

**STRATEGY ADOPTION AND WOMEN ENTREPRENEURS IN ACCESSING
CREDIT FACILITIES IN KENYAN FINANCIAL INSTITUTIONS
A CASE OF WOMEN ENTREPRENEURS IN KOMALA MUNICIPALITY, KISUMU
COUNTY**

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ABSTRACT *The general objective of this study was to establish the level of relationship that existed between strategies adopted by women entrepreneurs and access to credit facilities. The Universe targeted was 810 business units owned by women entrepreneurs in Komala. A systematic random sampling design was used. Data was collected through structured questionnaires which were personally administered by the researchers. The study found out that there was a strong relationship between owning an account, group formation having the knowhow of writing a proposal and accessing credit facilities.*

KEYWORDS: Women Entrepreneurs, Strategies Adopted Business Proposal, Bank Account Opening, and Women Groups.

INTRODUCTION

Women's access to finance is a major constraint and improving women's direct access to credit leads to higher investments in human capital and have a stronger impact on a country's economy in terms of health, education and long term implications for families and societies (<http://www.fao.org/economic/esa/publicaciones/esa-pubs-details-es/es/c/120250,date> accessed 4/10/2013). There is a great need for women entrepreneurs to get access to credit facilities and the policy makers should understand and develop successful strategies to address the issue (World Bank, 2008). According to Besley, (1995) without adequate access to this credit facilities women entrepreneurs will be subjected to negative shocks and factors such as poor production levels in their businesses, lack of growth and generally poor performance of the business and can lose some of the few assets they have unlike their male counterparts who can access well-designed credits and loans easily thus able to finance their businesses and adopt more effective and efficient strategies to stabilize their businesses (Diagne and Zeller, 2001). In general proper access to financial services provides opportunities for improving the women's businesses and the economy of the entire communities and countries.

Despite this however, credit facilities have been designed and crafted in a manner that will lock most women entrepreneurs from accessing it since it does not recognize that women as well as men are active, productive and engaged in business and thus they face their own financial constraints and needs. Women's access to financial resources is also limited by biased lending practices that emerge when financial institutions in the area consider them smaller, less experienced and therefore less attractive clients, or when institutions lack the knowledge to offer products tailored to women's preferences and constraints. The extent to which institutions reach out to women and the conditions under which they do vary

noticeably, but women are at a disadvantage when an institution does not fund the type of activities typically run by women, when it does not accept female guarantors, when its requirements are not clear or widely known or when, as it is typically the case, loans to women are smaller than those granted to men for similar activities (Baydas, Meyer and Aguilera 1994).

Statement of the Problem and Knowledge Gap

Several studies have been conducted on the women entrepreneurs and the access to financial facilities by the Small and Medium Enterprises. For example, (Bowen et al, 2009) on their study Management of Business Challenges Among Small and Micro Enterprises in Nairobi-Kenya found out that SMEs face the following challenges; competition among themselves and from large firms, lack of access to credit, cheap imports, insecurity and debt collection. Peninah (2012), suggested that although more businesses have become the customers of banks, the overall volume of credit has not necessarily increased. Taken together with a squeeze in demand for their products and high inflation, small businesses are not always eager for larger bank loans at higher interest rates. Fiona (2008), on her study on Government's administrative burden on SMEs in East Africa concluded that Governments in the region have begun to recognize that lower-level policies and administrative procedures impose significant constraints on private sector development, stemming primarily from the command and control bureaucracies that characterised colonial governance. There are three priority areas for administrative reform: business licensing and registration, tax and customs procedures and specialised approvals. Also discussed are the problems of the special position of the informal sector, the impact of corruption and access to commercial justice. Siringi, (2011) on the other hand did a study on Women's small and medium enterprises for poverty alleviation in Sub-Saharan Africa: Lessons from Kenya and concluded that KWFT micro credit has had a positive impact upon women entrepreneurs on income savings, asset creation and their general social welfare.

However, the KWFT's fight against poverty is constrained by socio-culture and other institutional policy issues such as: right to own property, right to education, own land, manage and inherit property, conduct business, among others. Simultaneously, the U.S. government, other bilateral donors, and international financial institutions (IFIs) have launched a series of initiatives that provide both financial and technical assistance to SMEs in developing countries (Benjamin, 2011). Viewed against a backdrop of growing evidence of rising cost of living, low or no access to credit inhibits both consumption and investment smoothing thus accelerating poverty levels (Isaac and Shem, 2012). Despite large withdrawal fees, a substantial share of market women used the accounts, were able to save more, and increased their productive investment and private expenditures (Pascaline and Jonathan, 2009). According to Kuratko and Welsch, (1994), women entrepreneurs have long been victims of gender related discrimination. Abor and Biekpe (2006) emphasise that this discrimination against women seems to be worse in African countries where the financial sector is male oriented for example, they experience particular difficulties in gaining bank finance for their ventures. Although men and women both experience personal problems, women face more difficulties. This is especially true with regard to a lack of self-confidence and not being taken seriously by providers of funds when applying for funds. It is widely acknowledged that African women have access to fewer resources than men. For example they tend to have lower access to credit facilities, education, land and training facilities than their male counterparts (Katempa, 1999). In the developing world, women's access to credit is limited because lending offices usually require tangible collateral from borrowers. The most

commonly accepted tangible form of collateral is land. However, many women do not own property that can be exploited as collateral because gender relationships play a central role (Dowuona-Hammond, 2007). Women entrepreneurs are often prevented from running competitive businesses by their relatively low education and skill levels, which generally limit their access to the various support and credit services (Cutura, 2007). Even when they have access to information on the financial services and market opportunities available to them, women may be less equipped to comprehend it due to low levels of literacy (UNDP, 2007). Looking at all these studies that have been conducted in this field, a knowledge gap exists between these studies and that the reason as to why the researchers sought to establish the level of relationship that exists between the strategies adopted by these women and the access to the credit facilities more especially to the Kenyan setup. Moreover there are very few studies that have been conducted to address this issue.

General Objective

The main objective of this study was to establish the level of relationship between the strategies adopted by women entrepreneurs and access of credit facilities in Kenyan financial institutions.

Specific Objectives

To establish the level of relationship between proposal strategy and accessibility to credit by women entrepreneurs.

1. To establish the level of relationship between group formation strategy and the access to credit by women entrepreneurs in Kenya.
2. To establish the level of relationship between accounts opening strategy and accessibility to credit facilities by women entrepreneurs.

LITERATURE REVIEW

Kenyan and Ghanaian entrepreneurs indicated that increasing their income and creating jobs for themselves were leading factors motivating them to become business owners. Hard work and good customer service were cited by both Kenyan and Ghanaian business owners as critical for their success. But, compared to the Kenyan entrepreneurs, Ghanaians weighed support from family and friends and external relationship building as more important. A weak economy is the most important problem preventing entrepreneurs of both countries from achieving their goals. Ghanaian entrepreneurs were more concerned about the inability to obtain capital, while Kenyan entrepreneurs were more concerned about government regulations and problems related to business location (Hung *et al*, 2006). Most women who venture into businesses in the rural areas and need financing lack the needed collateral to enable them secure bank loans (Karwenji, 2012). Responsibility of entrepreneurs for dependants has limited opportunities to make savings or undertake business expansion and diversification (Athanne, 2011). Formal and informal banking institutions always demand collateral to act as a security on loans (Thuranira, 2009). This is often in the form of houses or deed to some immovable assets. This precondition plays a major part in the accessibility of loans and the situation may be more complicated for women entrepreneurs, who may not have right of ownership to expensive property including land and houses (<http://thuraniracharlesatayacurriculumvitae.blogspot.com/2009/10/factors-affecting-accessibility-of.html>, date accessed 4/10/2013). While most of the entrepreneurs, recognize the importance of loans in improving their businesses, collateral is a major impediment to loan accessibility and therefore business growth. Most women entrepreneurs start their

businesses from their own savings or loans from relatives since they do not demand security (<http://thuraniracharlesatayacurriculumvitae.blogspot.com/2009/10/factors-affecting-accessibility-of.html>, 4/10/2013). Beaver, (2002), explains that the historical development and the associated culture, of the banking system underpin the problem of the emphasis on the provision of collateral as a primary condition in lending. Banks have always adopted a risk averse stance towards small firms, with an accompanying inability to focus on the income generating potential of the venture, when analyzing the likelihood of loan repayment (Beaver, 2002). Therefore, although there has been a considerable progress in the lending to the SME's, banks remain cautious because many these businesses have neither, collateral nor, asset registers (<http://thuraniracharlesatayacurriculumvitae.blogspot.com/2009/10/factors-affecting-accessibility-of.html>, date accessed 4/10/2013).

Access to Credit

According to Schmidt and Kropp, (1987) the main problem among the formal lending and saving institutions is caused mainly by the policies they put in place regarding access to loan facilities. For example, the terms of payment, the mode of application, the qualification requirements and complex procedures and in most cases the women entrepreneurs cannot properly understand and access these credit facilities. The banks mostly have prescribed minimum loan amounts which are not enough to improve or start their businesses. In addition, some financial institutions require security that does not fit the needs of the women which will hinder them from applying for the loans. According to Atieno, (2001) also pointed out that access to credit by borrowers is affected mainly by credit rationing behavior of lending institutions who used descriptive statistics to analyze the role of institutional lending policies of formal and informal credit institutions in determining access to and uses of credit facilities by small-scale entrepreneurs in Kenya. Lack of information about credit and lack of required security are the major reasons and that the amount applied for was higher than the amount received from both formal and informal sources suggesting credit rationing by the institutions.

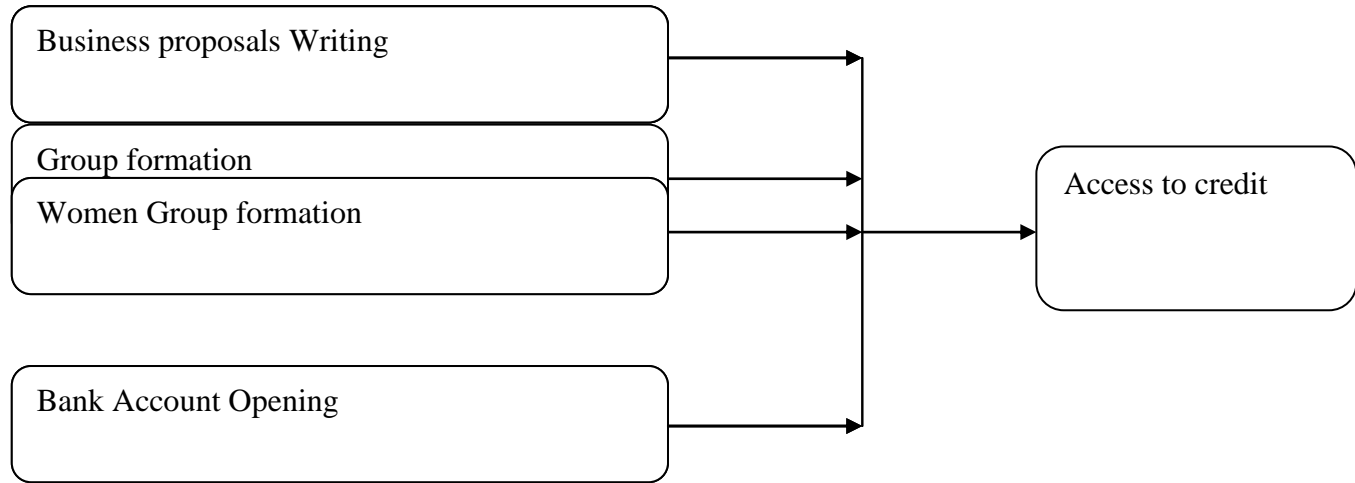
Contribution to the existing body of Knowledge

There is a vacuum that exist in terms of study concerning the relationship between the strategy adoption and the entrepreneurs in their wake to seek financial facilities in the Kenyan financial sectors especially those which belong to the Women. This is what this study brings to the body of knowledge and the researchers also would like to put a big question to the academicians that how well these challenges can be handled amicably? And what are the driving factors of financial institutions only favoring men in the provision of financial facilities?

Conceptual Framework

Independent variables

Dependent variable



Business Proposals

When designing a proposal the women are expected to come up with realistic, attainable and measurable goals. In addition, it is important to provide them with the accreditation and certification that will enable them to progress direct to business formation, additional training or remunerated employment as they wish. According to World Bank, (2008) this therefore calls for sensitization so that everybody involved recognise and appreciate the significant impact that women's entrepreneurial activities can have on local economic development and since most of the women are not in formal employment they have almost no information on the current labour market. Meticulous attention must be given to ensure that information and guidance reach them so that the project proposals they come up with are worth investing in. Different aspects of training and support will help develop both the personal skills and business knowledge necessary for successful entrepreneurship taking into account the background of each woman (Namusonge, 2005). Developing these skills however is hard when the women are inexperienced in business and thus proposal should place particular importance on incorporating measures that develop personal skills and amongst other things enable entrepreneurs to take initiatives, be ambitious, have good negotiation skills and be ready to grasp new opportunities that arise.

Group Formation

According to Meyer, (2005), self-help groups have proven to be an effective avenue for connecting women with financial institutions. Most of these women groups operate at the village level and typically require that their members gather often. The savings which are collected from every member are either deposited in rural banks or loaned to other group members. After a group has demonstrated it has the capacity to collect loans, the rural banks consolidate the group's savings and provide additional capital that group members use mostly for agricultural purposes (World Bank, 2008). The various women entrepreneurs can be classified into different groups that can ease the burden of having to acquire the loan facility without the minimum required resources. In groups, the women are better placed to apply for the funds and either divide them among themselves or use it for the group investments. These groups therefore can afford and are motivated to acquire loans in order to set up businesses since their main concern is day to day living. Those without regular means of income will

also be able to raise the necessary payments and savings required by the groups and if they do not own household assets required for collateral, they will be guaranteed by group members for credit. In rural areas, most families have small pieces of land, may own one or two livestock and live in simple temporary houses (Howse, Dunton and Marshall, 1995). Their sources of livelihood may be farming or agriculture. In this case therefore the assets may not be enough to acquire loans hence the strength in group formation.

Account Opening

A major barrier that women entrepreneurs encounter is the lack of access to adequate institutional support in technical, business and financial services. Recent studies have shown that the majority of the poor and especially women lack access to formal banking services of any kind and have emphasized the importance of enabling savings (Republic of Kenya, 1992). Access to an account increases monetary assets and total assets without causing any crowding out in other kind of assets or savings institutions. The effect is greater for households at the bottom and middle of the assets distribution and for the ones with no access to the financial system either formal or informal. Access to a fully liquid savings account with no withdrawal fees affects investments behavior and enables assets building and investment. Most important is to build the capacity of women entrepreneurs to confidently interact with public and private sector agencies providing both financial and non-financial services. This will enable them to make use of their savings for other beneficial ways to them (Primo, 2003).

RESEARCH METHODOLOGY

A sample survey method was used to collect data from women entrepreneurs and from Kenya women entrepreneurs in Komala. The target population was all women who have businesses in Komala. A list of 810 business units owned by women in Komala were taken from the City Council of Kisumu. From the members of the target population, the researcher used systematic random sampling to select fewer participants for the study. The 810 businesses were divided into groups of ten and every 10th business was selected making a sample of 81 business units. The main tool of data collection for this study was semi- structured questionnaires. Descriptive statistics was used to analyze the data.

RESULTS AND DISCUSSIONS

Table 1 Strategies to access the bank loan

	Frequency	Percentage
Acquired collateral	10	12
Group formation	25	30.9
Maintained books of account	22	27.1
Business proposal writing	24	29.6
Total	81	100

30.9% of the respondents used group formation, 29.6% used business proposal writing to acquire the current loan, and 27.1 % maintained books of accounts while 12% acquired collateral.

Table 2 Collateral expected for the bank loan

	Frequency	Percentage
Business plan	23	28.3
An account	25	30.8
Being in an active group	23	28.3
Guarantors	10	12.3
Total	81	100

Table 2 shows that group formation, business plan knowledge and account opening are strategies that have a statistically significant relationship with access to credit by women entrepreneurs.

Table 3: Business Proposal development Knowhow

	Frequency	Percentage
Yes	51	62.9
No	30	37.1
Total	81	100

62.9% of the respondents had knowledge on developing a business proposal whereas 37.1% had little or no knowhow.

Table 4: Gained access to credit after having the right knowhow?

	Frequency	Percentage
Yes	64	79
No	17	20.9
Total	81	100

79% of the respondents learnt how to develop a business proposal so as to access credit while 20.9% of the respondents did not learn in order to access credit. This show majority of the respondents learnt to write proposals in order to access credit.

Table 5: Strategies adopted by respondents to access credit

Strategy adopted	Frequency	Percentage
Account opening	33	40.7
Group formation	29	35.8
Business proposal writing	19	23.4
Total	81	100

40.7% of the responded had adopted opening an account strategy to access credit, 35.8% adopted group formation strategy while 23.4% had adopted business proposal writing strategy to access credit. This indicates that account opening, group formation and business proposal writing are all strategies which are adopted by women entrepreneurs to access credit.

CONCLUSIONS

The study concluded that many of the respondents knew how to write a business proposal and this was for the purpose of accessing credit facilities in the financial institutions. This showed strong relationship. The study also concluded that many women entrepreneurs have formed groups that enables them access credit facilities. The group also enables them to pull together scarce resources thus a strategy that is used by women entrepreneurs. The study lastly concluded that the respondents have bank accounts. This enabled them get access to credit facilities and save money for future use thus it is a strategy that the financial institutions use as a gauging aspect for credit providers.

RECOMMENDATIONS

On business proposal, the study recommended that people should be encouraged to learn how to write business proposal in order to access credit. On group formation, the study recommended that Commercial banks should accept group membership in lieu of physical collateral to access credit. Additionally, the study recommended that the groups should promote skills such as enterprise management and problem solving in their personal businesses. To the objective of account opening, the study recommended that the process of opening bank accounts should be simplified to enable more women entrepreneurs open bank account to access credit.

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