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RESEARCH ARTICLE

Effect of Micro –Finance Institutions on Women's Enterprise Development in Kisumu City, Kenya.

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Abstract

INTRODUCTION

MFIs have been established worldwide with the aim of empowering economic activities and capacity building among vulnerable women. This is because research has shown that to eradicate poverty in developing countries, it is mandatory that women are empowered (Maria, 2011).

Microfinance is the provision of a broad range of financial services to low-income microenterprises and households. The range of financial services usually includes savings and loans, other products also include insurance, leasing, and money transfers (Hulme, 2000). Women are the majority of informal sector participants in developing countries. Havingtraditionally suffered from restricted access to formal education and formal sector employment, self-employment in the informal sector often represents the role option for illiterate women in East Africa.(UN, 2010).

The focus of this article is to assess the role of capacity building of MFIs in the women's enterprise development and to assess the major impacts of MFIs regulatory framework on women's enterprise development in Kisumu city, Kenya.Rutherford (2000) challenges microfinance suppliers to look beyond microcredit and to consider their role as being providers of money management services according to the needs of the poor. He asserts that it is equally important to look beyond 'the set' of best practice principles to consider what the objective of the institution is and how that objective might be reached given the operating context. That, if the provision of financial services to low-income clients is the sole objective of an organisation, then the challenge for that organization is to use sound practices to meet, sustainably, complex and varied needs of those low-income clients given the economic and socio-cultural context in which they are found.

Despite the constant neglect of the informal economic sector, its contribution to development is fast increasing. The dominant story of production and growth in Africa, as in many low income developing and transition region is in the informal economy (Kessides, 2006). Through policy framework addressing issues such as MFIs, informal activities

such as women's entrepreneurship have been targeted for development in Kenya, Kisumu city being part of the region (Gok Sessional paper,1992).
Micro finance loans are often short term and are considered less risky than long-term loans. The focus has been in micro enterprise development, with little focus on commercial loan (John and Susan, 2004). Oyugi (2011) noted that in Kenya, major problem associated with informal activities is the conflict of use, between these activities and designated uses, which largely results from lack of regulation. The resultant developments reflect a state of fear to these people as to when, not if, they will be evicted. This has led the traders to construct make-shift, ugly-looking structures that are poorly serviced, aesthetically unfriendly and environmentally unstable, from where they cannot reap the maximum economic benefits of their trade. The logic behind this is the fact that some city residents look at the structures where the informal enterprises operate as a nuisance, and thus do not need to be associated with them.
The mandates of one of the MFIs in Kenya, "WEF" is stipulated as, to promote access to affordable credit to women entrepreneurs, to build the capacity of women entrepreneurs in business management skills, to support and facilitate development of infrastructure like decent workspaces and incubation for women owned enterprises and to promote domestic and international marketing of goods produced by women owned enterprises (www.standardmedia.co.ke April 28, 2013).
The objectives of this study are to assess the role of capacity building of MFIs in the women's enterprise development and to assess the major impacts of MFIs regulatory framework on women's enterprise development. Descriptive research survey design was used.According to Kothari (2004) descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group and that the researcher must be able to define clearly, what he wants to measure and must find adequate methods for measuring it along with a clear cut definition of 'population' he wants to study. The study tool employed in the initial identification process was door to door survey. According to Walingo (2008) revealed that survey studies describe the state of affairs as exists at present, thus useful for this study. The researcher used quantitative and qualitative inquiry approach to enable collection of rich and detailed data hence descriptive.The researcher used both primary and secondary data on a target population of 1260 individuals.

The sample consisted of 132 respondents which was 10% of the 1260 MFIs clients and staff of MFIs. Creswell (2003) suggest that for descriptive studies, at least 10% of the accessible population if the target population is less than 10,000 is acceptable.
The research findings will help development agencies utilize the information to draw more focused strategies. The entrepreneurs' attitude towards these MFIs was evaluated. The government of Kenya will utilize the information to strategize interventions for MFIs and also benefit from increased employment opportunities, interest returns from the loaned funds and realization of vision 2030. The research findings will also help scholars who are interested in the study add to the base line to related studies.

LITERATURE REVIEW AND MODELS

Literature on entrepreneurial success in the developing world considers different perspectives. Shane (2003) cites several studies that explore the individual-centricapproach that explains entrepreneurship as a function of core human attributes (risk preference and goal identification for the entrepreneur). Shane also cites environmental centric approaches that examine the environment in which the entrepreneurs are found (market structure, industry dynamics and technological change).
In the Adam's economic theory, he explained the terms productive and unproductive. According to him, workers engaged in producing tangible goods were regarded as productive and those engaged in providing direct services to society were considered unproductive workers because their work perished into the very instant of their performance. He also defined productive labor as that which adds net value to the product while unproductive labor does not add net value.
However neo-classical economist Marshall considered all labor productive. He saw no distinction in the work of the baker who provided bread for the family and that of the baker who brought in new ideas and skills on improving its status.
McKinesy (2001) defines capacity as more holistic society/ sectorial/ large systems approaches to understanding capacity.When studying the experiences of USA based voluntary organizations he came up with a framework for capacity development that identifies 7 aspects of an organization's capacity. The seven elements include, human resources, systems and infrastructure, organizational structure, organizational skills, strategies, aspirations and culture that forms a triangle as shown in figure 1. The important lessons drawn from his study was that when the different elements of the triangle are all connected and integrated and there is awareness about embedding these 6 aspects in the 7th element, the organizational and contextual culture this leads to capable organizations.

Capacity building is about improving the ability to learn and adapt through change (Macadam, et al. 2004).Capacity building professions focus on how best to build and support an individual or groups ability to adapt if not, they may suffer from limited support and development and therefore the adaptation of an industry or system is constrained. However, improving the ability to adapt is not straightforward and progress can be hindered (Nettle, 2008). Capacity building is only meaningful when it refers to what it is planned to build capacity in. Here it is used to refer to building the capacity of those many women individual clients of MFIs and communities that directly or indirectly take the lead in initiating and supporting the many social process strands that support a sustainably women enterprise developments.The contemporary view of capacity-building goes beyond the conventional perception of training. The central concerns of environmental management and community building to manage change is to resolve conflict, to manage institutional pluralism, to enhance coordination, to foster communication, and to ensure that data and information are shared on a broad and holistic view of capacity development. One of the key requirements in this regard for capacity building is to recognize that the social whole is more than the sum of its individual components (Kelly, 2008).

The capacity building metaphor wheel framework was built on a metaphor of a bike wheel. If the outcomes for capacity building are well defined and central to the process (wheel hub), if all capacity building elements (wheel spokes) are operating well, if the elements are continually informed by best practice principles, and if there are sophisticated indicators of progress and useful techniques and tools (the bike tyre is pumped up so the tyre is at full inflation), then the wheel runs smoothly and achieves its intent (the destination). If one or more spokes, the hub or the tyre are not working well, the wheel is unbalanced or broken therefore the aim will not be achieved. This framework was suggested as a way to think systemically about capacity building applicable to participants, practitioners or investors. (Nettle, 2008).

Th city building of MFIs. It proves a powerful guide for both the project team an terprises and action planning with the questions and needs of practitioners. The 'Capacity Building Wheel' is a central development of the MFIs, helping entrepreneur women positions their enterprises for day-to-day work. It also provides a way for entrepreneurs to talk about capacity building with each other, help in the logical design of the MFIs and, it enables participants to target areas for improvement. Through this theory, the study explored the other services offered by the MFIs other than funds to enhance capacity building and sustainability of WED within Kisumu city.

Studies by Rhino "Rapid assessment of the fund on WEF" revealed that there is a politically sound rationale for the Government of Kenya to step up in and correct market imperfections. That access to the WEF loan and the consequent diversification into various agro-based activities and businesses enhanced linkages with extension government officers giving relevant advice to help women establish their enterprises. "Micro, Small and Medium Enterprises growth and innovation" research evidence showed that adoption of innovation by women owned enterprises through introduction of new products and frequent innovations of existing products. And that adoption in terms of services, markets and source of raw materials was gaining popularity among women owned enterprises (www.standardmedia.co.ke April 28, 2013).

Access to credit services by entrepreneurs is one of their major setbacks and this is mostly among formal financial institutions mainly through their lending policy.Policy focus in the formal economy has overshadowed the informal sector. The absence of clear policies has relegated the informal sector to fragile working environments and competitive disadvantage vis-a-vis larger formal firms in capital and product markets (Chen, 2007). Roomi and Parrot (2008) suggest that in order to foster development, multi-agency cooperation is required;this would help integration of women entrepreneurs into the mainstream economy.Mwobobia (2012) in his study in UK reports that most MFIs do not target the poorest and those with cash. This in itself is a challenge since individuals who need financial assistance are neglected hence they remain poor. He also mentioned that most MFIs have failed to respond to the rapid game changing innovation that put in service for the poor.

A study in Nepal of 1999 found out that problems faced by women entrepreneurs are mainly low access to credit and marketing networks, insufficient and access to land and property, reduced risk-taking capacity, lack of modern technology, lack of personal security and risk of sexual harassment, severe competition from organized units both in the domestic and the international markets, low level of self-confidence, and social and cultural barriers such as exclusive responsibility for household work and restrictions on mobility (Asian Development Bank, 1999a).

Various challenges have been documented to be facing women entrepreneurs in Kenya. Komollo (2010) reports that borrowing from banks and MFIs has been re gent borrowing conditions. This means that MSEs have had to turn to informal sources of credit, such as borrowing from friends and relatives and from rotating savings and credit associations. From the report published by WEF Kenya, the major challenge facing women is the inability to repay loans after taking them.

Most women entrepreneurs within Kisumu city form part of informal- sector community. Some of the challenges associated with informal activities are the conflict of use on activities and designated areas which largely results from lack of regulation. The resultant developments reflect a state of fear to these entrepreneur women on eviction. This has led the traders to construct make-shift, ugly-looking structures that are poorly serviced, aesthetically unfriendly and environmentally unstable, from where they cannot reap the maximum economic benefits of their trade. Some potential buyers look at the structures where the informal enterprises operate as a nuisance, and thus do not need to be associated with them. This may lead to instability thus reducing MFIs women clients in the region.

Data

Data for this study was collected within Kisumu City.The researcher was convinced that the target population was not uniform since it consisted of MFIs clients from different MFIs that were offered loan at different interest rates and also rules and regulations of the various institutions. The MFI clients are also distributed in various parts of the city that include Kisumu town Centre and its outskirts therefore stratified sampling technique was relevant because it identified sub-groups in the population and their proportions hence selected sample size being a representative of the target population. The study population was sub-divided into 5 strata of homogenous characteristics.Stratified sampling technique groups a population into separate homogenous sub-sets that share similar characteristics so as to ensure equitable representation with a view of accounting for the difference in sub-group characteristics (Mugenda and Mugenda, 1999). The stratification was based on dominant locations by MFI clients. The strata included 5 market centers where most beneficiaries of MFIs were easily accessed, namely; Kibuye, Kondele, Nyamasaria, Kiboswa and Kisian markets. Purposive and snowball sampling was then employed to select and identify the 120 MFIs beneficiaries, each stratum having 24 members.According to Mugenda and Mugenda (2003) purposive sampling is a sampling technique that allows the researcher to select subjects that have the required information that is useful for in-depth study hence appropriate for the research.

Primary data was obtained through questionnaires and interview guides. Questionnaires were administered to the MFIs women clients while structured and unstructured interview guides were used to collect data from various staff of MFIs situated in Kisumu city. Secondary data was obtained from research bodies and document analysis related to MFIs. In addition the internet, journals and other project reports that have information on role of various MFIs were examined.

Data analysis

Information on the participants would be described using percentages for categorical data and mean and standard deviation for continuous data. For graphical presentation of data, bar and pie charts were drawn. Associations between categorical predictor variables of MFIs and establishment of WED was examined using chi-square or Fisher exact tests for infrequent exposures that resulted in small cell sizes. Correlation between the MFIs and WED would be computed to determine how strongly they are related. Data analysis was done using SAS for Windows version 9.2 (SAS, Cary, North Carolina, USA).

RESULTS AND DISCUSSIONS.

This section presents and discusses the findings of the study from the analysis of the selected respondents in fulfillment of objectives of the study. The sub-themes include personal details of the respondents, the role of capacity building of MFIs in the women's enterprise development, examination of the MFIs regulatory framework in relation to women's enterprise development.

Personal details Information

The study sought to find out personal details of MFIs women clients. Their age distribution, marital status and level of education.

Socio-Demographic Characteristics of Respondents

The study interviewed one hundred and twenty (120) respondents. Majority of the respondents were those between ages 31-40 years 33.3 %(40), 18-30 years 26.67 % (32) and 41-50 years 24.17 % (29). Women of age 51 years and above had the least representation of 15.83% (19). On their marital status, more than half 54.17% (65) of them were married or living as married, 25% were either divorced, separated or widowed and 20.83% were single. The respondents were also asked on their knowledge of MFIs and almost all of the respondents, 96.67%, had ever heard of MFIs. Figure 4.1 illustrates the Age distribution of the respondents while table 4.1 shows the respondents socio-demographic characteristics in frequency and percentages.

Table 1: Target Population

Category Population
Women Clients1,200
MFIs Staff60
Total 1,260

The target population consisted of 1,200 MFIs clients and 60 administrative staff of MFIs in Kisumu city.

Table 2: Sample Population

Category	Population	Sample	%
Women Clients	1,200	120	10
MFIs Staff	60	12	20
Equity	15	3	
FAULU	15	3	
KWFT	15	3	
WEF	15	3	
Total	1,260	132	10

Table 3: Strata locations and Respondents per Stratum

No.	Stratum	Respondents per stratum (MFIs clients)	Percentage (%)
1	Kibuye	24	20
2	Kondele	24	20
3	Nyamasaria	24	20
4	Kiboswa	24	20
5	Kisian	24	20
Total	Strata - 5	120	100

Figure 1: McKinsey's 7 elements triangle on capacity building.

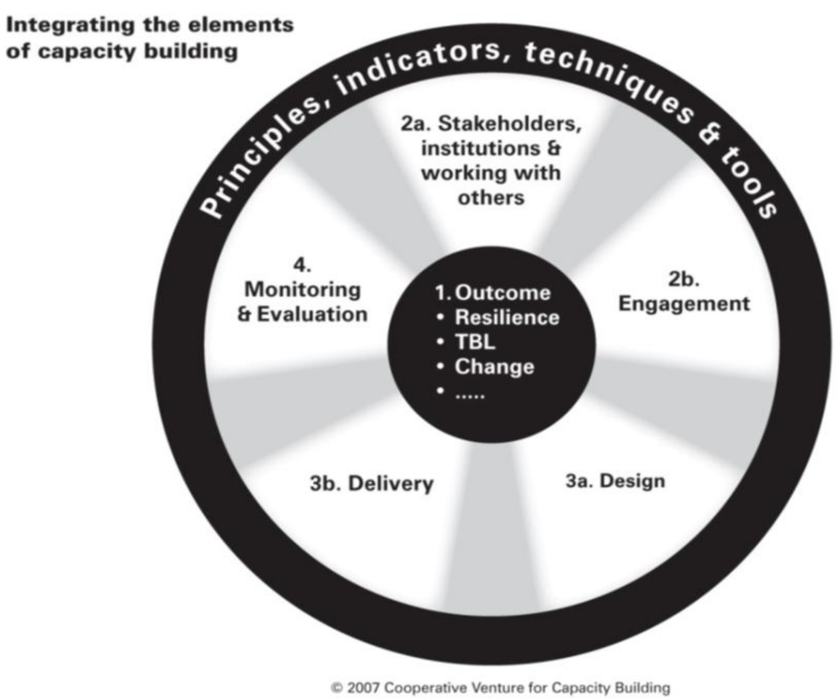
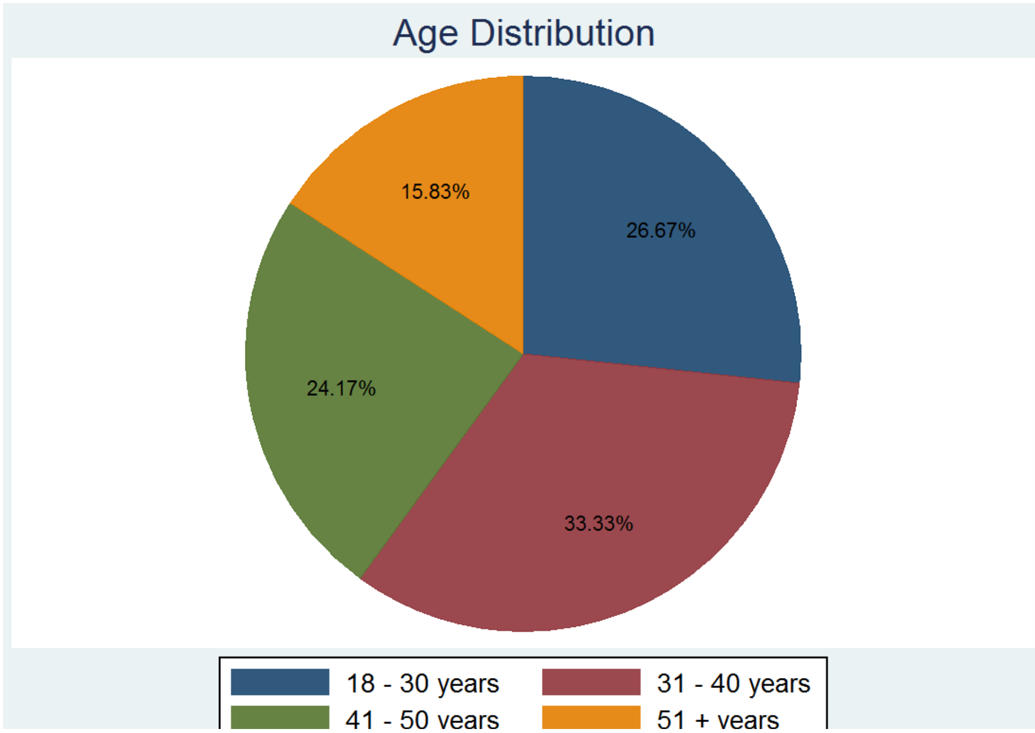


Figure 2. The capacity building metaphor wheel.

Figure 4.1 :Age distribution Age Distribution of Respondents



Survey data (2013): Respondents; women entrepreneurs.

Table 4.1: Socio-demographic characteristics of respondents

Characteristic	Number	%
Age in Years		
18-30	32	26.67
31-40	40	33.33
41-50	29	24.17
51 and Above	19	15.83
Marital Status		
Single	25	20.83
Married or living as married	65	54.17
Divorced/separated/widowed	30	25
Level of education		
No Education	18	15

Primary	**26**	**21.67**
Secondary	**58**	**48.33**
Post-Secondary	**18**	**15**
MFI Knowledge		
Aware of MFIs	**116**	**96.67**
Not aware	**4**	**3.33**

Survey data (2013): Respondents; women entrepreneurs.

4.3. Relationship between MFIs and Women's Enterprise Development

4.3.1 Knowledge and Use of Credit Application

As shown, 95% of the respondents knew about the existence of MFIs. The respondents were further asked if they ever applied for credit facilities of which 95% (114) of them said yes. From those who ever applied for credit, they were then asked on what was their main reason, and from this 98.29% of them applied for credit so as to create or expand their business. This is displayed on table 4.2.

Table 4.2: Information on Credit Application

Question	Number	%
Ever applied credit	**114**	**95**
Reason applied	**115**	**98.29**

Survey data (2013): Respondents; women entrepreneurs.

Correlation done on influence of MFI on WED was found to have a strong positive correlation of 0.9277.

Level of Satisfaction with MFI Services

Respondent's satisfaction levels were assessed and the mean rating for the combined levels was found to be 3.68 of which the Level of assets acquired had a higher rating of 3.8. The respondents' findings on level of satisfaction with MFIs in terms of; the loan given, sales and returns, ability to save and level of assets acquired presented in table 4.3.

Table 4.3. Level of Satisfaction with MFI Services

Question	Mean Rating	ED	D	N	S	ES
Loan Given			**12(10.43%)**	**31(26.96%)**	**38(33.04%))**	**25(21.74%**

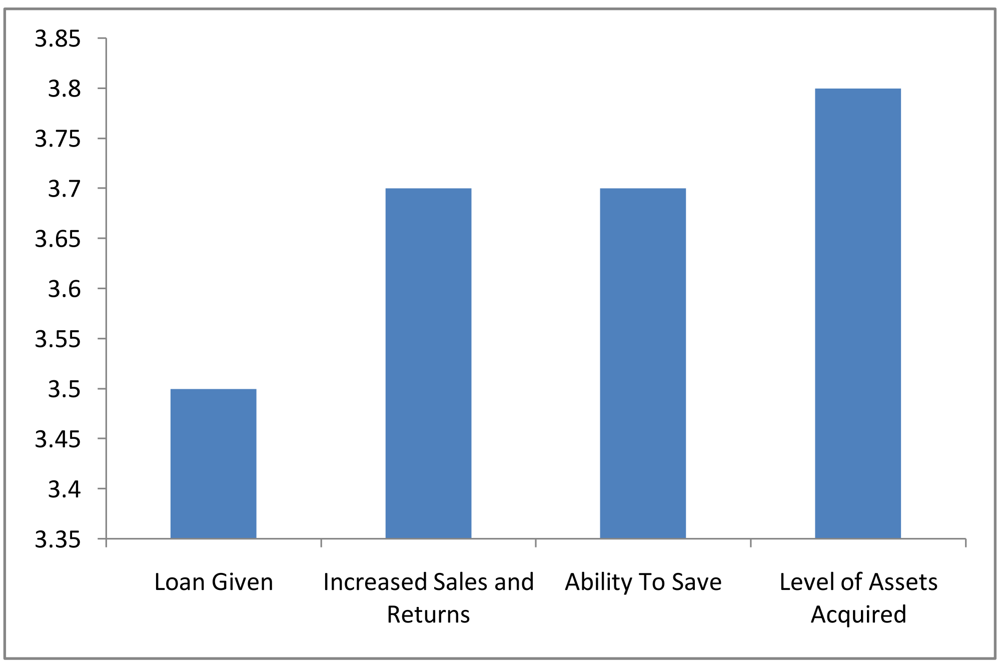
	3.5	9(7.83%)				
Increased Sales and Returns	3.7	6(5.26%)	10(8.77%)	24(21.05%)	46(40.35%)	28(24.56%)
Ability To Save	3.7	4(3.51%)	9(7.89%)	28(24.56%)	47(41.23%)	26(22.81%)
Level of Assets Acquired	3.8	8(7.02%)	8(7.02%)	26(22.81%)	30(26.32%)	42(36.84%)

Extremely Satisfied = ES, Satisfied = S, Neutral = N, Dissatisfied = D, Extremely Dissatisfied = ED

Survey data (2013): Respondents; women entrepreneurs

All the responses scored a mean rating of 3.5 and above and this shows that the respondents were satisfied with the MFIs. A mean rating of greater than 2.5 is considered to be positively significant. In addition chi square/fisher exact test showed statistical significant relationship between respondent's satisfaction and MFI as they had a $p<0.005$.

Figure 4.2:Mean rating of Level of Satisfaction



MFIs Capacity Building role in WED

The role of MFIs in capacity building was assessed in terms of; business advisory skills, technical skills, management skills and marketing skills. The role of MFI's Capacity Building on WED had an overall mean rating of 3.8. Management Skills and Marketing skills had a higher mean rating of 4 and 3.9 respectively. The respondents' findings are presented in table 4.4.

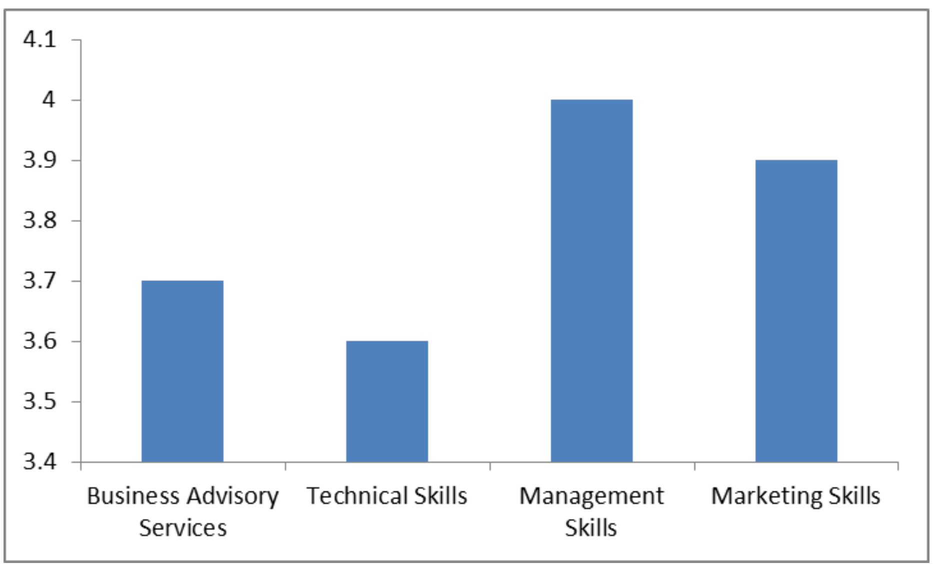
TABLE 4.4: Support from MFIs.

Question	Mean Rating	Poor	Fair	Good	Very Good	Excellent
Business Advisory Services	3.7	9(7.83%)	7(6.09%)	26(22.616%)	42(36.52%)	31(26.96%
Technical Skills	3.6	4(3.51%)	9(7.89%)	30(26.32%)	52(45.61%)	19(16.67%)
Management Skills	4	2(1.75%)	5(4.39%)	27(23.68%)	41(35.96%)	39(34.21%)
Marketing Skills	3.9	1(0.88%)	9(7.89%)	27(23.68%)	40(35.09%)	37(32.46%)

Survey data (2013): Respondents; women entrepreneurs.

The mean rating was positively significant as they were all above 2.5 All the variables showed a statistical significant relationship between WED and the role of capacity building having a $p<0.005$.

Figure 4: Mean rating of support from MFIs.



4.5 General policies of MFIs and lending funds to entrepreneurs

To assess the MFIs regulatory framework in relation to women's enterprise development, the following variables were assessed; Interest rate of 10% and below, Short repayment period, Security needed for loan and many rules and procedures. Table 4.5 presents the respondents findings.

Table 4.5: General policies of MFIs and lending funds to entrepreneurs

Question	Mean Rating	ED	D	N	S	ES
Interest rate (10% and below)	**3.8**	**0(0)**	**5(4.39%)**	**38(33.33%)**	**42(36.84%)**	**29(25.44%)**
Short repayment period	**2.6**	**4(3.51%)**	**53(46.49%)**	**45(39.47%)**	**12(10.53%)**	**0(0%)**
Security needed for Loan	**2.8**	**3(2.63%)**	**40(35.09%)**	**53(46.49%)**	**18(15.79%)**	**0(0%)**
Many rules and procedures	**1.9**	**3530.70%)**	**61(53.51%)**	**18(15.79%)**	**0(0%)**	**0(0%)**

Key: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, Strongly Disagree = 1

Survey data (2013): Respondents; women entrepreneurs.

Table 4.5.1 Chi square/fisher Exact test

Question	P value	Correlation
Interest rate (10% and below)	**0.0332**	**0.8836**
Short repayment period	**0.0421**	**-0.7564**
Security needed for Loan	**0.0409**	**0.2157**
Many rules and procedures	**0.0489**	**-0.8642**

There was a statically significant relationship between general policies of MFIs and WED. A negative correlation was observed in two variables i.e. sort repayment period and many rules and procedure while there was a weak positive correlation in security needed for loan and a stronger one in interest rate.

4.6 Discussion of Findings

The study was to find out the effects of micro finance institutions on women’s enterprise development with the following research questions to be answered; whether there was a postive relationship between MFIs and establishment of women’s enterprises, whether MFIs capacity building role is associated to women entrepreneurs in relation to enterprise development and whether there are regulatory conditions put in place by MFIs have a positive relationship with women enterprise development.

4.6.1 Influence of MFIs to establishment of women’s enterprises

Almost all MFI clients knew of the existence of MFIs and 95% of them took credit with them. For those who applied and were given credit, almost all (98%) did that to create and expand their business. This is supported by having a strong positive correlation between the influence of MFIs and WED.

It was further backed up by the fact that the level of satisfaction among women that had an overall mean rating of 3.68 out of 5. Level of assets acquired had a higher mean rating in this section of 3.8 and this shows that empowering women with start up capital can generally increase the poverty level in a community and as many of

them said that their business would be worse if they had not have had a loan. And as noted by Parker and Pearce (2001) microfinance is one of the many interventions for generation of income. However, the loan given had a lower mean rating compared to to ther variables (3.5) but it was still significant.
Evidences from literature show that adequate credit aids entrepreneurship performance (Kuzilwa, 2005; Lakwo, 2007; Martin, 1999; Ojo, 2009; Peter, 2001). The result of such credit assistance to entrepreneurs, especially women, is often seen in improved income, output, investment, employment and welfare of the entrepreneurs (Kuzilwa, 2005; Lakwo, 2007; Martin, 1999; Peter, 2001). Loan had positive impact on business performance of entrepreneurs in Kenya (Peter, 2001), income and wellbeing of women in Uganda (Lakwo, 2007).Most women hoped they would be given a loan equivalent to what they had asked for but they got almost a similar amount. Even though they experienced this, their ability to save and increased sales and retrurns were significant each having a mean rating of 3.7.
Our findings are similar to Sachs (2009), which claims that microfinance can play a huge role in alleviating poverty if it helps to find ways through the market to get new opportunities to earn income by the investments.

4.6.2 Capacity building offered by MFIs to women entrepreneurs
The greatest or worst problem confronting women entrepreneurs is managerial capacity. Women entrepreneurs, especially in developing countries lack training (IFC, 2007) and entrepreneurial process is a vital source of developing human capital as well as plays a crucial role in providing learning opportunity for individuals to improve their skills, attitudes and abilities (Brana, 2008; Cheston & Kuhn, 2002; Shane, 2003). Access to capital or finance is necessary but not a sufficient condition for successful entrepreneurial development. If one has the entire funds in the world and does not have the capacity to manage that fund and does not have the necessary information as to what he/she should do, the money would go down the drain (Rhyne and Christen, 2001). From the research findings it can be reported that other than providing funds, the MFIs also do provide capacity building to women entrepreneurs before and after loaning.

Literature confirms that skill training and tertiary education have positive effect on enterprise performance (Akanji, 2006; Cheston & Kuhn, 2002; Kuzilwa, 2005).This is evident from the research findings respondents posting a significant mean rating of 3.6 and above across the strata. Management skills offered by the MFIs recorded the highest mean rating of 4 and this probably led to the ability to save.Savings as a micro-finance factor enable people with few assets to save, since they could make weekly savings as well as contribute to group savings, and such savings are mobilized by the micro-finance institutions for further lending to other clients (Mkpado & Arene, 2007). Marketing skills followed closely with a mean rating of 3.9 and this led to the spillover effect of the increased sales and returns.

All the variables across this strata were found to be associated with women enterprise development as they had a $p < 0.005$.

4.6.3 MFIs regulatory policies on women entrepreneurs

According to Iheduru (2002) microfinance make credit directly available to the very poor. The idea behind microfinance was to bring at door step, banking services to rural and low income segment of the society who cannot meet the requirement of orthodox commercial banks. According to CBN (2005) report, microfinance is about providing services to the poor who are traditionally not served by the conventional financial institution.

The findings of the research indeed confirms that the conditions and regulations put forth by the MFIs affects the uptake of services offered by them. This section asked questions on the regualtions put by MFIs relative to other banking Institution. For instance, many rules and regulations to access credit facility had a mean rating of 1.9 which is not significant. This shows that MFIs had less regulatory rules which generally increased the uptake of credit facilities to almost all women. Security needed for loan had a significant mean rating of 2.8, however weak. As all finance institutions need security, MFIs were a little bit flexible but this did not augur well with the women enterpreneurs and that’s why the mean rating for loan given was not strong. Short repayment period had a weak significant mean rating of 2.6. This is due to the fact that MFIs offer a relatively longer duration of paying loans of lesser amounts manageable by the women enterpreneurs. Even though it is expensive in the long run but the burden of remitting larger amounts of money in a shorter period of time is not experienced and this is evident in their increased ability to save which had a higher mean rating. Lastly, MFIs offer competitive interest rates which are low compared to other institutions and this is supported by the fact that it had a mean rating of 3.8 which is significant.

General feelings about MFIs by clients

The qualitative interviews showed that the majority of MFI clients from all MFI categories felt that it is a good initiative for debt financing that enables individuals or groups to raise capital to start various business ventures and a culture of job creation instead of job seeking. The capital given by the MFIs promotes creativity and innovation among aspiring entrepreneurs. It was a general feeling that the MFIs should device a variety of products that can accommodate different segments and categories of women, for instance offering business capital assets rather than liquid money capital.

To develop a vibrant microfinance industry with an ultimate view to its sustainability most respondents generally felt that the MFIs should intensify mentorship on successful business management practices to members. And that the mentorship shouldbe periodic to avoid defaulting of loan repayment. It was also captured that the MFIs should consider offering mobile banking services to their customers to promote efficiency in their transactions.

The qualitative results suggest that the interest rates was an impediment for high loan
category clients and as such microfinance might be limited in its capacity to provide larger businesses funds for expanding their activities through the purchase of fixed business assets. Most respondents with a mean rating of 3.8 felt that the interests rates are high with a negative corelation of -0.8642, hence the MFIs should consider lowering interest rates on loans.

Drop outs and fear of other potential clients borrowing from the MFIs is attributed to as a result of crisis the MFI clients faced, sometimes linked with perceived unduly harsh and inflexible behaviour from loan officers as reported by most respondents. For instance one of the respondent's claimed that her roof was brought down to collect iron sheets because she defaulted. The general view of most respondents is to review loan acquisition procedures and repayment period which is deemed short (one year and below) by most respondents.An implication of this finding is the need for government intervention to create a conducive environment for micro-finance institutions to increase entrepreneurs' access to financial resources. This may imply review of laws and regulations to alleviate barriers to microfinance providers such as mandating interest-rate caps need to be addressed.

4.7 General report about MFIs from MFI staff

Through interview guide schedules, views were collected from MFIs staff to find out, firstly the average number of women that apply for micro-finance facility in a month, secondly the role the MFIs offer in establishment and development of women's enterprises and thirdly the challenges the MFIs face while providing credit facilities to entrepreneur women.

According to a report given by the MFI staff, on average about two groups of members apply for loan every month. A group constitute of an average of twelve members, this translates to about 24 women clients in a month. For most MFIs the group must be a registered self help group of 10 members and above. Other than the self help groups, some MFIs consider giving loans to individual women or companies owned by women at an affordable rate.

Qualitative results given by MFI staff indicated that, the MFIs offer certain roles in establishment and development of women's enterprises other than financial support. Some MFIs facilitate market access and capacity building of women entrepreneurs. Some train them on how to access and participate in public procurement thus enhancing their competitive abilities. A report given by majority of MFI staff also indicated that they have agents who follow up on their clients and sensitize them on importance of borrowing and repaying of the loans. The MFIs also encourage and sensitize the women groups on formation of Sacco's (15women owned Sacco's are registered) the idea encourages the culture of saving.

All the highest category loan clients for MFI start in the lowest category (as per regulation), this makes some potential clients to keep off especially those who want big loans from the start. Low literacy levels of women entrepreneurs is a challenge to most MFIs because potential clients are left out. Due to mis- conception and lack of self confidence, majority of women entrepreneurs fear loans. Due to high rate in defaulting of loan repayment there are insufficient funds to cater for the high demand.

Wheather related factors like drought and floods interfere with most MFI clients investments because most of them invest in agricultural related activities. The culture of "free things" from the government makes some women entrepreneurs disappear after taking funds. Cultural / religious factors is also reported as a major challenge that keeps women entrepreneurs who feel inferior and are otherwise potential MFI clients.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Findings

The study was to find out the effects of micro finance institutions on women's enterprise development with the following research questions to be answered; whether MFIs offer adequate capacity building to women entrepreneurs in relation to enterprise development and whether there are conditions put in place by MFIs before loaning women entrepreneurs.

Capacity building offered by MFIs to women entrepreneurs

The greatest or worst problem confronting women entrepreneurs is managerial capacity. Access to capital or finance is necessary but not a sufficient condition for successful entrepreneurial development. If one has the entire funds in the world and does not have the capacity to manage that fund and does not have the necessary information as to what he/she should do, the money would go down the drain (Rhyne and Christen, 2001). It can safely be argued that the mere access to the MFIs services alone is not adequate, though its level is equally significant, thus the necessity of this section. From the research findings it can be reported that other than providing funds, the MFIs also do provide capacity building to women entrepreneurs before and after loaning.

This is evident from the research findings respondents posting a significant mean rating of 3.6 and above across the strata. Management skills offered by the MFIs recorded the highest mean rating of 4 and this probably led to the ability to save. Marketing skills followed closely with a mean rating of 3.9 and this led to the spillover effect of the increased sales and returns.

All the variables across this strata were found to be associated with women enterprise development as they had a $p < 0.005$.

MFIs regulatory policies on women entrepreneurs

The findings of the research indeed confirms that the conditions and regulations put forth by the MFIs affects the uptake of services offered by them. This section asked questions on the regualtions put by MFIs relative to other banking Institution.

For instance, many rules and regulations to access credit facility had a mean rating of 1.9 which is not significant. This shows that MFIs had less regulatory rules which generally increased the uptake of credit facilities to almost all women. Security needed for loan had a significant mean rating of 2.8, however weak. As all finance institutions need security, MFIs were a little bit flexible but this did not augur well with the women enterpreneurs and that's why the mean rating for loan given was not strong. Short repayment period had a weak significant mean rating of 2.6. This is due to the fact that MFIs offer a relatively longer duration of paying loans of lesser amounts manageable by the women enterpreneurs. Even though it is expensive in the long run but the burden of remitting larger amounts of money in a shorter period of time is not experienced and this is evident in their increased ability to save which had a higher mean rating.Lastly, MFIs offer competitive intersty rates which are low compared to other institutions and this is supported by the fact that it had a mean rating of 3.8 which is significant.

The general policies held by the MFIs poses a greate challenge to both MFI clients and the future potential clients. Other challenges facing the MFI clients include; government policy inconsistency and bureaucracy, environmental factors related problems, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and the non-availability of raw materials locally.

All the variables in this strata were found to be associated with WED. Low interest rate had a stronger positive correlation which proves that the lesser the interest offered the higher the credit services taken by women enterpreneurs. Short repayment period and many rules and procedures had a strong negative correlation which shows that the shorter the duration of repayment and having many rules and regulations, the lesser the uptake of credit services. Security needed had a weak positive correlation which can be explained that the more flexible or no security needed the uptake of credit services will likely increase.

CONCLUSION

This study found out that MFIs services were adequate and reported successes on their effect on women enterprises.Components such as capacity building and their policies and regulations in relation to women's enterprise development.

Capacity building offered by MFIs to women entrepreneurs

The greatest or worst problem confronting women entrepreneurs is managerial capacity. Access to capital or finance is necessary but not a sufficient condition for successful entrepreneurial development. If one has the entire funds in the world and does not have the capacity to manage that fund and does not have the necessary information as to what he/she should do, the money would go down the drain (Rhyne and Christen, 2001). From the research findings it can be reported that other than providing funds, the MFIs also do provide capacity building to women entrepreneurs before and after loaning. This is evident from the research findings respondents posting a significant mean rating of 3 and above across the strata. However it is also clear from the findings that technological skills have not been provided adequately by respondents posting a mean rating below 3 which was considered as the threshold for positively significant.

MFIs policies on loaning women entrepreneurs

The findings of the research confirm that there are conditions and regulations put forth by the MFIs before and after lending women entrepreneurs' loans. This is evident from respondents with a mean rating of 3 and above indicating the interest rates are not actually low as perceived by the MFIs. Another mean rating of 3 and above across the strata confirms that security is needed by MFIs before loan is given. A further mean rating of 3 and above across the strata indicates existence of many rules and procedures.

The general policies held by the MFIs poses a great challenge to both MFI clients and the future potential clients. Other challenges facing the MFI clients include; government policy inconsistency and bureaucracy, environmental factors related problems, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and the non-availability of raw materials locally.

The researcher therefore suggests that there should be a politically sound rationale for the government of Kenya to step in and correct market imperfections, for instance by applying a public good concept in micro-finance because it is a facility that deserves further strengthening.

5.4 Recommendations

On the basis of the findings of the study, the following recommendations were made:

Poverty reduction can effectively be achieved provided women are given the opportunity to obtain credit facilities and be self reliant. The MFIs are a good initiative that has helped women improve their living standards. MFIs have worked sufficiently in neighbouring countries for instance Uganda and Mozambique where women entrepreneurs face similar challenges as those of Kenya, Kisumu city included. The women entrepreneurs should therefore find out services offered by different MFIs before disregarding them. For instance the WEF offer interest free loans with only a 5% administrative fee, payable in one year with a grace period of three months.

The MFIs should re-examine their rules and procedures for lending terms. Most potential clients keep off because of how they have seen defaulters mishandled, some losing all few belongings they have accumulated. The government should come up with regulations and mandates on how the MFIs operate, in order to protect the vulnerable from exploitation and to ensure the MFIs exist for their intended purpose. In addition, the MFIs should enhance its campaign programs to encourage more participation from individuals, Government and other foreign bodies.

Future studies should examine other ways to measure business success for MFI clients. While it is difficult to obtain data for income because the entrepreneurs are not willing to reveal that information, they are willing to reveal other information about their business. In future research, aggregate measures of success that incorporate more than one measure of success can be examined.

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