THE EFFECT OF MICROFINANCE INSTITUTIONS ON GROWTH OF WOMEN OWNED ENTERPRISES: A CASE STUDY OF KENYA WOMEN FINANCE TRUST IN KIKUYU TOWNSHIP

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ABSTRACT

The active participation and involvement of women in the growth of the economy and creation of employment opportunities in the small and medium enterprises sector has benefitted significantly from financial support from different sources, one of which is the MFIs. This study sought to identify the effect of MFIS on growth of women owned enterprises in the SME sector who have benefitted from credit facilities provided by the Kenya Women Finance Trust in Kikuyu Township. The study used a Descriptive research design to investigate the subjects by observing and describing their behavior without influencing them in any way. The study used stratified sampling to obtain the sample size of 162 respondents. Both quantitative and qualitative data was collected during the study by use of questionnaires and an interview guide. Data processing and analysis was done using spreadsheets and the findings presented descriptively in form of tables of frequency, graphs and charts. The responses represented 88% of the sample. As a result of the MFI credit facilities, the women SME entrepreneurs had managed to purchase additional equipment for their businesses as well as employ more staff and expand their activities. This study concludes that the MFIs credit facilities are a significant component of the women SME entrepreneurs' activities and are critical both at the start-up point as well as in later growth and expansion of the MFI. The study recommends that women entrepreneurs in SMEs should receive training in financial and business management skills and that there is need to also ensure that the small loans available to SME entrepreneurs are provided at competitive costs. This study concludes that the MFIs credit facilities are a significant component of the women SME entrepreneurs' activities and are critical both at the start-up point as well as in later growth and expansion of the MFI.

Key Words: *women SME entrepreneurs', microfinance institutions, Kenya Women Finance Trust, Kikuyu Township*

Introduction

Socioeconomic dynamics have resulted in the active participation and involvement of women in the growth of the economy and creation of employment opportunities in the small and medium enterprises sector through financial support from different sources, one of which is the MFIs. The Small and Medium Enterprises (SMEs) sector contributes significantly to the Gross Domestic Product (GDP) of the Kenyan economy, according to the Financial Services Deepening (FSD), (2011). The SME Sector has continued to play an important role in the economy of with its contribution to the GDP increasing from 13.8 per cent in 1993 to about 40 per cent in 2008. The Small Enterprise Sector or Informal Sector provided approximately 80% of total employment and contributed over 92% of the new jobs created in 2008 according to the Economic Survey of 2009 (GoK, 2009). The vision of microfinance is to promote the growth of micro enterprises, and in pursuit of this vision, the rapid growth of Microfinance Institutions (MFIs) has made SMEs' access to credit more than doubled from 7.5% in 2006 to 17.9% in 2009 (FSD, 2009). Credit is a critical component of the modern economy, as it is an agent of the growth of enterprises; while enterprise growth is essential to the growth of employment and the overall economy. In many developing countries, Kenya included, borrowing is the main source of credit to entrepreneurs.

Microfinance is a term for the practice of providing financial services such as micro-credit, micro-saving, or micro-insurance or all in one to poor people. As suggested by name, most transactions involve small amounts of money, frequently less than US$100 (Wikipedia, 2007). According to the World Bank, Africa as a continent had been left behind in the development of microfinance programmes. This is due to the fact that Africa’s microfinance institutions tend to be smaller and less advanced as compared to those in Asia and Latin America. However, there is a common factor in the objective of the microfinance programs globally; they are often designed for the poor of whom women are the majority (Cheston, 2002).

Researchers, theorists, and business practitioners define entrepreneurship differently. Gartner (1988) defines an entrepreneur as someone who creates new independent organizations, while Schumpeter (1934) defines entrepreneurs as innovators who implement entrepreneurial change within markets, where entrepreneurial change has five manifestations: the introduction of a new (or improved) good; the introduction of a new method of production; the opening of a new market; the exploitation of a new source of supply; and the re-engineering/organization of business management processes.

It is acknowledged by Government, development community and civil society that an important aspect of holistic and all inclusive development towards the achievement of sustainable wealth creation and employment is women’s participation in the small business sector. Buttner and Moore (1997) and Lerner et al. (1995) highlight women’s motivations to start their own businesses as prime reason for women’s low quantitative performance (such as jobs creation, sales turnover and profitability) when compared to men. They identify some of these as comprising of self-fulfillment and personal goal attainment among others. Conversely, selection of strategies that focused on market expansion and new technologies, as well as willingness to incur greater opportunity costs for the superior performance of their firms were the key factors for the high growth of women-owned business as compared to low or no growth firms (Gundry and Welsch, 2001).

The Government of Kenya's (GoK) Vision 2030 Strategy assigns a critical development role to the Kenyan financial sector. Among the Vision 2030 objectives include promoting financial inclusion, increasing the transparency and affordability of banking and other financial services, and increasing competition in the sector to the benefit of customers and the broader economy (International Monetary Fund [IMF], 2012). The government and other relevant stakeholders have designed programmes and policies that are market driven and market non-distorting to support SMEs. Access to credit for female entrepreneurs remains a concern for policymakers and researchers (Greene et al., 2003; Gatewood et al., 2004; Jamali, 2009). Although women tend to create smaller firms, lack of capital is still a major obstacle to them. Indeed, several studies show that, on average, female entrepreneurs are less financed than male ones, observe Agier and Szafarz (2010). By focusing on poor female entrepreneurs in developing countries, microcredit has brought to light the underestimated potential of female self- employment; besides, Armendáriz and Morduch (2000) note that the microcredit industry has proved on a large scale that women are more trustworthy than men in terms of repayment conduct. However, Buvinic and Berger (1990), Fletschner (2009) and Agier and Szafarz (2010), show that women are more credit-rationed than men by MFIs.

While recent policy initiatives have sought to expand the number of women business owners, the rate of increase has been low relative to the US experience, but similar to that seen across other northern European countries. Research that has focused on the consequences of gender-based differences in business financing has established explicit links between the initial under-capitalization of female-owned enterprises and subsequent business performance. In Kenya, achieving gender parity and empowering women in SMEs are given emphases in both the Medium Term Plan 2008-2012 and Vision 2030 where entrepreneurship is identified as one of the key drivers of socio economic transformation (GoK, 2011). To facilitate these, various programs by the Kenya Government such as the Women Enterprise Development Fund was established in order to foster the creation of entrepreneurial ventures among women in Kenya.

While there has been little research in Kenya that has directly considered the performance of female-owned firms, that which has been undertaken provides unequivocal evidence that female owned enterprises do not lack the competence to run successful enterprises, they simply lack the initial resources. Considerable effort has been expended on encouraging women to engage in SMEs, an understanding of the effects of credit financing from Microfinance Institutions (MFIs) on their business performance, readiness and the challenges they face in growing their businesses become imperative.

Statement of the Problem

Governments in the developing nations are grappling with the need to develop an environment conducive to job creation with a view to generate employment for the high number of new labour market entrants and reduce high structural unemployment. Increasing the level of aggregate demand through the expansion of public expenditure and the introduction of active labour market policies has its limits. Therefore, to prepare for economic expansion providing economic opportunities for the populace, other options have been explored, one of which is women entrepreneurship in the SMEs sector (GoK, 2012). To stimulate economic activity and growth, and to ultimately reduce unemployment, the Kenya government has placed emphasis in the development and expansion of the microenterprise activities, and more specifically on women run enterprises. This is also intended to improve the business climate, build the domestic talent pool and develop a more entrepreneurial-driven economy. Towards this end, the government has encouraged the establishment and licensed several microfinance institutions so as to facilitate access to the needed capital for nurturing enterprise creation and expansion, in particular by fostering the potential of the women entrepreneurs.

Substantive evidence shows that the development of the private sector, of which micro, small and medium-sized enterprises (SMEs) and entrepreneurship are essential elements, and a main driver of economic growth and employment as well as a fundamental factor in poverty reduction (OECD, 2012). The contribution of women entrepreneurs to the economic development has been studied in many developed countries (Carter and Shaw, 2006). Though in Africa and Asia women are often regarded as the ideal clients for the microfinance products, the actual impact of microfinance loans to women entrepreneurs has been based on assumptions (Leslie, 1985). The SME sector is seen as a viable alternative to formal employment due to ease of entry. However, women who have ventured into this sector have faced varied problems, including the lack of capital and challenges in accessing credit from formal banking institutions. To minimize this problem, the Non-Governmental Organisations (NGOs) have established MFls to provide credit to women and other entrepreneurs, who are generally disadvantaged in this respect. Women have to a large extent taken advantage of this source of credit and a majority of them have started or expanded their businesses in the SME sector. However, there have been concerns by many authors including Paxton et al. (2000) and Onyuma et al. (2005), on whether credit from these micro finance institutions does not worsen the plight of small businesses as their terms are unfavorable to the beneficiaries. It is for this reason that this study sought to identify the effect of MFI credit financing on the performance of women entrepreneurs in the SME sector in Kikuyu Township, who have benefitted from credit facilities provided by the Kenya Women Finance Trust.

General objectives

The main objective of the study was to explore the effect of MFIs on growth of women owned enterprises.

Specific Objectives

The specific objectives of the study were:

1. To establish the extent to which accessibility to credit facilities has influenced the growth of women-owned enterprises in Kikuyu Township.

2. To assess the effect of cost of MFI credit services to women owned enterprises in Kikuyu Township.

3. To investigate whether the conditions of borrowing from MFI influence growth of the women owned enterprises in Kikuyu Township.

4. To establish the extent to which Business development services offered by MFIs influence growth of women owned enterprises in Kikuyu Township.

Literature Review

This chapter is a comprehensive review of previous literature on growth of women owned enterprises. Its the works the researcher consulted in order to understand and investigate the research problem. The researcher came up with a conceptual framework that outlined the possible courses of action which was to act as a guide in the research. The chapter also looked at the theoretical framework of the study, empirical framework, research gap and summary.

Women Entrepreneurship

Several authors have argued that the decision to become an entrepreneur is a complex and multi-faceted phenomenon (Marlow and Strange, 1994; Shane et al., 1991; Stevenson, 1990). Among the motivating factors is the desire for independence and autonomy (Harrison and Hart, 1993; McDowell, 1995; Shane et al., 1991; Vivarelli, 1991). Therefore, independence appears to be a universal motivator for both women and men in deciding to become entrepreneurs (Kirkwood, 2007). Researchers, theorists, and business practitioners define entrepreneurship differently. Gartner (1988) defines an entrepreneur as someone who creates new independent organizations, while Schumpeter (1934) defines entrepreneurs as innovators who implement entrepreneurial change within markets, where entrepreneurial change has five manifestations: the introduction of a new (or improved) good; the introduction of a new method of production; the opening of a new market; the exploitation of a new source of supply; and the re-engineering/organization of business management processes. Shane and Venkataraman, (2000) on the other hand define entrepreneurship as a field of business that seeks to understand how opportunities to create something new created by specific persons, who then use various means to exploit or develop them, thus producing a wide range of effects. According to Timmons and Spinelli (2003) entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals.

Women's participation in the small business sector is a growing phenomenon the world over. Drucker (2004) sees entrepreneurs as individuals who act creatively, innovate and reconstruct. He values them as individuals who see and use profit-making opportunities by bringing together the factors of production. According to Drucker, there are seven sources for innovative opportunity: the unexpected - the unexpected success, the unexpected failure, the unexpected outside event; the incongruity -between reality as it actually is and the reality as it is assumed to be or as it 'ought to be; innovation based on process need; changes in industry structure or market structure that catch everyone unaware; demographics; changes in perception, mood, and meaning and; new knowledge, both scientific and non-scientific. Female entrepreneurs often tend to pursue business in a limited number of sectors, in which women traditionally are economically active such as the retail and service sectors.

Women as micro and small entrepreneurs have increasingly become the key target group for micro finance programs. Consequently, providing access to micro finance facilities is not only considered a pre-condition for poverty alleviation, but also considered as a strategy for empowering women (Karanja, 1996).

Table 1: Ownership and Location of MSMEs in Kenya

	Male-owned MSMEs		**Female-owned MSMEs**		**Total MSMEs**	
Location	No. of firms	Total employment	No. of firms	Total employment	No. of Firms	Total Employment
Urban	213,262	470,380	227,886	338,940	441,148	809,320
	(48.3%)	(58.1%)	(51.7%)	(41.9%)	(100%)	(100%)
Rural	457,465	944,270	384,961	607,660	842,427	1,551,930
	(54.3%)	(60.8%)	(45.7%)	(39.2%)	(100%)	(100%)
Total	670,727	1,414,650	612,847	946,600	1,283,575	2,361,250
	(52.3%)	(59.9%)	(47.7%)	(40.1%)	(100%)	(100%)

Source: Adapted from Government of Kenya (1999)

Table 1 shows that women are major actors in the informal sector of the Kenyan economy. Although current sex-disaggregated data are not available, the government of Kenya's most recent statistics indicates that women own almost half (48 percent) of the 1.3 million micro-, small-, and medium-size enterprises (MSMEs) in Kenya (table 2.3). Even though a significant 85 percent of female-owned MSMEs are in the informal sector and two-thirds are located in rural areas, the average MSME generates a gross income equivalent to more than twice the average minimum wage in the agricultural sector (US$76 per month).

Microfinance organizations are expected to reach the poor and not a specific gender in a quicker manner than the conventional banking network (Bose and Rajini, 1998; Jenkins and Goetz, 1999). A number of studies examining the impact of microfinance from the gender perspective reveal that that the participation of women in these programs needs to be examined in much more critically.

Theoretical Framework

A theoretical framework can be defined as a collection of interrelated ideas based on theories. It is a reasoned set of prepositions, which are derived and supported by data or evidence. A theoretical framework accounts for or explains phenomenon (Kombo& Tromp, 2006). This research combined perspectives from Psychological Motivation Theory, Social Learning Theory, Network Affiliation Theory, and Human Capital Theory to examine the effect of Microfinance institutions on growth of women owned enterprises in Kikuyu township. The Psychological Motivation Theory argues that entrepreneurs will choose to grow their ventures if they believe their efforts will result in high venture growth. Previous research have found a direct positive relationship between motivation (or growth expectancy) and growth (Wiklurd& Shepherds, 2003). Psychological Motivation Theories such as achievements, independence and locus of control have been widely investigated with regard to their influence on business start-up (Brockhaus&Horwitz, 1986) examined their relationship to business performance and found out that individual motivation and owner / founder goals are related to performance in women owned businesses, where opportunity motivation was related to survival and independence it was associated with " no growth " (Hirsrich& Brush, 1987). Other studies indicate few significant performance differences related to male versus female achievements motivations or individual self-esteem, women reported lower level of self confidence than did men (Miskin& Rose, 1990). In the context of my study, most women entrepreneurs are not motivated to start business rather they carry out business activities for survival.

The Social Learning Theory approach emphasizes the role of entrepreneurial socialization which is anchored in Social Learning Theory (Bandura, 1977) as an explanation of entrepreneurial behaviour and career development. Social learning can occur through the observation of behaviour in others, often referred to as role models. The individual socialization process which occurs in the family setting transmits social norms, language, educational aspirations, and shape career preferences through observation learning and modeling.The utility of social learning theory to explain entrepreneurial performance has been explored in several studies. The effects of observational learning through perceived parental entrepreneurial role model performance was explored by Sherer et al (1989), these authors found that the presence of a parent as an entrepreneurial role was associated with increased education and training aspirations, task efficacy and expectancy for an entrepreneurial career. In the context of my research, the society under which the study was carried has a cultural trend that the boy child is the heir of property; girls do not have social authority to inherit property, businesses included. The small number of self-employed women within Kikuyu township suggest women have fewer role models to emulate.

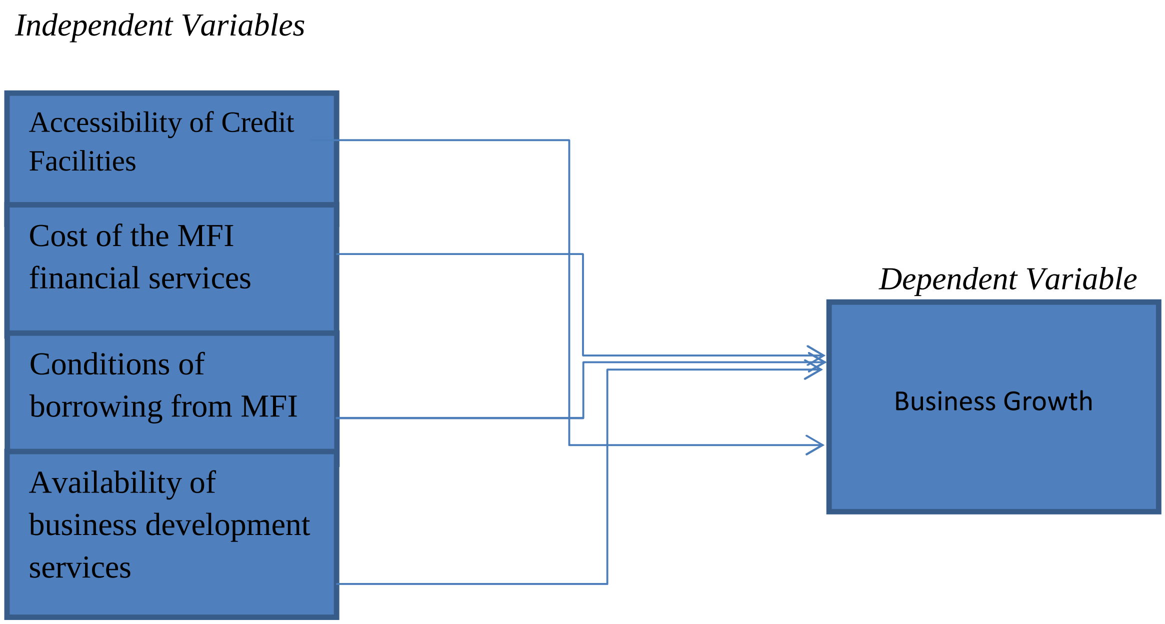
The Network Affiliation Theory. This perspective views entrepreneurship as embedded in a complex network of social relationships. Within this network, entrepreneurship is facilitated or constrained by linkages between aspiring entrepreneurs, resources and opportunities (Aldrich, 1986). According to this view, the presence or absence of networks such as access or memberships in associations' play a role in influencing performance. Women entrepreneurs are

embedded in different personal and social networks than men. These divisions and barriers limit the reach and diversity of their networks hence has far reaching consequences for business performance. There is evidence that women's networks are different than men's (Aldrich, 1989).
This theory proposes that the level of education, area of education, previous entrepreneurial experience, and previous business experience and business skills will influence business performance. Cooper (1981) proposes education and experience were antecedents to the decisions to start a company and ultimately affected performance. Studies have shown that years of formal education of the entrepreneur before starting a new firm were related to eventual performance of the firm (Brush &Hirsrich, 1991).Hirsrich (1986) stated that the high number of service –oriented businesses (over 90%) of the businesses begun by women) reflected the educational focus of women entrepreneur, which generally consist of a liberal arts college education. This social science or liberal arts educational background might restrict or discourage women entrepreneurs from starting ventures in manufacturing, finance or technology (Birley et al, 1987). In Kenya, science related disciplines have been associated with men, there are some professions that have been viewed masculine over time and this has led to women being inclined in certain professions such as trading, weaving and hospitality.

Conceptual Framework

The conceptual framework developed incorporates the MFI credit facilities from the KWFT and the women operated MSEs. This will enable the assessment of the effects of MFI services on the performance of MSEs. MFI services have impact not only on the SMEs growth but also on the owners and community at large, therefore the conceptual framework developed will reflect the outcome of MSEs growth at based on the assumption that improved enterprises performance is signified by an increase in the women MSEs entrepreneurs' wealth and overall standard of living since the profit obtained from SME activities enables the SMEs owners to meet their livelihood expenditure and creates the possibility of a trickledown effect.
Coase (1960) pointed out that financial intermediation involves transaction costs and according to Chijoriga and Cassimon (1999) transaction costs comprise costs involved in finding a lender, mismatch costs and risk premium; all of which increase the gross cost of credit for the borrower. The conceptual framework reflects the effect of transaction cost on SMEs when accessing and servicing MFI services. High transaction costs have the effect of limiting entrepreneurs' performance and outcomes.
This study will use income of the SMEs, accumulation of business assets, revenue and employment as indicators of performance among the women entrepreneurs who have benefitted from MFIs the enterprises while household income, household expenditure on (food, education and health) and asset accumulation will be used as indicator of livelihood of owners of MSEs.

Figure 2.1: Conceptual Framework



Empirical Review

Access to finance is a key element for the success of SMEs in building creation of jobs and poverty alleviation. A report by Financial Sector Deepening (FSD)(2009) observes that Kenya has a significantly diversified financial structure, including insurance and capital market institutions. Kenya, unlike many other African countries, has many of the elements needed for the development of a vibrant financial market. The financial system in Kenya is more developed than in most countries in the Sub-Saharan Africa region, and compares favourably to other emerging nations of similar development levels (FSD Kenya, 2009). It comprises commercial banks, partly or wholly owned by foreign financial institutions, deposit-taking micro-finance institutions regulated by the Central Bank of Kenya (CBK) and established Micro-finance Institutions as well as approximately 450 additional institutions do not take deposits but engage in lending activities. The country has a significantly diversified financial structure, including insurance and capital market institutions. Kenya, unlike many other African countries, has many of the elements needed for the development of a vibrant financial market.

Microfinance institutions have continued to play a significant role in SMEs in Kenya, mainly aimed at alleviation of poverty. One such institution is the Kenya Women Finance Trust (KWFT-DTM), which was founded in 1981 by a group of women lawyers, bankers, and entrepreneurs as a financial Institution devoted to addressing the financial needs of women: a woman-serving, woman-led bank. KWFT-DTM has risen to be one of the most successful microfinance institutions in the country with the largest outreach of any MFI, serving more than 400,000 clients in both rural and urban areas of Kenya. It is the only financial institution to focus solely on women clients in Kenya, based on a belief in empowering families through women, and its mission and meeting the needs of women.

KWFT has been awarded its deposit-taking microfinance license from the Central Bank of Kenya, which is significant for the Kenyan microfinance sector as it is only the second such license granted by the Central Bank. Being able to take deposits will greatly affect the clients of KWFT, who will now have access to a range of saving products and a safe means to accumulate assets. In the microfinance sector as a whole, there is growing recognition of the importance of providing safe, secure places for the poor to save their money and begin asset accumulation.

Summary

Microfinance is considered an effective means of promoting women's empowerment. Drawing on the findings of various studies, it is suggested that gender inequalities result in great part from inequalities in bargaining power in the context of decision making within the household. It is also suggested that women's weaker bargaining power results from their smaller contribution to household cash flows and market-based income generating activities.This led to to the formalization of Microfinance by the government as alternative to formal finance started around early to mid-80s and has since gathered an impressive momentum in providing financial services such as small loans and saving clients' deposits among all cadres, especially the poor and not too poor who do not have access to mainstream banking services. Even though the first attempts to provide credit in developing countries through development banks and cooperative movements showed little interest in women, this rapidly changed with the development of modern MFIs.

Methodology

Research Design

A Research design is the blue print for fulfilling objectives and answering questions (Cooper & Schindler, 2003). To answer the research questions in this study, the descriptive research design was applied. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Shuttleworth, 2008). It describes data and characteristics about the population or phenomenon being studied, that is, answers the questions who, what, where, when and how (Peter, 1994). The main purpose of descriptive research design is to describe a behavior or type of subject. Descriptive research design exhibits the advantage of acquiring a lot of information through description, is useful for identifying variables and hypothetical constructs. The descriptive research was used to establish the impact of MFI credit facilities on the was guided by the fact that the study aims at generating findings which will facilitate a general understanding and interpretation of impact of MFI credit facilities on entrepreneurship performance. The main advantage of this research design is the ability to collect large amounts of data from sizeable population in a highly economical way.

Population

According to Babbie (1992), a population is the entire group of individuals, events or objects having common observable characteristics. Mugenda and Mugenda (1999) describe a target population as that population on which the researcher wants to generalize the results of the study. A population is defined as a full set of cases from which a sample is taken (Saunders, Lewis and Thornhill, 2003). The study targets women entrepreneurs in the SME sector in Kikuyu Township, (1500), MFI Managers from KWFT Kikuyu branch (5) and Credit officers from KWFT Kikuyu branch (30) which makes a total of (1535). The study population consisted of women entrepreneurs who have benefited from the Kenya Women Finance Trust microfinance loans scheme and staff of the KWFT.

Sampling Frame

A sampling frame is a complete list of all members of the population that a researcher wishes to study (Colins &Hussey 2009).The research came up with a sampling frame for women entrepreneurs in SME of Kikuyu Township. They are 1500 in number. The study used stratified sampling. The population was divided into strata and a simple random sample selected from each stratum thus making it possible to make reliable estimates for each stratum as well as for the population as a whole. The sampling frame consisted of 1500 registered SME operators, 5 managers and 30 credit officers. The sample size consisted of 162 respondents as indicated on table 3.1 below, selected through stratified and random sampling. These sampling techniques helped to prevent bias in the selection process. The final sample size comprised of women entrepreneurs in the SMEs drawn from different industries. The researcher purposively selected the 2 branch managers and 5 credit officers at the Kikuyu Township KWFT branch because they deal with the beneficiaries directly. The distribution of the population in the study was as shown in the table 3.1.

Table 3.1 Study population

Category	Total Population	Target Population
Managers	5	2
Credit officers	30	10
Women SME entrepreneurs	1500	150
TOTAL	1535	162

Source: The Kenya Chamber of Commerce

Data Collection Procedures

Primary data was collected by use of questionnaires in this study. Primary data are those which are collected for the first time and thus happen to be original in character (Kothari, 2004). In this study, the questionnaire was used to solicit ideas related to the research problem from respondents. The questions addressed the research objective and questions related to the study. A drop and pick method was used in administration of the questionnaires. The interviews were conducted by the researcher to gather further information.

Data Processing and Analysis

Data processing and analysis was done using spreadsheets. Data management involved checking for it consistency, coding, labeling and documentation. During data analysis, overall data quality was assessed, before being analysed appropriately. The findings are presented descriptively in form of tables of frequency, graphs and charts.

Research Findings

This study seeks to identify the effect of MFI on growth of women owned enterprises in Kikuyu Township, and who have benefitted from credit facilities provided by the Kenya Women Finance Trust. This chapter presents the data analysis and interpretation, the data is presented as per the study's objectives. There were four objectives which guided the study. First, the study intended to establish the extent to which women entrepreneurs in SMEs are able to access credit financing from MFIs; secondly, to assess the effect of cost of MFI credit services to women owned enterprises in Kikuyu township; thirdly to investigate whether the conditions for borrowing from MFI influence growth of the women owned enterprises in Kikuyu and lastly to establish the extent to which business development services offered by MFIs influence growth of women owned enterprises in Kikuyu Township. The findings are presented in form of tables which give frequencies and percentages. 162 questionnaires were administered to the sampled respondents comprising of managers, credit officers and women SME entrepreneurs, who filled and returned the questionnaires. The responses represented 88% of the sample. This response rate was deemed satisfactory. The findings are based on the responses obtained from the returned questionnaires.

Demographic Information of the respondents

Demographic information was obtained on the general characteristics of the respondents in the study. This information was given in terms, age category and highest level of education. The data study obtained data from the three categories of respondents sampled for the study. The MFI managers made up 1% of the respondents, credit officers 6% and women SME entrepreneurs made up the largest proportion at 93%. Most of the women SME entrepreneurs were within the 34-40 age bracket, as this proportion made up 41%, while those between ages 18 and 29 were the fewest, making up 9% of the respondents. These findings concur with those of Piotr & Rekowski (2008) who noted that SMEs have created a widespread conviction that small, new ventures are the most important source of entrepreneurship and as a dynamic and innovative factor; they contribute directly to economic growth for persons across all age categories. The study found that none of those women SME entrepreneurs had a degree, although a majority of them, 50% had had secondary level education. 33% of them 17% of them had tertiary and primary school levels of education respectively.

Particulars of the Enterprise

The study sought to establish particulars of the women owned SMEs, including the year of establishment, sector in which they worked; type of ownership and source of initial capital. According to the results, the oldest enterprises were established in the year 2005 and these comprised of 15%, while the latest were established in the year 2011 (11%). The respondents were requested to state the sector in which their enterprises were based, and according to the results displayed in Table 4.5, none of them was involved in the manufacturing industry. However, most of them or 57% were in the trading sector while 29% were in the services industry. The rest, 14%, were in the agrobusiness sector.

The study sought to establish the type of ownership of the enterprises that the respondents operated. According to the findings, 80% of the respondents indicated that they were the sole-proprietors, while 17% of them were partnerships. None of the enterprises was a cooperative. The respondents were required to indicate the sources of funds used to start up their businesses, and **a**ccording to the findings, most of the enterprises were started using capital from multiple sources, however, personal savings ranked as the most common of all. In other cases, the respondents indicated that several different sources were used, including funds borrowed from spouses or relatives, loans from banks, loans from MFIs, loans from NGOs as well as loans from non-banking institutions. This relates with the observation by The World Bank (2006) report which observes that a there exists a strong correlation between reductions in poverty and the development of the financial sector. Therefore, for countries to achieve long-term development more quickly, the poor in Africa and elsewhere must have access to an array of flexible, cost-effective financial products and services targeted to their entrepreneurship needs, including savings, credit and insurance. The goal of microfinance products is to adapt financial services to meet the needs of poor people who may not be in a position to access credit facilities in the mainstream banks.

The study found that all the respondents had at one time or other in the past borrowed money from an MFI. The study further sought to investigate if the respondents had managed to repay the funds in full, and though some indicated that they were still repaying, all had in the past borrowed and repaid in full. On whether they had applied for the loans as members of a group, all the entrepreneurs stated that that was a key prerequisite to borrowing from the MFI. This correlates with the observation by Abosede and Azeez (2011), which emphasized on the need to explore and combine both informal (traditional) and formal sources of funds. The respondents were also asked if any of the members in their groups had defaulted in repayment of the MFI loans, and although 67% stated that none of their group members had defaulted, 33% responded in the affirmative.

Those respondents who indicated that some of their members had defaulted were requested to explain how the matter was settled, and the study found that the members' assets were impounded and auctioned to recover the money to settle the debts while in other instances, the debt was settled using the contributions of other members. This is similar to a study by Sachs (2005). According him, MFIs substitute collateral with the mechanism of social reputation within a group, thereby mitigating the risk of default due to adverse selection through asymmetric information. In addition, group-lending decreases transaction costs, another cause for standard banks to refrain from lending to the poor.

Principal customers of the SMEs

Respondents were asked to indicate who their main target clients were, and from the findings it is apparent that the category of principal customers in each enterprise was determined by the sector in which the SME operated in. As a majority of the respondents were in the trading industry, their customers cut across all genders, ages and social groups due to the nature of their merchandise. However, for those who indicated that they were in specialized service industries, their clients were more specific. Some of these clients included hospitals, schools, political organisations, ladies and gentlemen.

Strategies used to retain and grow clients

The study asked the respondents to state some of the ways in which they managed to retain as well as expand their client base, and they stated that these strategies included networking, ensuring high quality of work or services, competitive pricing, extended operating hours through opening early and closing late, remaining open 7 days a week, fast deliveries, quick service as well as personalized service to the clients.

Record keeping

The study sought to find out whether the entrepreneurs kept records of their activities in the businesses they operated, and it was found that out of all, 83% indicated that they kept records, while 17% responded negatively. Those respondents who stated that they kept records were asked to specify the kinds of records that they kept. The study established that the women SME entrepreneurs kept various records in their outfits that included the following: production records, expenditure, sales, income, wages and salaries. Among those who said that they never kept records, the main reason was their lack of knowledge of book-keeping.

Business performance

In order to assess the performance of the entrepreneurs, the study sought to establish how the MFI credit had contributed to the expansion of the enterprise.

Additional equipment

All the respondents or 100% answered in the affirmative to the question "Have you acquired any additional equipment to the existing ones after getting the MFI support?" Some of the kinds of equipment for use by the entrepreneurs that were purchased through the credit support were specific to the various sectors that they conducted business in, and included blow driers for those in the hairdressing business, furniture and fittings, barbering machines, weighing machines and scales, refrigerators and deep freezers, printing machines, computers and even securing further working space.

Additional staff

The women SME entrepreneurs were asked if they had also employed more staff as a result of expansion of the businesses, and 83% said they had, while 17% stated that they had not.

Challenges encountered by women SME entrepreneurs

The study sought to also investigate the kinds of challenges that the SME women entrepreneurs encountered while running their businesses. These were listed by the respondents as comprising of both financial and non-financial issues. The examples include inadequate capital and stock, stiff competition, high staff turnover, inadequate managerial skills, inflation and price instability, political instability and perceived high costs of inputs and other materials.

The entrepreneurs were requested to highlight the financial problems that they often encountered while in business, and despite receiving the MFI credit. They responded by stating that they often had to grapple with high interest High interest rates on loans, cash flow issues, steep salaries for employees in their payrolls, uncooperative group members leading to low savings thereby resulting in inability to borrow higher amounts. Other financial related issues were frequent changes in prices of materials due to inflation and most common of all was the high interest rate charged by the MFI.

Conclusions

This study concludes that the MFIs credit facilities are a significant component of the women SME entrepreneurs' activities and are critical both at the start-up point as well as in later growth and expansion of the MFI. It is also evident that a majority of those women who seek the MFI credit support are in the informal sector and mainly undertake trading and services activities in the business sector, with few being engaged in the agribusiness sector. It was also found that all the businesses had recorded improved business performance on a year-on-year basis since establishment.

Recommendations

1. The women entrepreneurs in SMEs should receive training in financial and business management skills to assist them in the running of their outfits, especially those who indicated that these are some of the main challenges that they face in the running of their business. This study concludes that the MFIs credit facilities are a significant component of the women SME entrepreneurs' activities and are critical both at the start-up point as well as in later growth and expansion of the MFI businesses. Other respondents indicated that they do not keep records due to lack of the knowhow in book keeping. Such categories of the MFIs client's should be trained on basic accounting procedures and other simple ways of maintaining proper records of their activities.
2. MFIs' credit officers also need adequate training to improve their interaction and support given to their women SME clients on financial literacy so as to reduce the wastage of finances borrowed, leading to seizure of property of the defaulters. Such training will ultimately draw some positive impacts on the MFI sector that will inevitably benefit the SMEs sector and the economy at large.
3. There is need to also ensure that the small loans available to SME entrepreneurs are provided at competitive costs in comparison to other financial products. This is as a result of the finding that most of the respondents felt that high interest rates of the MFI were a key challenge that they faced.
4. There is need for MFIs to mitigate the risk factor and adopt a more acceptable practice that is not punitive to both the borrowers and their group members who indicated that sometimes they share out the defaulters' loans amongst themselves and repay it.

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