Microcredit Services and Performance of Women Owned Enterprises in Kilifi County, Kenya

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ABSTRACT

Women owned enterprises play an important role in ensuring the growth of an economy. However, most of these businesses face challenges including limited access to credit facilities and limited skills among women owners. Commercial banks have consistently remained reluctant to advance credit facilities among low income earners who mostly comprise of these women owned enterprises. Majority of the women owned enterprises are still at micro level with limited ability to transact in larger profitable firms because of limited access to financial resources. The main economic activities that the youth and women are engaged in Kilifi County include small scale business/trade, mining industry, bodaboda business, Mnazi tapping, Casual labour and commercial sex. Despite this, the youth and women are faced with a myriad of challenges which include poor/low pay, exploitation, health complications, unwanted pregnancies, HIV infections. Some of the ways in which these challenges facing women engaged in business in Kilifi County can be managed include; capacity building/education, government financial support, enforcement of laws of child labour, guidance and counseling and creation of employment. There has been a rise in the number of women owned enterprises in the County with the advent of county government system. The County Government of Kilifi has given opportunities and credit to youth, special needs group and women to start or expand their businesses and also get procurement opportunities. However these women owned enterprises have had challenges with sufficient financing especially from microfinance institutions in the County. The study sought to bridge the gap by establishing the effect of Microfinance Services and performance of women owned enterprises in Kilifi County, Kenya. The study was guided by the following objectives; to establish the effect of loan facilities, saving services, influence of financial literacy and convenience and reputation of credit institutions on performance of women owned enterprises in Kilifi County, Kenya. The study was anchored on the following theories; Resource based view theory and Social Learning theory. The study used descriptive research design. The population of the study was 1281 women owned enterprises. The study applied stratified random sampling technique. The sample size was therefore 296 women owners of registered enterprises in Kilifi County. The collected data was qualitative and quantitative in nature. To analyze qualitative data, content analysis was employed. For quantitative data, the researcher employed both descriptive and inferential statistics for analysis that covered means, standard deviations and regression analysis. The study established that microfinance services had a positive effect on the performance of women owned enterprises in Kilifi County. The study concluded that there were significant microfinance services provided by MFIs in Kilifi County for women-owned enterprises in Kilifi County. The study concluded that microfinance services offered by MFIs positively and significantly influenced the performance of women-owned enterprises in Kilifi County. It was concluded further that some of the enterprises were not aware of the microfinance services offered by MFIs in Kilifi County. The study recommends that the women-owned enterprises need to be sensitized on the available microfinance services and how to access them. The study recommends that the enterprises need to improve their saving culture to enhance their capital base and financial performance.
1. Introduction

Women play an important role in the growth of the economy and thus require empowerment by ensuring that they can access credit facilities conveniently for supporting their businesses. The key pillar of success and ultimate performance of women owned businesses is their accessibility to credit facilities required for running the day to day affairs (Ul-Hameed, Mohammad & Shahar, 2018). The story of most successful and developed countries can be attributed to small businesses (some of which are women owned) which are so innovative in the changing business environment. An assessment of the influence of micro credit on growth of women owned enterprises in Kenya by Mamun (2016) revealed that about 3 million small businesses are supported by microfinance sector. It was further noted that accessibility to micro credit positively impacts on growth and performance of enterprises especially those owned by women. Microfinance services are particularly useful to low income earners involving women who are financial secluded from accessibility to financial services offered by commercial banks. In fact, microcredit service is one of the avenues and policy mechanism used by governments to empower women and thus reducing gender-based violence. In most of the countries, the financial needs of low-income earners have not been fully and effectively attained by commercial banks because of strict baseline demands and requirements (Hameed, Hussin, Azeem, Arif & Basheer, 2017). Additionally, low income earners are perceived to have low credit worthiness by commercial banks arising from limited assets ownership to be pledged as collaterals. To fill these gaps, Microfinance Services have significantly gained attention as these services are aligned to the financing needs of women owned enterprises (Garg & Agarwal, 2017).

Micro-credit finance services are financial services including very small loan facilities, transfer of money, micro insurance, micro leasing and savings among the extremely poor members of the society for expansion of their businesses (Mamun, 2016). Microfinance Services are largely functional in developing countries where small businesses have limited accessibility to financial services from commercial banks. Microfinance Services are financial services offered to low income customers including those on a self-employment basis. Hameed et al. (2017) classified Microfinance Services to cover provision of credit and savings, financial intermediation services including group formation and financial literacy to impart owners of the business with skills and knowledge of managing their enterprises. Microfinance Services are usually offered by microfinance institutions (MFIs). As of December 2017, statistics from the CBK (2017) indicates there were 13 licensed MFIs in Kenya. For the period of 2016 and 2017, there was an increase in customer deposits of these MFIs from Kshs. 2,682,308 million to Kshs. 2,937,971 respectively resulting into 9.53% increase. For 2017, the total advances to customers by microfinance institutions stood at Kshs. 42,849 million (CBK, 2017). Thus, it can be inferred from the above
CBK statistics that Microfinance Services have improved among business owners and thus positively influencing growth.

Microfinance institutions play an important role by to enterprises by enhancing accessibility to loan facilities, offering of savings services, enhancing financial literacy and reputation and conveniences. The other critical services played by Microfinance on women owned enterprises include allowing low income households and business people to access insurance, leasing and training of business owners hence creating a financially literate economy (Atmadja, Su& Sharma, 2016). The loan facilities offered by Microfinance institutions are customized to the need of low income borrowers with flexible repayment terms and conditions. The interest charged on these credit facilities is relatively lower as compared to the one commercial banks charge. This enhances the growth and expansion of enterprises owned by low income individuals as the borrowed funds are used to support the operations of the businesses (Akotey&Adjasi, 2016).

Microfinance institutions allow individuals to save their wealth which can be borrowed at their convenience. Savings is the basis of investments as people invest a portion of what they have saved. Thus, Microfinance Services play an important role in festering savings which are used for investment purpose among enterprises and low-income people. Capacity building is another role played by microfinance institutions (Al-shami, Razali& Rashid, 2018). This is achieved through organizing for conferences, seminars and meetings with account holders. During these seminars, important information including financial literacy and how to effectively manage their enterprises is passed to members. Thus, financial literacy serves to improve on skills and knowledge of the owners of small businesses besides improving on their decision-making abilities (Alhassan, Hoedoafia&Braimah, 2016).

Market reputation and conveniences is the planning practice that ensures that the services or products offered by enterprises are convenient and sustainable. Microfinance institutions partner with some of the enterprises to effectively serve the market hence improving on the revenues generated. Organizations exist because of the markets which comprise of the customer base (Zulfiqar, 2017). A well performing organization has a large customer base and thus market. Thus, by market facilitation, Microfinance institutions directly impacts on the amount of revenues generated by microfinance institutions and thus their financial performance. Market facilitation ensures that enterprise owners are able to retain their relative market shares in their industry of operation (Welsh, 2016).

An enterprise is a business organization that aims at generating revenue from the funds invested by owners. While some of these enterprises are owned by men, other is owned by women while some other ones are jointly owned by both genders. Generally, there has been a rise in the number of women owned enterprises across the world due to increased access to start up loans, advisory and training opportunities. For instance, in United States, over 8 million firms are women owned with an employee base of 7 million people and accounting for $1.5 trillion of revenues generated in an economy (Alhassan, Hoedoafia & Alhassan, 2016). In Kenya, most of the women owned enterprises are concentrated in the informal areas and sectors that are characterized by high level of competition. As of 2016, 47.9% of licensed SMEs in Kenya were owned by men while 32.2% were women owned. However, basis on the unlicensed enterprises (those in the informal sector), women owned 60.7% of them. However, men owned enterprises account for 57% of income that is reported by enterprises owned by the women counterparts in Kenya (Chen, Chang&Brunton, 2017).
The statistics from the ministry of finance in Kilifi County (2018) indicate that there are 1281 women owned enterprises established in different sectors. However, these women owned enterprises in Kilifi county face challenges with regard to accessibility to finance as commercial banks are unwilling advance credit to them as they are seen to have low credit worthiness and have limited access to assets to pledge as collaterals. Most of the women owned enterprises are also at micro level and have limited ability of transiting into larger firms due to limited skills, knowledge and low accessibility to credit facilities. In spite of these challenges faced by women owned enterprises in Kilifi County, there exists little empirical evidence to document how microcredit can enhance performance of such business. It is against this backbone that the current study sought to determine how interventions of Microfinance Services would result into performance of these women owned enterprises in Kilifi County.

2. Statement of Research Problem

Although women owned enterprises play an important role in ensuring the growth of an economy, most of these businesses face challenges including limited access to credit facilities and limited skills among women owners. Commercial banks have consistently remained reluctant to advance credit facilities among low income earners who mostly comprise of these women owned enterprises. Majority of the women owned enterprises are still at micro level with limited ability to transact in larger profitable firms because of limited access to financial resources (Geleta, 2016). Although the government has made several efforts including formulation of effective policies and regulations and creation of a suitable operating environment, these efforts however have beard insignificant results as far as women owned enterprises is concerned. For instance, in 2016, the CBK passed the interest capping regulation that was meant to lower the cost and affordability of access to credit facilities among commercial banks hence the growth in women owned enterprises (CBK, 2017). This regulation however has yielded little fruits as most of the women owned enterprises are still faced with a challenge of accessibility to credit. According to Lock and Lawton Smith (2016), Microfinance Services are the only avenues that the government can use as policy mechanisms of ensuring that more women owned enterprises access credit for better performance.

A number of studies have been carried out to explore Microfinance Services and financial performance, although in different contexts. For instance, Alhassan, Hoedoafi and Braimah (2016) looked at how microfinance influences profitability among women owned enterprises in Ghana. The key finding was that microfinance influences performance of women owned enterprises. This study however focused on Ghana and not Kenya. While focusing on women owned SMEs in Tamale Metropolis, Alhassan (2016) assessed how microfinance influences their performance and a positive relationship was established. This study was however not conducted in Kenya hence creating a research gap. In Tanzania, Monge (2016) examined Microfinance finance and how it influences performance of the firm. The key finding was that Microfinance positively influences performance of SMEs. The study however was done in Tanzania and not in Kenya. In Kenya, Kanyare and Mungai (2017) looked at determinants of Microfinance and how they influence performance of Wajir County SMEs. It was established positive link between savings, accessibility to credit and training services and performance of SMEs. This study however focused on SMEs as a whole and not specifically on women owned enterprises. Other studies were done among SMEs as a whole and not specifically women owned enterprises. Other studies were done in different counties including...
3. Research Objectives

The main objective of the study was to investigate the effect of Micro-credit finance Services and performance of women owned enterprises in Kilifi County, Kenya.

The study was anchored on the following specific objectives;

i. To assess the effect of loan facilities on performance of women owned enterprises in Kilifi county, Kenya

ii. To determine the effect of savings services on performance of women owned enterprises in Kilifi county, Kenya

iii. To investigate the influence of financial literacy services on performance of women owned enterprises in Kilifi county, Kenya

iv. To establish the effect of convenience of credit institution on performance of women owned enterprises in Kilifi county, Kenya

4. Theoretical Review

The study was informed by the resource-based view theory and the social learning theory.

4.1 Resource Based Theory

The theory was formulated by Barney (1991) to explain how firms can leverage on resources to gain competitive advantage and thus performance. There are different varieties of resources in an organization which can include financial, human and technological. For sustained competitive advantage in an organization, the theory argues that the resources in place should be rare and difficult to imitate and be copied by competitors (Xie&Lv, 2016). The theory indicates that an organization gains competitive advantage by employing a bundle of resources in its stock. The theory particularly focuses on internal resources, the strategy of the organization and the overall performance. Studies linking accessibility to microfinance consider RBV as an anchorage to identify and analyze resources at the disposal of the firm and this influences financial performances (Alvarez& Barney, 2017). Resources in an organization can either be tangible or intangible and they can be taken through a system to be transformed into outputs. Thus, resources in an organization can be used as inputs of generation of revenues. The theory argues that the internal dynamism of the firm is an important factor when it comes to access to credit facilities from lending institutions. However, in the intermediation role played by any lending institution, there is always information asymmetry that affects the transactions (Inman, 2016). However, in order to clearly understand the credit worthiness of borrowers, most financial entity collect information of borrowers. This helps in reduction of the credit risk and thus performance of an institution (Kyallo&Kiganane, 2018). This theory is relevant to the study because access to loans and savings can be taken as resources that help in attaining optimal performance among women owned enterprises. In other words, performance of women owned enterprise depends on resources which are best supplied by lending institutions.

4.2 Social Learning Theory

This theory was formulated by Bandura (1977) to describe how individuals learn given behavior. The theory argues that people learning by strictly observing what other do or how they behave in a social setting. In other words, people use role model as benchmarks to learn by observing what
they do or how they behave. This theory is increasingly used as a component of natural resource management and on the promotion of desirable behavioral changers. This theory was developed on the idea that every organization learn from others in terms of social set up. This is basically done by observing the behavior of others by doing so people develop similar behaviors. Other observation of the behavioral changes people simulates, imitate what other people are doing. This observation is more profitable when they are positive or there is reward to observe the behavior at the end. According to Bandura, imitations may involve the actual reproduction of observed motor activities (Rotter, Chance & Phares, 1972). This theory has become the most influential theory in micro financial institutions. It is basically rooted in the tradition basic concept of learning theory. This theory have been often call bridge between behaviorist learning theory and cognition learning theory because it incorporates attention, memory and motivation on this concept Burundi identified that reinforcement could not account for all types of learning. From this argument, he added a social element that people can generally learn new ideas and believe on them by watching other people (Krumboltz, Mitchell, & Jones, 1976). According to the element of this theory there are several principles of learning which observation, imitation is and modeling. This theory is relevant to the study because it link financial literacy which aims at imparting skills on owners of business.

5. Conceptual Framework

![Conceptual framework diagram](source: Kilifi County (2020))
6. Research Methodology

Research design is the framework that guides how the study is done in a logical manner. Through the study design, the researcher is better placed to collect sufficient evidence on the research questions for attainment of study objectives. The study employed a descriptive research design Yin (2017) argues that a description design is useful in giving an account of the way things are and exist in their original state. The design helps to answer questions of how, when, why and where about a given event. Population describes a collection of items or elements that attain specified criteria for inclusion in the study. It refers to the whole group of items, individuals, objects or events that have clearly established common features which can be observed. The population of the study was 1281 women owned enterprises in Kilifi County. The respondents were women owners of these enterprises. A sample is a representative proportion that is included in the study whose selection is done using clearly established sampling methods and techniques. There are two main techniques of sampling; probabilistic and non-probabilistic sampling. The study applied stratified random sampling technique. The sample size therefore was 296 women owners of registered enterprises in Kilifi County. The study collected primary data with the help of questionnaires. The questionnaires were semi-structured comprising of open and close ended questions.

7. Research Findings

The study was to determine the effect of micro-finance services on the performance of women owned enterprises in Kilifi County. The specific objectives of the study were to establish the effect of loan facilities, savings sources, financial literacy services and convenience of credit institution on the performance of women owned enterprises in Kilifi County. Data was analyzed using both descriptive and inferential statistics. The study conducted inferential statistics to establish the effect of microfinance services on the performance of women owned enterprises in Kilifi County, Kenya. The findings of Model Summary, ANOVA and Regression Coefficients are indicated in subsequent sections below.

The findings of coefficient of determination and coefficient of adjusted determination are as shown in Table 1.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.877a</td>
<td>.863</td>
<td>.851</td>
<td>1.51223</td>
</tr>
</tbody>
</table>

Source: Field data, 2020

The findings found out that coefficient of correlation R was 0.877, an indication of strong positive correlation between the variables. Coefficient of adjusted determination $R^2$ was 0.851 which changes to 85.1% an indication of changes of dependent variable can be explained by (loan facilities, savings services, financial literacy services and convenience of credit institutions). The residual of 14.9% can be explained by other factors beyond the scope of the current study.

The study carried out an ANOVA at 95% level of significance. The findings of $F_{Calculated}$ and $F_{Critical}$ are as shown in Table 2.
Table 2: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>832.104</td>
<td>35</td>
<td>23.774</td>
<td>14.0583</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>321.311</td>
<td>190</td>
<td>1.6911</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1153.415</td>
<td>225</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The findings show that $F_{\text{Calculated}}$ was 14.0583 and $F_{\text{Critical}}$ was 6.5241, this show that $F_{\text{Calculated}} > F_{\text{Critical}}$ (14.0583 > 6.5241) an indication that the overall regression mode was significant for the study. The $p$ value was 0.000 < 0.05 an indication that at least one variable significantly influenced performance of women-owned enterprises in Kilifi County, Kenya.

The study used coefficient of regression to establish the individual influence of the variables to firm performance. The findings are indicated in Table 3.

Table 3: Coefficients of Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.245</td>
<td>0.721</td>
</tr>
<tr>
<td>Loan facilities</td>
<td>0.828</td>
<td>.142</td>
</tr>
<tr>
<td>Savings sources</td>
<td>0.811</td>
<td>.134</td>
</tr>
<tr>
<td>Financial literacy services</td>
<td>0.797</td>
<td>.120</td>
</tr>
<tr>
<td>Convenience of credit</td>
<td>0.806</td>
<td>.171</td>
</tr>
</tbody>
</table>

The resultant equation was $Y = 6.245 + 0.828X_1 + 0.811X_2 + 0.797X_3 + 0.806X_4$

Where: $X_1 =$ Loan facilities, $X_2 =$ saving sources, $X_3 =$ financial literacy services, $X_4 =$ convenience of credit institutions. The study found out that by holding all the variables constant, performance of the women owned enterprises in Kilifi County will be at 6.245. A unit increase in loan facilities when holding all the other variables constant, enterprise performance would be at 0.828. A unit increase in saving sources while holding other factors constant will increase performance of women owned enterprises by 0.811. A unit improvement in financial literacy services while holding other factors constant, performance of the enterprises would be at 0.797. A unit increase in convenience of credit institutions while other factors are held constant, enterprise performance would be at 0.806. The findings pointed out that loan facilities, savings services, financial literacy services and convenience of credit institutions had a $p$ value of 0.000 < 0.05 an indication that the microfinance services significantly influenced performance of women-owned enterprises in Kilifi County. This is supported by Mori (2016) who noted that the selected microfinance services significantly influenced the performance of enterprises.

8. Conclusions

The study concluded that there were significant microfinance services provided by MFIs in Kilifi County for women-owned enterprises in Kilifi County. The study concluded that microfinance services offered by MFIs positively and significantly influenced the performance of women-owned enterprises in Kilifi County. It was concluded further that some of the enterprises were not aware of the microfinance services offered by MFIs in Kilifi County.
9. Recommendations

The study recommends that the women-owned enterprises need to be sensitized on the available microfinance services and how to access them. The study recommends that the enterprises need to improve their saving culture to enhance their capital base and financial performance. The study recommends further that the government and other regulatory agencies need to come up with policies and regulations that are favorable in promoting the microfinance sector and growth of women owned enterprises.

References


Mugenda O.M. and Mugenda A.G. (2013) Research Methodology Quantitative and Qualitative Approaches


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