ORGANIZATIONAL FACTORS INFLUENCING UPTAKE OF WOMEN ENTERPRISE FUND CREDIT IN KITUI CENTRAL SUB-COUNTY, KENYA

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ABSTRACT

The purpose of this study was to assess the Organizational factors influencing the uptake of Women Enterprise Fund in Kitui Central Sub-County. It focused on the women groups in Kitui Central Sub County. Literature focused on theoretical and empirical foundations on the organizational factors influencing WEF credit uptake by women groups, WEF technical personnel, WEF business development services, and WEF financial access were some of the organizational factors identified. The study employed the descriptive survey design. The target population was 1,000 women group chairpersons spread all over Kitui Central sub county and 20 chairpersons from registered women groups for pilot study. Data was collected using questionnaires for the group members and the interview schedule for the WEF officers. Descriptive statistics including frequencies, means and standard deviations and inferential statistics like ANOVA and Multivariate Regression Analysis was used in data presentation and analysis.

Key Words: Organizational factors, Women Enterprises Fund (WEF), Credit access, Business development services
1. INTRODUCTION

1.1 Background of the study

African women have a solid track record as savers, often through informal institutions such as unregulated Savings and Credit Cooperative Organizations (SACCOs) and Rotating Savings and Credit Associations (ROSCAs), rather than formal financial institutions. They seek safe, convenient and confidential ways to save small amounts. Women are more concerned with security and convenience of deposits and withdrawals than with interest income. This supports their role of managers of household budgets and their use of savings as part of their risk management strategies. Beyond the in-and-out short-term savings, there is expanding interest in programmed (commitment) savings to work toward a specific goal, such as children’s education. This calls for products that allow for regular savings of small amounts.

Most women are forced to grow their businesses using little or no formal credit facilities. The dependency on personal assets and informal sources of capital limit the amount of financing available. Most businesses remain informal and in low-value areas – with not enough emphasis on financial products and services to help expand business from micro to small to medium to large size. Informal sources of credit are not sufficient to bring them into the SME range (IFC, 2007 and FIAS/IFC, 2005). Scholars agree that credit has existed to have positive impact on the performance of businesses in Kenya (Peter, 2001, Tanzania, Kuzilwa, 2005, Uganda, Samira, 2007). The significance of credit accessibility mainly to women in Kenya has led to the creation of Women Enterprise Fund (WEF) in order to address the credit gap and back up business development for women (KIPPRA, 2010).

The trend of WEF loan uptake has been varied regionally. There is, for example, low number of new groups in Kitui Central Sub County up taking credit from WEF. WEF statistics (2016) shows that 17 groups benefited in 2008, none in 2009, 8 in 2010, 48 in 2011, 113 in 2012, 85 in 2013, 16
in 2014, 30 in 2015, and 40 groups in 2016. One wonders why the number of groups is not increasing arithmetically. Why is Kitui Central Constituency exhibiting this trend against the expectation that the uptake of credit ought to be higher given its demographic advantage? Could it be attributed to high default rate? WEF headquarters puts as at 2016 the percentage arrears of WEF credit by Kitui Central Constituency groups at 53%, the third highest in Eastern Region and position 190 out of 290 constituencies nationally. An in-depth study of WEF organizational factors is necessary since the role of mobilizing women groups to take up credit lies within their mandate. Naturally, every entrepreneur will opt for a cheaper, convenient and friendlier credit facility for starting capital or for expansion. This study therefore investigated the WEF organizational factors that could be blamed for this trend in credit uptake among women groups in Kitui Central Constituency. The factors envisioned here include: WEF Technical Personnel, WEF Business Development Services and WEF Financial Access.

1.2 Statement of the Problem

The Government of Kenya states that Women Enterprise Fund was established to provide alternative financial services to women who are excluded from the formal and informal financial sectors. The fund provides accessible and affordable credit to support women start or expand business for wealth and employment creation. However, in the county and in Kenya as a whole, women have not fully exploited this opportunity the same way (WEF Statistics). As noted by the statistics from WEF, Credit Department, Kitui Central Sub County (Constituency) had in 2014, 15 groups which had benefited from loan amount of Ksh1,900,000. The loan repayment rate was at 77% being the lowest among the eight constituencies of Kitui County. Loan uptake for a total number of 290 groups from Kitui Central since 2007 to June, 2016 is Ksh 26,445,000, and the repayment rate is only at 83%, only 45 groups are at the second level and only 7 are at the third
level of loan uptake out of 356 groups benefitting. This study endeavoured to find out WEF organizational factors that could be responsible for this low uptake.

1.3 Research Objective

The main objective of this study was to investigate the WEF organizational factors influencing the women groups ‘uptake of the Women Enterprise Fund credit in Kitui Central Sub County.

2. LITERATURE REVIEW

2.1 Theoretical Literature Review

A theory is a reasoned statement or group of statements, which are supported by evidence meant to explain a phenomenon. A researcher should therefore be conversant with those theories applicable to his/her area of research (Kombo and Tromp, 2009). Trochim (2006) argue that theoretical framework guides research, determines what variables to measure, and what statistical relationships to look for in the context of the problem under study. Thus, the theoretical literature helps the researcher see clearly the variables of the study, provides a general framework for data analysis and helps in selection of applicable research design (Kombo and Tromp, 2009).

Human Capital Theory

Is majorly associated with two factors which include education and experience (Garry Becker, 1975). Knowledge gained from education, training and experience represents a resource that is diversely dispensed through persons and therefore central to understanding the variances in identifying opportunities as well as taking advantage of such opportunities (Anderson & Miller, 2003; Gartner et al., 2005). This implies that it is paramount incoming up with a strategy for achievement of the enterprise objectives and goals, as well as bring other resources together to create a package that gives the firm a competitive advantage. In order to fulfil the many prospects in an organization, managers need to equip themselves with a range of definite skills and
competencies to enhance their success. Managers’ at all administrative ranks require three main basic skills in execution of their duties: the technical, conceptual and human skills (Saleemi, 2006). This theory of Human Capital therefore played a significant role in explaining how trained personnel are thus an important factor in the success of WEF. Training of beneficiaries is also a prerequisite for its success.

Information Asymmetry Theory

This information asymmetry theory was propounded by Akerlof in 1970. Akerlof argued that in numerous markets, the sellers use some market numbers to determine the worth of the possessions they are selling. In this situation of the credit market, those who are buying perceives the normal charges of the loans in the market they are anticipating to buy but the sellers have extra intimate awareness of every definite credit product. Sellers at an added benefit and therefore capable of selling goods of a reduced amount of quality than the average market. Inadequacy of the information accessible to the buyer could make the seller offer below average value of goods in the market and this will finally lead to decrease in magnitude of the market. Information asymmetry theory makes an assumption that at minimum, a single party to a business has significant information while the other party or parties do not have such relevant information. FI’s are reported to experience competition between their credit products and WEF loans making some of them to give WEF loans only to their favored customers as incentives. This means they withhold information from potential women customers about the details of WEF products.

The Resource Based Theory
The Resource Based Theory mainly addresses the performance a business enterprise. The theory claims that access to resources by the founders is an imperative forecaster of opportunity based entrepreneurship and fresh business growth (Alvarez & Busenitz, 2001). It gives emphasis to the significance of all the resources held by an enterprise (Aldrich, 1999). It implies that access to resources increases the individual’s capability to identify and act upon revealed opportunities (Davidson & Honing, 2003). In this case, resources held by a firm form the building blocks to the functioning of an enterprise and are the inputs into the production process (Hisrich, Peters & Shepherd, 2008). This theory relates to the current study in addressing how WEF uses internal organizational resources to increase loan uptake and success in their SME’s as measured by credit volume and rate of credit uptake.

2.2 Access to Credit

From various studies, women entrepreneurs’ are limited by business capital and incapability to access loans or credit for business. These limitations are motivated by influences such as poverty, lack of employment, little household and business income, lack of collateral in form of assets as well as societal discriminations especially in the developing countries (Peter, 2001). In Kenya, lack of access to credit is amongst the issues that negatively affects entrepreneurship development in the nation (Hellen, 2002). In most cases, women business persons have inadequate physical capital like credit and savings for business which force them into search for financial assistance (Kuzilwa, 2005).

Sessional paper No. 2 of 2005 also quotes inaccessibility to credit as a main constraint hindering growth of the Small and Medium Enterprises sector especially for female entrepreneurs. The paper additionally categorizes the problems preventing SME attainment of financial services as: intangible security tied with lack of appropriate legal and regulatory structure that fails to recognize
innovative techniques for advancing loans to SMEs and the limited access to the formal finance as a result of poor and deficient capacity to provide financial services to small businesses.

The significance of credit access exclusively to women in the country has led to the founding of Women Enterprise Fund (WEF) in order to address the credit gaps in the market and support business development for women (KIPPRA, 2010). Due to lack of adequate compiled financial records, lack of collaterals required, poor technical and managerial skills of youths and women, financial institutions including banks have had problems in giving loans to youths operating youth enterprises (Wanjohi, 2008). In this case, lenders find it more convenient to provide more loans if those borrowing provided collaterals, a guarantor or if they borrowed credit to carry out a business related activity (Pham & Lensink 2007).

The major factors that can influence demand for formal credit include; high interest rates, bureaucratic loan process, high transaction cost, collateral risk and asymmetric information (Adebajo 2010). Potential borrowers can be rationed out of the loan market due to a number of market imperfections. These imperfections include; monopoly power in credit market, interest rate ceiling, large transactional costs incurred by borrowers in applying for loans and moral hazard problems (Rahji, 2010). According to Sacerdoti, (2008), in sub-Sahara Africa, the reason why borrowers lack access to credit from banks are inability to provide accurate information on their financial status, lack of collaterals, cumbersome lending procedures, high cost of credit and long physical distance to the nearest financial services. Fatoki & Asah (2011) assert that business location is another important factor considered by lenders. Physical closeness between lenders and borrowers produce an impressed environment scrutiny that aid SME’s to access credit from lenders in South Africa. The main causes being the lack of transparency from the financial institutions, imperfect information, and asymmetry information in the relations of the rural financial
institutions. The study concluded that any financial institution that fails to recognize the significance of information will continue to impoverish the rural poor as well as the SMEs. Kumah and Agbogah (2000) also emanated with similar conclusions in their study.

3. METHODOLOGY

A descriptive survey research design was used in the study. The study targeted 500 women group chairperson’s that have either benefitted or not from WEF spread throughout Kitui Central Sub County and registered under the Sub County Gender and Social Development Department. Data was collected using a semi-structured questionnaire that had both closed and open ended questions. A pilot testing of the questionnaires was carried on a small sample at Kabati town, Kitui West Sub-County before the questionnaires were administered to the selected sample. This sample consisted of 20 women group chairpersons who were selected randomly and who did not form part of the sample size. To determine the reliability of the research instrument the test-retest method was used. The study used the Cronbach’s Alpha test to test the reliability of the instruments reliability. According to the reliability test the Cronbach’s Alpha coefficient was 0.701. The recommended reliability coefficient is any value between 0.7 and above (Kimando, 2014). The instruments were therefore considered reliable. Content Validity in this study was determined by the supervisors and lecturers in the department. To ensure that the instrument has content validity, all the possible indicators that can be used to measure the variables were identified and a representative sample of the domain of indicators selected. Collected data was analysed using descriptive statistics including frequencies, means and standard deviation and also using inferential statistical methods of data analysis.
4. FINDINGS

4.1 Introduction

The researcher was able to reach all the four categories of the respondents comprising of 644 women groups who had not benefitted from WEF, 304 women groups who had benefitted from WEF at the first level, 45 who had benefitted from level two and 7 who had benefitted from level three. Out of the 100 questionnaires, only 93 were returned making a total response rate of 93%.

The research objective sought to find out the influence of WEF technical personnel on uptake of WEF loans. To address this objective, the respondents were requested first to indicate whether they had received any training from WEF personnel. From the findings, 96.9% said Yes while 3.1% said No.

In addition, those who said they had been trained indicated that they had received training on entrepreneurship (39.4%), loan application (12.1%), business leadership (42.4%), business planning and development (4.5%) and sales and marketing (1.5%). Apart from the training from WEF personnel, the respondents had also received training from other areas. From the findings, 64.7% received training from banks and microfinance institutions, 5.9% from SACCOs, 23.5% from CBO/FBO/NGO while 5.9% had been trained by others who included from the group members. On the other hand, data from the WEF officers indicated that WEF technical personnel has positively impacted on WEF loans which has seen the constituency register many groups.

Capacity building, trainings and sensitization on the existence of the scheme can be attributed to this. The officers also recorded that WEF officers in the field are inadequately facilitated and the number of trainees inversely proportional. The officers also reported being overwhelmed by duties as well as lack of proper transport to access the remote areas. The demand for services was also
indicated to be high than the input from single officer in the sub county. The personnel are also inadequately motivated.

4.2 Credit Availability on the Uptake of WEF Credit

The objective sought to find out the influence of credit availability on uptake of WEF loans. The results were summarized in table 4.1 below.

Table 4.1: Influence of Credit Availability on Uptake of WEF Credit

<table>
<thead>
<tr>
<th>Factors</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The loan WEF gave was adequate for your enterprise</td>
<td>F</td>
<td>11</td>
<td>8</td>
<td>17</td>
<td>6</td>
<td>51</td>
<td>3.84</td>
</tr>
<tr>
<td>The time WEF took to advance the loan was convenient</td>
<td>F</td>
<td>7</td>
<td>13</td>
<td>16</td>
<td>4</td>
<td>53</td>
<td>3.89</td>
</tr>
<tr>
<td>WEF restricted you on the type of business to have</td>
<td>F</td>
<td>15</td>
<td>15</td>
<td>20</td>
<td>8</td>
<td>35</td>
<td>3.35</td>
</tr>
<tr>
<td>The condition that your group members must finish paying their loans before you get one suits you well</td>
<td>F</td>
<td>7</td>
<td>11</td>
<td>16</td>
<td>13</td>
<td>46</td>
<td>3.86</td>
</tr>
<tr>
<td>The interest rate per month WEF loan earns and the repayment period is convenient to you</td>
<td>F</td>
<td>4</td>
<td>3</td>
<td>14</td>
<td>12</td>
<td>60</td>
<td>4.30</td>
</tr>
<tr>
<td>General procedures for loan application and award encourages loan uptake</td>
<td>F</td>
<td>8</td>
<td>5</td>
<td>14</td>
<td>14</td>
<td>52</td>
<td>4.04</td>
</tr>
<tr>
<td>The grace period WEF gives for their loans is convenient for your business/group</td>
<td>F</td>
<td>7</td>
<td>5</td>
<td>12</td>
<td>8</td>
<td>61</td>
<td>4.19</td>
</tr>
<tr>
<td>WEF loan is easier and cheaper to get than other loans</td>
<td>F</td>
<td>15</td>
<td>5</td>
<td>12</td>
<td>8</td>
<td>53</td>
<td>3.85</td>
</tr>
</tbody>
</table>

http://www.ijsse.org
Table 4.1 shows that the interest rate and repayment period as well as the grace period WEF gives for their loans was convenient to most of the respondents as indicated by the means of 4.30 and 4.19 respectively. General procedures for loan application and award also encourages loan uptake (mean=4.04). In addition, the time taken to advance loan was convenient (3.89), the conditions suits them well (3.85) and that WEF loan is easier and cheaper to get than other loans (3.85). The WEF officers also indicated that Women Enterprise Fund has seen many women benefit from credit, who could have otherwise not accessed loans from Micro-Finance Institutions. However, the officers also attested that the credit given to members was not adequate, and the loan takes long before being disbursed after application.

4.3 Analysis of Variance

In order to test the influence that WEF training, WEF business development services and WEF credit availability had on the credit uptake, ANOVA was used. The Logical Multiple Regression Model used was: \( Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 \), where \( Y \) is the dependent variable, \( B_0, B_1, B_2, B_3 \) is the constant and \( X_1, X_2, X_3 \) are the independent variables.

\[ Y = 0.124 + 2.551X_1 - 1.190X_2 + 1.305X_3 \]

CONCLUSION

From this model, it is evident that WEF training is an influential factor among the organizational factors influencing uptake of WEF credit among women. This implies that an increase in one unit WEF training income will increase the uptake of WEF loans by 2.551. Majority of the respondents indicated that the WEF trainers used appropriate language and that they were knowledgeable and well informed. The respondents also highly agreed that the trainers were honest and transparent and that the training offered was relevant to their businesses. All these were found helpful and increased the rate of WEF loan uptake among the women in Kitui Central Sub County. From the
regression model, it was observed that an additional unit of training and technical personnel would significantly lead to increase in the rate of WEF loans uptake.

REFERENCES


