As shown in Table 4.1, while 83 of them completed and returned the questionnaires, 17 of them either failed to complete the questionnaire or failed to return. This translates to a response rate of 83.0 percent. Gall et al. (2007) asserts that, a response rate of over 60% of the target is adequate for a study. Therefore, the response rate of 83 percent was considered adequate to generalise findings of this study.
4.3 Demographic Information

The demographic information that was collected includes data on distribution of respondents by their level of education; age bracket, marital status, and business activity they are involved in. The section also presents the age of the respondents’ business as well as their family size. The results are presented in Figure 4.1 to Figure 4.6.

Figure 4.1: Level of Education

![Pie chart showing level of education]

Figure 4.1 shows that 13.3% of respondents have attained primary certificates, while 54.2% have secondary certificates. The remaining 32.5% are holders of post-secondary (tertiary education) certificates. This implies that majority of women entrepreneurs in Busia County have at least secondary certificates. Level of education is important on performance of enterprises because it provides entrepreneurs with basic and fundamental understandings in running an enterprise. Primary and secondary education has in most cased said to be providing this basic and thus respondents for this study had enough education to enable them perform their enterprising activities.
Figure 4.2: Age Bracket of Respondents

Figure 4.2 shows that age of the respondents was distributed between 18-27 years (18.1%), 28-37 years (38.6%), 38-47 years (22.9%), and 48 years and above (20.5%). This implies that majority of women-owned business enterprises in Busia County are at least 28 years of age, an indicator that, the respondents by the virtue of their advanced age may have gained adequate experience to manage their businesses more effectively compared to their younger colleagues for socio-economic gains.

This in addition implies that, more seasoned and enterprising women may draw on greater experience in running the businesses and possess deeper industry-specific knowledge. They may also have more relevant social networks to leverage any business idea. On the other hand, one may as well argue that younger people are often thought to be less beholden to current thinking and thus more naturally innovative and disruptive. Jain and Mandot (2012) surveyed the entrepreneurs with different ages and proved that those with the age from 27 to
50 were prone to be more willing to invest and improve their socio-economic lives compared to entrepreneurs at the age of over 50. The mix of the various age groups would also provide the groups with different expertise and energy to run and grow the group activities.

**Figure 4.3: Marital Status of the Respondents**

![Figure 4.3: Marital Status of the Respondents](image)

Figure 4.3 distributes respondents into single (26.5%), married (59.0%), widowed (9.6%) and divorced/ separated (4.8%). This implies that majority of women entrepreneurs in Busia County are either married or had been married at some point. Marital status of women entrepreneurs could play an important role in socio-economic empowerment as explained by the Lyons et al. (2007) in cooperative bargaining theory to explain the financial decision-making process of married couples which assumes that the married couples have more bargaining power in the financial decisions including fund utilization. The results showed that household financial decisions would tend to reflect more closely the preferences of the spouse with greater bargaining power. The studies of Bernasek and Bajtelsmit (2002) and Lyons and Yilmazer, (2010) revealed that married individuals generally do not make investment decisions on their own. This could affect effectiveness of any fund borrowed
since preferences are shared by more than one individual as couple makes combined decisions for financial related matters.

**Figure 4.4: Business Activity Respondents are Involved In**

As indicated in Figure 4.4, business activities that respondents are involved in are distributed into food outlets (18.1%), retail shops (22.9%), boutique (16.9%), salons (20.5%) and communication (21.7%). This indicates that women entrepreneurs in Busia County have invested in different sectors of economy and thus face differentiated challenges that affect performance of their organizations.
Figure 4.5: Age of the Business

Age of the business enterprises interviewed were distributed as follows: 1 year (13.3%), 2 years (16.9%), 3 years (33.7%), 4 years (20.5%), and 5 years and above (15.7%). This implies that majority of women owned business enterprises in Busia County have at least 3 years in operation. Age of business is important and could be reflective of the performance. Relationship between age of the business and performance is expected to be direct and in tandem with the experience of the enterprises.

Figure 4.6: Respondent's Family Size

Figure 4.6 shows that, respondents’ distribution by their family size was as follows: Less than 3 (8.4%), between 3 and 5 (48.2%), and more than 5 (43.4%). This implies that majority
of women entrepreneurs in Busia County have family size of at least 3. Family size is an important determinant of women-owned business enterprises given those entrepreneurs with large family size tends to cite practical concerns around managing their ventures and meeting family obligations (Eisenberg, 2018).

4.4 Test of Normality

Test for normality was done on the dependent variable (that is data on performance of women-owned business enterprises) given that, when the sample size or the number of cases analyzed are at least thirty (30), violation of normality is not a problem for the predictors (Tabachinick & Fidell, 2007). Further, distribution of (Y) depends on the predictors and therefore the assumptions for the model state that the errors are normal since it (Y) is the only random variable in the model other than the errors. Normality of data on performance was tested using Normal Q-Q plot, One-Sample Kolmogorov-Smirnov Test, and Shapiro Wilk Test as shown in Table 4.2.

Table 4.2: Kolmogorov-Smirnov and Shapiro-Wilk Tests

|                           | Kolmogorov-Smirnova | Shapiro-Wilk |
|---------------------------|---------------------|--------------|
|                           | Statistic df Sig.   | Statistic df Sig. |
| Credit                    | 0.292 83 0.587      | 0.697 83 0.623 |
| Financial training        | 0.301 83 0.291      | 0.717 83 0.399 |
| Social capital            | 0.308 83 0.222      | 0.702 83 0.765 |
| Savings                   | 0.342 83 0.418      | 0.593 83 0.301 |
| Legal framework           | 0.248 83 0.091      | 0.727 83 0.118 |
| Performance               | 0.308 83 0.082      | 0.661 83 0.362 |

a. Lillie for Significance Correction
The difference between the observed distribution and a perfectly normal one is checked based on a p-value. If the p-value is less than 0.05, the distribution is significantly different from a normal distribution and might be cause for concern. If it is 0.05 or higher, there is no significant difference from normality. As shown in Table 4.2, the data for every variable was normally distributed as p-value was greater than 0.05 for water provision with all p-values using both Kolmogorov-Smirnova and Shapiro-Wilk normality index being >0.05.

Figure 4.7: Normal Q-Q Plot of Performance

The output of a normal Q-Q plot was used to determine normality graphically. If the data is normally distributed, the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data is not normally distributed. As shown in Figure 4.7, the data is normally distributed.
4.5 Descriptive Statistics

Descriptive statistics on variables was presented on a 5-point Likert-type scale data that was summarized using measure of distribution (percentages) measures of central tendency (mean) as well as measure of dispersal (standard deviation). Values of mean were used in this study to rank prevalence of different factors grouped together with high mean indicating high prevalence. On the other hand, larger standard deviation implies a greater spread in the data. This section is organized in five sub-sections based on components of credit, financial training, social capital, savings, legal framework and performance.

4.5.1 Credit Services

Table 4.3: Credit

| Statement                                                                 | Disagree | Disagree | Neutral | Agree | Agree | Mean | Deviation |
|---------------------------------------------------------------------------|----------|----------|---------|-------|-------|------|-----------|
| a) Banks have been requiring collateral so as to lend me finances        | 0.0      | 2.4      | 1.2     | 8.4   | 88.0  | 4.8  | 0.6       |
| b) The credit policy requirements of banks have been hindering my access to loans | 2.4      | 1.2      | 4.8     | 15.7  | 75.9  | 4.6  | 0.8       |
| c) Microfinance institutions are charging high interest rates             | 3.6      | 4.8      | 20.5    | 41.0  | 30.1  | 3.9  | 1.0       |
| d) There is high demand for credit among women in microfinance institutions | 0.0      | 2.4      | 1.2     | 4.8   | 91.6  | 4.9  | 0.5       |
| e) Credit access is not easy as institutions have been using security requirements to deny loan access | 3.6      | 4.8      | 22.9    | 39.8  | 28.9  | 3.9  | 1.0       |

Average                        | 1.9      | 3.1      | 10.1    | 21.9  | 62.9  | 4.4  | 0.8       |
As shown in Table 4.3, women-owned business enterprises revealed that, there is high demand for credit among women in microfinance institutions (mean = 4.9, standard deviation = 0.5) with banks have been requiring collateral so as to lend me finances (mean = 4.8, standard deviation = 0.6), at the same time, the credit policy requirements of banks have been hindering access to loans (mean = 4.6, standard deviation = 0.8) given there is microfinance institutions are also charging high interest rates (mean = 3.9, standard deviation = 1.0). Respondents further stated that, credit access is not easy as institutions have been using security requirements to deny loan access (mean = 3.9, standard deviation = 1.0). The average mean was found to be mean of 4.4 and standard deviation of 0.8.

This implies that, although credit had been highly demanded by women entrepreneurs, access to credit has not been easy for their businesses. In most cases the access to credit is a problem to women, especially among formal financial institutions such as banks. Limits on credit access are displayed in the form of minimum loan limits, tedious loan application procedures and restrictions on credit access. For women owned entrepreneurs, reliable access to short term and small amounts of credit is more valuable and explaining more on them is more appropriate in loaning aimed at women enterprises. Micro-financing institutions and their credit access policies often determine the funding access challenges. There are several cases of funding such as timing, loan payment terms, collateral required for credit access and provision of extra services which never satisfy the needs of borrowers.

According to Karwenji (2012) most women entrepreneurs that venture into businesses in the rural set ups need financing and lack required collateral for loans accessibility. Furthermore, according to Athanne (2011) a lot of family obligations bestowed upon women affect their economic stability hence inability to withstand business demands. Banks experience shows
that most of the conditions imposed by legally accepted credit institutions like collateral are not supposed to stand in the way of households and the poor in obtaining credit. All business entities granted loans regardless of whether they are poor and rich can repay it well if a best procedure for provision of loans, monitoring procedures for allocated funds and credit repayment schedule is well stipulated.

4.5.2 Financial Training

Table 4.4: Financial Training

| Statement                                                                 | Disagree | Disagree | Neutral | Agree | Agree | Mean | Deviation |
|---------------------------------------------------------------------------|----------|----------|---------|-------|-------|------|-----------|
| a) My entrepreneurial skills have been increasing my credit access in microfinance institutions | 1.2      | 2.4      | 12.0    | 22.9  | 61.4  | 4.4  | 0.9       |
| b) My financial literacy has been contributing to credit access in microfinance institutions | 2.4      | 1.2      | 4.8     | 15.7  | 75.9  | 4.6  | 0.8       |
| c) My ability to read and interpret financial matters has been contributing to credit access in microfinance institutions | 0.0      | 3.6      | 12.0    | 21.7  | 62.7  | 4.4  | 0.8       |
| d) The number of business exhibitions I have been attending have been contributing to credit access in microfinance institutions | 3.6      | 4.8      | 12.0    | 56.6  | 22.9  | 3.9  | 0.9       |
| e) My level of training has been contributing to credit access in microfinance institutions | 3.6      | 3.6      | 3.6     | 44.6  | 44.6  | 4.2  | 0.9       |
As shown in Table 4.4, respondents highly rated that, their financial literacy has been contributing to credit access in microfinance institutions (mean = 4.6, standard deviation = 0.8) with their ability to read and interpret financial matters been contributing to credit access in microfinance institutions (mean = 4.4, standard deviation = 0.8). Additionally, the respondents’ entrepreneurial skills have been increasing their credit access in microfinance institutions (mean = 4.4, standard deviation = 0.9). Besides, the level of training has been contributing to credit access in microfinance institutions (mean = 4.2, standard deviation = 0.9) with the number of business exhibitions the respondents have been attending greatly contributing to credit access in microfinance institutions (mean = 3.9, standard deviation = 0.9). The mean average was found to be 4.3 with standard deviation being 0.9.

These findings that women entrepreneurs in Busia County do possess entrepreneurial skills, financial literacy, ability to read and interpret financial matters and attending business exhibitions and trainings which are important factors for success of business ventures. Statistics have shown that possessing these attributes increases business strengths and acquisition of new skills increases business performance (Ngunjiri, 2015). In a wider context equal access to education as well as equal business opportunity enables women to compete in the current labor market. High skills that women acquire enable them to compete with men and this stimulates their performance and in return it boosts their image hence cannot be demeaned by the society.

Thus, Training goes a long way in getting employees updated with new technology for business purposes. Basically, business women who have gained adequate trainings are rarely
supervised and guided on how to undertake objectives. Training initiates essentials skills to employees and enables them to manage work solemnly. This becomes necessary for profit making and it grants supervisors and management a focus on more demanding activities.

4.5.3 Social Capital

Table 4.5: Social Capital

| Statement                                                                 | Disagree | Disagree | Neutral | Agree | Agree | Mean | Deviation |
|---------------------------------------------------------------------------|----------|----------|---------|-------|-------|------|-----------|
| a) Loan guarantor by members has been easy through social capital set ups | 0.0      | 2.4      | 4.8     | 6.0   | 86.7  | 4.8  | 0.6       |
| b) The credit default policies have made members to increase level of discipline on loan payment | 2.4      | 1.2      | 8.4     | 9.6   | 78.3  | 4.6  | 0.9       |
| c) The credit limits policies imposed have made loan servicing a challenge | 3.6      | 3.6      | 1.2     | 6.0   | 85.5  | 4.7  | 0.9       |
| d) Lack of guarantors as a policy has been as a result of loan defaults    | 3.6      | 8.4      | 18.1    | 39.8  | 30.1  | 3.8  | 1.1       |
| e) The interest rate policies have been a problem resulting to less credit access | 3.6      | 8.4      | 19.3    | 38.6  | 30.1  | 3.8  | 1.1       |

| Average                                                                 | 2.7      | 4.8      | 10.4    | 20.0  | 62.2  | 4.3  | 0.9       |

Table 4.5 indicates that, loan guarantor by members has been essentially easy through social capital set ups (mean = 4.8, standard deviation = 0.6) although the credit limits policies imposed have made loan servicing a challenge (mean = 4.7, standard deviation = 0.9). At the same time, the credit default policies have made members to increase level of discipline on loan payment (mean = 4.6, standard deviation = 0.9). Though not highly prevalent, lack of guarantors as a policy has been as a result of loan defaults (mean = 3.8, standard deviation =
Further, the interest rate policies have been a problem resulting to less credit access (mean = 3.8, standard deviation = 1.1). The average mean on social capital was found to be 4.3 with standard deviation being 0.9.

This implies that social capital set up has largely assisted women-owned business enterprises to easily secure credit through member guarantors. This is a major improvement as microfinance institutions are able to subscribe more clients through social capital set ups. Furthermore, such groupings assist in provision of basic demands as women owned entrepreneurs are able to generate own funds which they lend each other, alternatively they have welfare set ups to help solve cases of bereavement to fellow members as well as hospital bills. It is through this set ups that non-financial mechanisms are initiated to strengthen the livelihoods of less fortunate members of the society. According to Mhagari (2011) under normal situations women’s entrepreneurs have low growth rate and are limited regardless of their ability due to the type of the business they manage.

4.5.4 Savings

Table 4.6: Savings

| Statement                                                                 | Strongly Disagree | Disagree | Neutral | Agree  | Strongly Agree | Mean | Standard Deviation |
|---------------------------------------------------------------------------|-------------------|----------|---------|--------|----------------|------|--------------------|
| a) Members saving trend has made credit access and easy exercise          | 1.2               | 1.2      | 2.4     | 20.5   | 74.7           | 4.7  | 0.7                |
| b) Members saving trend has made their membership strong                  | 2.4               | 1.2      | 4.8     | 12.0   | 79.5           | 4.7  | 0.8                |
| c) Members saving trend has made loan guarantee easier since is a form of a collateral | 0.0               | 2.4      | 1.2     | 4.8    | 91.6           | 4.9  | 0.5                |
Regarding savings, Table 4.6 shows that, members saving trend has to a very great extent made loan guarantee easier since it is a form of a collateral (mean = 4.9, standard deviation = 0.5), at the same time, members saving trend has made credit access and easy exercise (mean = 4.7, standard deviation = 0.7) as well as making their membership strong (mean = 4.7, standard deviation = 0.8). Respondents also disclosed that, members saving is a lending policy requirement that initiates discipline for members (mean = 4.3, standard deviation = 0.9) with the saving trend has making credit access since it is a security (mean = 4.2, standard deviation = 1.0). The average mean was found to be 4.5 with a standard deviation of 0.8. This implies that members’ savings are key in making women enterprise strong and thus easily access credit. The results are expected given that saving is major force in microfinance as it becomes a security for credit access.

The advantage of savings mobilization has been brought to book by several researches in the perspective of microfinance. Despite this effort’s, savings mobilization strategies are yet to ignite performance of microfinance entities as most women are yet to own their accounts and savings. Several studies using descriptive analysis show that own savings increases consumption especially for women entrepreneurs which is an empowerment strategy (Dupas & Robinson, 2013). At the household level, lack of appropriate microfinance institutional savings makes the households to rely on self-initiated savings.
### 4.5.5 Legal Framework

**Table 4.7: Legal Framework**

| Statement                                                                 | Disagree | Disagree | Neutral | Agree | Agree | Mean | Deviation |
|---------------------------------------------------------------------------|----------|----------|---------|------|-------|------|-----------|
| a) Women are able to follow policies governing loaning to avoid defaults   | 1.2      | 1.2      | 2.4     | 25.3 | 69.9  | 4.6  | 0.7       |
| b) Women are able to comply with taxation policies for their businesses    | 2.4      | 6.0      | 19.3    | 21.7 | 50.6  | 4.1  | 1.1       |
| c) Women are able to adhere to licensing policies                          | 0.0      | 2.4      | 8.4     | 15.7 | 73.5  | 4.6  | 0.7       |
| d) Women are able to adhere to employment policies for their work employees| 2.4      | 4.8      | 18.1    | 42.2 | 32.5  | 4.0  | 1.0       |
| e) Women are able to attend entrepreneurial training programs initiated by government | 3.6      | 3.6      | 4.8     | 44.6 | 43.4  | 4.2  | 1.0       |

**Average**  

|        | 1.9 | 3.6 | 10.6 | 29.9 | 54.0 | 4.3 | 0.9 |

Table 4.7 reveals that, women are able to follow policies governing loaning to avoid defaults (mean = 4.6, standard deviation = 0.7) and are able to adhere to licensing policies (mean = 4.6, standard deviation = 0.7). In addition, women are able to attend entrepreneurial training programs initiated by government (mean = 4.2, standard deviation = 1.0) while complying with taxation policies for their businesses (mean = 4.1, standard deviation = 1.1). Findings also indicated that, women are able to adhere to employment policies for their work employees (mean = 4.0, standard deviation = 1.0). Average mean was found to be 4.3 with standard deviation being 0.9. This implies that women-owned business enterprises in Busia
county are able to follow policies governing loaning, adhere to licensing policies, attend entrepreneurial training programs, complying with taxation policies, and adhere to employment policies for their work employees.

4.5.6 Performance of Women Enterprises

Table 4.8: Performance of Women Enterprises

| Statement                                                                 | Disagree | Disagree | Neutral | Agree | Agree | Mean | Deviation |
|---------------------------------------------------------------------------|----------|----------|---------|-------|-------|------|-----------|
| a) Women are able to have a large market share based on microfinance loaning | 0.0      | 2.4      | 4.8     | 91.6  | 4.9   | 4.9  | 0.5       |
| b) Women are able to sale more based on microfinance loaning               | 2.4      | 4.8      | 16.9    | 42.2  | 32.5  | 4.0  | 1.0       |
| c) Women are able to employ more staff based on microfinance loaning       | 0.0      | 2.4      | 4.8     | 91.6  | 4.9   | 4.9  | 0.5       |
| d) Women are able to meet tax obligations on their sales                   | 3.6      | 4.8      | 16.9    | 42.2  | 32.5  | 4.0  | 1.0       |
| e) Women are able to comply with county regulations on entrepreneurial businesses | 3.6      | 4.8      | 19.3    | 41.0  | 31.3  | 3.9  | 1.0       |

Average: 1.9 3.1 8.7 21.0 65.3 4.4 0.8

Table 4.8 shows that, women are able to have a large market share based on microfinance loaning (mean = 4.9, standard deviation = 0.5), are able to employ more staffs based on microfinance loaning (mean = 4.9, standard deviation = 0.5), and are able to sale more based on microfinance loaning (mean = 4.7, standard deviation = 0.8), at the same time, they are able to meet tax obligations on their sales (mean = 4.0, standard deviation = 1.0) and comply
with county regulations on entrepreneurial businesses (mean = 3.9, standard deviation = 1.0). Average mean was found to be 3.9 with standard deviation being 0.8.

As revealed in this study, microfinance organizations are able to get many customers based on their credit policy. It is essential to set up an official credit arrangement when an organization gives credit terms to its real products just as administrations. The credit arrangement certainly decides the organization's volume deals, since having credit deals enable individuals to buy items or administrations that they probably won't buy immediately. Universal Monetary Fund (2017) gives that still access to credit administrations, significant expense of crude materials and cost of credit are the top most challenges restricting sales and growth in women owned business enterprises.

4.6 Inferential Statistics

Inferential statistics was based on correlation coefficients, coefficients of determination, analysis of variance and the model coefficients.
### 4.6.1 Correlation Coefficients

**Table 4.9: Correlation Coefficients**

|                      | Credit         | Financial training | Social capital | Savings | Legal framework | Performance |
|----------------------|----------------|--------------------|----------------|---------|-----------------|-------------|
| Credit               | Pearson Correlation | 1.000              | 0.709          | 0.685   | 0.694           | 0.720       | .972**      |
| Sig. (2-tailed)      | 0.000          | 0.000              | 0.000          | 0.000   | 0.000           | 0.000       |
| N                    | 83             | 83                 | 83             | 83      | 83              | 83          |
| Financial training   | Pearson Correlation | 0.709              | 1.000          | 0.674   | 0.660           | 0.679       | .923**      |
| Sig. (2-tailed)      | 0.000          | 0.000              | 0.000          | 0.000   | 0.000           | 0.000       |
| N                    | 83             | 83                 | 83             | 83      | 83              | 83          |
| Social capital       | Pearson Correlation | 0.685              | 0.674          | 1.000   | 0.585           | 0.681       | .893**      |
| Sig. (2-tailed)      | 0.000          | 0.000              | 0.000          | 0.000   | 0.000           | 0.000       |
| N                    | 83             | 83                 | 83             | 83      | 83              | 83          |
| Savings              | Pearson Correlation | 0.694              | 0.660          | 0.585   | 1.000           | 0.660       | .925**      |
| Sig. (2-tailed)      | 0.000          | 0.000              | 0.000          | 0.000   | 0.000           | 0.000       |
| N                    | 83             | 83                 | 83             | 83      | 83              | 83          |
| Legal framework      | Pearson Correlation | 0.720              | 0.679          | 0.681   | 0.660           | 1.000       | .925**      |
| Sig. (2-tailed)      | 0.000          | 0.000              | 0.000          | 0.000   | 0.000           | 0.000       |
| N                    | 83             | 83                 | 83             | 83      | 83              | 83          |
| Performance          | Pearson Correlation | .972**             | .923**         | .893**  | .925**          | .925**      | 1.000       |
| Sig. (2-tailed)      | 0.000          | 0.000              | 0.000          | 0.000   | 0.000           | 0.000       |
| N                    | 83             | 83                 | 83             | 83      | 83              | 83          |

**. Correlation is significant at the 0.01 level (2-tailed).**

Table 4.9 indicates a Pearson Correlation coefficient between performance and every explanatory variable was found to be significant at both 95% and 99% confidence level and 2-test with correlation coefficient being 0.972, 0.923, 0.893, 0.925, 0.925 respectively. This
indicates that a very strong relationship between the performance of women-owned business enterprises and legal framework, savings, social capital, financial training, and credit.

### 4.6.2 Coefficient of Determination

**Table 4.10: Coefficient of Determination**

| R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | Durbin-Watson |
|----------|------------------|---------------------------|----------------|--------------|
| .985     | 0.97             | 0.968                     | 0.12807        | 0.97         | 1.774        |

a. Predictors: (Constant), Legal Framework, Savings, Social Capital, Financial Training, Credit

b. Dependent Variable: Performance

Results in Table 4.9 show an R-Square of 0.968 with the standard error of estimate being 0.128. This implies that using composite score, legal framework, savings, social capital, financial training, and credit significantly influences performance of women-owned business enterprises. The researcher also tested for autocorrelation using Durbin Watson statistic which is always between 0 and 4 where a value of 2 means that there is no presence of autocorrelation in the residuals (prediction errors) from a regression analysis. The hypotheses for the Durbin Watson test are:

\[ H_0 = \text{No first order autocorrelation} \]

\[ H_1 = \text{First order correlation exists.} \]

(For a first order correlation, the lag is one-time unit).
A rule of thumb is that, test statistic values in the range of 1.5 to 2.5 are relatively normal. Values outside of this range could be cause for concern. Field (2009) suggests that values under 1 or more than 3 are a definite cause for concern. For the current study, Durbin Watson statistic was 1.774 which falls within the relatively-normal range and therefore there was no autocorrelation in the residuals from regression analysis.

4.6.3 Analysis of Variance

Table 4.11: Analysis of Variance

|                     | Sum of Squares | df | Mean Square | F     | Sig.  |
|---------------------|----------------|----|-------------|-------|-------|
| Regression          | 40.683         | 5  | 8.137       | 496.077 | .000a |
| Residual            | 1.263          | 77 | 0.016       |       |       |
| Total               | 41.946         | 82 | 0.016       |       |       |

a. Predictors: (Constant), Legal Framework, Savings, Social Capital, Financial Training, Credit  
b. Dependent Variable: Performance

As shown in Table 4.11, F-Calculated (5, 77) = 496.077 which is greater than F-Critical (5, 77) = 3.96 at 2-tail test and 95% confidence level. Results also show that p-value = 0.000 < 0.05. This further confirms that the predictors positively and significantly influence performance of women-owned business enterprise fund.
4.6.4 Model Coefficients

Table 4.12: Model Coefficients

|                      | Unstandardized Coefficients | Standardized Coefficients |
|----------------------|-----------------------------|---------------------------|
|                      | B       | Std. Error | Beta    | t     | Sig. |
| (Constant)           | 0.026   | 0.094      | 0.275   | 0.784 |
| Credit               | 0.502   | 0.065      | 0.505   | 7.714 | 0.000 |
| Financial training   | 0.124   | 0.048      | 0.134   | 2.572 | 0.012 |
| Social capital       | 0.081   | 0.042      | 0.094   | 1.923 | 0.038 |
| Savings              | 0.236   | 0.047      | 0.236   | 4.985 | 0.000 |
| Legal framework      | 0.059   | 0.058      | 0.057   | 1.01  | 0.015 |

a. Dependent Variable: Performance

Findings presented in Table 4.12 show that each of the predictors is held constant, water performance of women-owned business enterprises will remain at 0.026. At the same time, an increase in credit, financial training, social capital, savings, and legal framework by one unit leads to an increase in performance by 0.502, 0.124, 0.081, 0.236, and 0.059 units respectively with a p-value of <0.05 for each variable. This can respectively be summarized by the following model: \[ Y = 0.026 + 0.502X_1 + 0.124X_2 + 0.081X_3 + 0.236X_4 + 0.059X_5. \]

These findings confirm that, microfinance organizations empower venture proprietors to build up their smaller scale and little endeavors, which upgrade their salary acquiring limit, and consequently appreciate an improved expectation for everyday comforts. Though numerous MFIs developed to give beginning and working capital in Kenya, importance and cost-adequacy is frequently wrong in fulfilling the specific needs of potential and working women business visionaries (Government of Kenya, 2014). The presence of microfinance
establishments empowers the potential customers to get to the administrations given by the foundations. These administrations give the customers chance to help their endeavors, monetary exercises just as their family unit budgetary administration and utilization need.

Nonetheless, Yusuf (2014) insists that in under-developed and developing countries such as Kenya, women entrepreneurs are underfunded which creates a problem in running of their businesses. It is upon this underfunding that special funds concept that includes microfinance and women fund emerged to bridge this gap. Ochola (2013) continues to indicate that in the developing economy at large; women’s access to funding is limited because lending agencies usually require tangible and substantive collateral from borrowers.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter presents summary of findings, conclusion and recommendations. The chapter additionally presents suggestions for studies.

5.2 Summary
The general objective of the study was to determine the effect of microfinance services on the performance of women owned business enterprises in Busia County, Kenya. The study specifically sought to determine the effect of credit, financial training, savings, social capital and legal framework on the performance of women owned business enterprises in Busia County, Kenya. The study adopted a descriptive survey research design. The study drew a hundred (100) women entrepreneurs. The research instrument employed in the study was questionnaires to all the respondents and the data collected was analysed using descriptive statistics and regression analysis. The summary of the findings is presented as below:

5.2.1 Credit Services
The study sought to establish the effect of credit on the performance of women owned business enterprises in Busia County, Kenya and found that credit had a positive and significant effect on the performance of women owned business enterprises. There is high demand for credit among women in microfinance institutions, banks have been requiring collateral so as to lend me finances and at the same time, the credit policy requirements of banks have been hindering access to loans.
5.2.2 Financial Training

The study sought to determine the effect of financial training on the performance of women owned business enterprises in Busia County, Kenya and revealed that financial training had a positive and significant effect on the performance of women owned business enterprises. Financial literacy has been contributing to credit access in microfinance institutions, ability to read and interpret financial matters been contributing to credit access in microfinance institution. Additionally, the respondents’ entrepreneurial skills have been increasing their credit access in microfinance institutions.

5.2.3 Social Capital

The study aimed at conceptualizing the effect of social capital on the performance of women owned business enterprises in Busia County, Kenya and found that savings had a positive and significant effect on the performance of women owned business enterprises. Loan guarantor by members has been essentially easy through social capital set ups, although the credit limits policies imposed have made loan servicing a challenge and at the same time, the credit default policies have made members to increase level of discipline on loan payment.

5.2.4 Savings

The study sought to examine the effect of savings on the performance of women owned business enterprises in Busia County, Kenya and established that savings had a positive and significant effect on the performance of women owned business enterprises. Members saving trend has to a very great extent made loan guarantee easier since is a form of a collateral, at the same time, members saving trend has made credit access and easy exercise, as well as
making their membership strong. The respondents also disclosed that, members saving are a lending policy requirement that initiates discipline for members.

5.2.5 Legal Framework
The study sought to examine the effect of legal framework on the performance of women owned business enterprises in Busia County, Kenya and found that legal framework had a positive and significant effect on the performance of women owned business enterprises. Women are able to follow policies governing loaning to avoid defaults and are able to adhere to licensing policies. Women are able to attend entrepreneurial training programs initiated by government while complying with taxation policies for their businesses.

5.3 Conclusion
The study concluded that access to credit can open up economic opportunities for women, and bank accounts can be a gateway to the use of additional financial services. However, women entrepreneurs and employers face significantly greater challenges than men in gaining access to financial services. Credit is highly demanded by women entrepreneurs, access to credit has not been easy for their businesses. In most cases the access to credit is a problem to women, especially among formal financial institutions such as banks.

The study concluded that women led enterprises are key drives to the economic development in Kenya, therefore the study recommends that the training program should be emphasized to enhance the literacy of financial management for exemplary performance of the enterprises. Correspondingly, Women entrepreneurs do possess entrepreneurial skills, financial literacy, and ability to read and interpret financial matters and attending business exhibitions and trainings which are important factors for success of business ventures.
The study concluded that social capital supports produces competitive advantages which lead to a better market performance. As a result, women entrepreneurs can create business advantage by creating social ties and promoting social capital. Social capital set up has largely assisted women-owned business enterprises to easily secure credit through member guarantors. This is a major improvement as microfinance institutions are able to subscribe more clients through social capital set ups.

The study concluded that members’ savings are key in making women enterprises strong and thus easily access credit. The results are expected given that saving is a major force in microfinance as it becomes a security for credit access. As revealed in this study, microfinance organizations are able to get many customers based on their credit policy. Therefore, it is essential to set up an official credit arrangement when an organization gives credit terms to its real products just as administrations.

The study concluded that legal framework gives women-owned business enterprises legal cover, which can limit their liability. Helps formalize their operations, which is one of the significant benefits of rules and regulations. Legal framework makes it possible for the management the women-owned business enterprisesr to avoid having to concern itself with situational ethics or decisions. Instead, they are guided by the rules you established, which makes it easier for them to make decisions that keep their enterprises functioning properly.
5.4 Recommendations

Based on the research findings, this study presents some of the key policy recommendations that could enhance the effectiveness of women-owned business enterprises:

Financial training programs for women-owned business enterprises should be designed to meet the standards needs for women entrepreneurs and more so the new entrants. In addition, the frequency of training should be increased to keep them abreast with modern methodologies for better performance. Budgeting skills, book keeping and accounting skills training programs were found to play a very significant role in growing sales, profits and ensuring smooth running of women led enterprises.

Access to affordable and trustworthy financial services empower women as individuals within their households as well as a group within their communities. Credit should be made accessible to women as well as affordable. Micro-Finance institutions should not only avail credit to women but also empower them with skills on how to manage it so that it can be of economic benefit to them.

Self-help groups through social guarantors should be encouraged as they accommodate the lower bracket in the income levels. Table banking should be encouraged where women meet in their groups, save and borrow.

The study strongly recommends formulation of a policy framework to ensure prudent, efficient and effective use of loans obtained from microfinance in line with the objectives of the fund. The study further recommends for more detailed investigation on individual
women's access to finances and empowerment of women on governance with larger sample needs to be undertaken in more districts.

### 5.5 Suggestions for Further Studies

The current study was not exhaustive on all the aspects that researchers wished to include in addressing the research problem. Given this and other limitations, the researcher suggests the following for further studies. A study investigating microfinance services and the performance of women owned business enterprises should be extended to other counties in Kenya and findings compared. The researcher also suggests more variables (other than the one used in this study) to be considered and included for further research.
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APPENDICES

Appendix I: Transmittal Letter

Dear respondent,

I am Christopher a masters degree student at Kenyatta University. I am carrying out a research on; “MICROFINANCE SERVICES AND THE PERFORMANCE OF WOMEN OWNED ENTERPRISE IN BUSIA COUNTY, KENYA”. This questionnaire has been designed to help gather data on the research. You have been selected as one of the respondents in the study. Kindly assist in providing data by answering the following questions as briefly and accurately as possible.

The information collected shall be used solely for academic purposes only and strict confidentiality is assured.

Thank you

Researcher
Appendix II: Questionnaire

SECTION A

1. Questionnaire Number ……………………………………………………………………………………

2. Level of Education

Primary □ Secondary □ Tertiary □ Others

(Please explain)………………………………………………………………………………

3. Age

18-27 □ 28-37 □ 38-47 □ 48 and above □

4. Marital Status

Single □ Married □ Widowed □ Divorced/Separated □

5. What business activity are you involved in ………………………………………

6. How old is your business

1 year □ 2 years □ 3 years □ 4 years □ 5 and above □

7. Family size

Less than 3 □ Between 3 and 5 □ More than 5 □
SECTION B

PART 1: CREDIT

On a scale of 1-5 rank following credit aspects 1- strongly disagree (SD), 2-disagree (D), 3-Neutral (N), 4-agree (A), 5-strongly agree (SA)

| In a scale of 1-5 indicate how you agree or disagree with the following statements where 1=SA, 2=A, 3=NS 4=SD, 5=D, 6=SD | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Banks have been requiring collateral so as to lend me finances | | | | | |
| The credit policy requirements of banks have been hindering my access to loans | | | | | |
| Microfinance institutions are charging high interest rates | | | | | |
| There is high demand for credit among women in Microfinance institutions | | | | | |
| Credit access is not easy as institutions have been using security requirements to deny loan access | | | | | |

PART II: FINANCIAL TRAINING

On a scale of 1-5 rank the following financial training aspects 1- strongly disagree (SD), 2-disagree (D), 3-Neutral (N), 4-agree (A), 5-strongly agree (SA)

| In a scale of 1-5 indicate how you agree or disagree with the following statements where 1=SA, 2=A, 3=NS 4=SD, 5=D, 6=SD | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| My entrepreneurial skills has been increasing my credit access in microfinance institutions | | | | | |
| My financial literacy has been contributing to credit access in microfinance institutions | | | | | |

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3 My ability to read and interpret financial matters has been contributing to credit access in microfinance institutions

4 The number of business exhibitions I have been attending have been contributing to credit access in microfinance institutions

5 My level of training has been contributing to credit access in microfinance institutions

PART III: SOCIAL CAPITAL

On a scale of 1-5 rank the following social capital aspects 1- strongly disagree (SD), 2-disagree (D), 3-Neutral (N), 4-agree (A), 5-strongly agree (SA)

| 1 | Loan guarantor by members has been easy through social capital set ups |
| 2 | The credit default policies has made members to increase level of discipline on loan payment |
| 3 | The credit limits policies imposed have made loan servicing a challenge |
| 4 | Lack of guarantors as a policy has been as a result of loan defaults |
| 5 | The interest rate policies has been a problem resulting to less credit access |
PART IV: SAVINGS

On a scale of 1-5 rank the following aspects on savings, 1- strongly disagree (SD), 2-disagree (D), 3-Neutral (N), 4-agree (A), 5-strongly agree (SA)

|   | Members saving trend has made credit access and easy exercise | SD | D | N | A | SA |
|---|--------------------------------------------------------------|----|---|---|---|----|
| 1 | Members saving trend has made their membership strong       |    |   |   |   |    |
| 2 | Members saving trend has made loan guarantee easier since is a form of a collateral |    |   |   |   |    |
| 3 | Members saving trend has made credit access since it is a security |    |   |   |   |    |
| 4 | Members saving is a lending policy requirement that initiates discipline for members |    |   |   |   |    |

PART V: LEGAL FRAMEWORK

On a scale of 1-5 rank the following aspects of performance of women owned enterprises 1- strongly disagree (SD), 2-disagree (D), 3-Neutral (N), 4-agree (A), 5-s agree (SA)

|   | Women are able to follow policies governing loaning to avoid defaults | SD | D | N | A | SA |
|---|---------------------------------------------------------------------|----|---|---|---|----|
| 1 | Women are able to comply with taxation policies for their businesses |    |   |   |   |    |
| 2 | Women are able to adhere to licensing policies                      |    |   |   |   |    |
| 3 | Women are able to adhere to employment policies for their work employees |    |   |   |   |    |
| 4 | Women are able to attend entrepreneurial training programs initiated by government |    |   |   |   |    |
PART VI: PERFORMANCE OF WOMEN OWNED ENTERPRISES

On a scale of 1-5 rank the following aspects of performance of women owned enterprises 1-strongly disagree (SD), 2-disagree (D), 3-Neutral (N), 4-agree (A), 5-s agree (SA)

|   |                                                                                                           | SD | D | N | A | SA |
|---|-----------------------------------------------------------------------------------------------------------|----|---|---|---|----|
| 1 | Women are able to have a large market share based on microfinance loaning                                 |    |   |   |   |    |
| 2 | Women are able to sell more based on microfinance loaning                                                |    |   |   |   |    |
| 3 | Women are able to employ more staffs based on microfinance loaning                                       |    |   |   |   |    |
| 4 | Women are able to meet tax obligations on their sales                                                    |    |   |   |   |    |
| 5 | Women are able to comply with county regulations on entrepreneurial businesses                           |    |   |   |   |    |
Appendix III: Approval of Research Project Proposal

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School

DATE: 13th February, 2020

TO: Christopher Busolo Lusweti
C/o Business Administration Dept.

REF: D53/OL/KKA/32388/2013

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 29th January, 2020 approved your Research Project Proposal for the M.B.A Degree Entitled, “Microfinance Services and the performance of women owned business enterprises in Busia County, Kenya”

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed supervision tracking and progress report forms per semester. The forms are available at the university’s website under Graduate School webpage downloads.

Thank you.

ELIJAH MUTUA
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Business Administration Department.

Supervisors:

1. Dr. Evans Mwasiaji
   C/o Department of Business Administration
   Kenyatta University
Appendix IV: Research License from NACOSTI

This is to certify that Mr. CHRISTOPHER BUSOLO LUSWETI of Kenyatta University, has been licensed to conduct research in Busia on the topic: MICROFINANCE SERVICES AND THE PERFORMANCE OF WOMEN OWNED BUSINESS ENTERPRISES IN BUSIA COUNTY, KENYA for the period ending: 04/May/2021.

Ref No. 466849

RESEARCH LICENSE

License No: NACOSTI/P/20/4878

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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