

THE INFLUENCE OF STRATEGIES ADOPTED BY WOMEN ENTREPRENEURS TO ACCESS CREDIT IN KENYA: A SURVEY OF WOMEN ENTREPRENEURS IN KASARANI

Nancy W. Njoroge & Willy Muturi

School of Human Resource Development
Jomo Kenyatta University of Agriculture & Technology
Correspondence Email: nnjorogew@gmail.com

ABSTRACT

This study investigated the influence of strategies adopted by women entrepreneurs to access credit. This research filled in the knowledge gap on the influence of strategies adopted by women entrepreneurs to access credit. The main purpose of this study was to find out the influence of strategies adopted by women entrepreneurs to access credit facilities. The specific objectives were to investigate: how business proposal strategy affects credit accessibility; how group formation strategy influences the access to credit and how opening strategy affects accessibility to credit facilities by women entrepreneurs. The target population was 600 business units owned by women entrepreneurs in Kasarani. A systematic random sampling design was used. Data was collected through structured questionnaires which were personally administered by the researcher. The study found out that group formation enhanced social collateral and hence enabled women who did not have physical collateral access loans. Many respondents who knew how to write business proposal accessed credit while those who accessed credit had to have bank accounts. The study recommended that business proposal writing should be made a core subject in schools to access credit; Commercial banks should accept group membership in lieu of physical collateral and the process of opening bank accounts should be simplified to enable more women entrepreneurs open bank account to access credit.

KEYWORDS: Credit Access, groups, bank account, business plans.

1.0 Introduction

Background of the Study.

Women's access to finance is a major constraint to start and expand businesses. 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. 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 and less experienced or when institutions lack the knowhow 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 solely run out by women and 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

Access to finance is a challenge common to all MSEs, the challenge for women business owners is compounded by the multifaceted gender related problems that inhibit their ability to access credit. To securing capital for starting business is one of the major obstacles of every entrepreneur particularly in the MSE sector but women entrepreneurs face additional constraints to secure financial resources (Wole, 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 (Katepa, 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 possession is land. Nevertheless, 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 skills, which usually 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).

General Objective

The main purpose of this study was to find out the influence of strategies adopted by women entrepreneurs to access credit facilities.

Specific Objectives

1. To investigate how proposal strategy affects accessibility to credit by women entrepreneurs.
2. To determine how group formation strategy influence the access to credit by women entrepreneurs in Kenya.
3. To determine how accounts opening strategy affects accessibility to credit facilities by women entrepreneurs.

Literature Review

Empirical Literature

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.

Conceptual Framework

Demand and access to credit depends on several factors; Group formation, business proposals, and account opening are significant strategies that have been adopted by women entrepreneurs in order to access credit. This study derives a conceptual framework from the literature review that all these factors play an important role in the access to these loans (Yin, 2003). This concept is expressed as a conceptual framework in the figure 2.1:

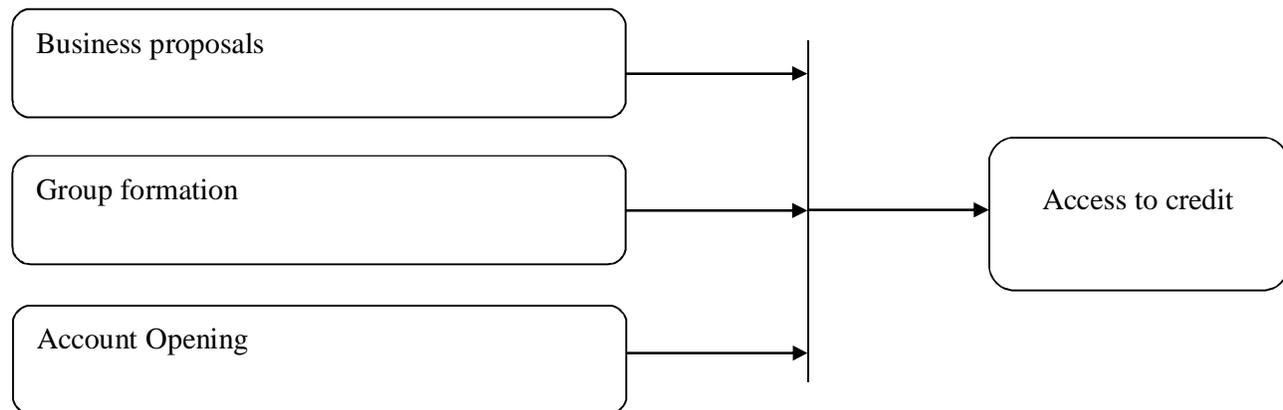
Independent variables**Dependent variable**

Fig.1 Conceptual framework.

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).

2.0 RESEARCH METHODOLOGY

Research Design

A descriptive research was undertaken in order to ascertain reliability of data collected. A sample survey method was used to collect data from women entrepreneurs and from Kenya women entrepreneurs Kasarani.

Target Population

The target population was all women who have businesses in Kasarani. A list of six hundred business units owned by women in Kasarani was taken from the City Council in Kasarani.

Sample and Sampling Technique

From the members of the target population, the researcher used systematic random sampling to select fewer participants for the study. The six hundred businesses were divided in to groups of ten and every 10th business was selected making a sample of sixty business units.

Research Instruments

The main tool of data collection for this study was semi- structured questionnaires. The questionnaires were personally administered to the sample selected from Kenya women entrepreneurs.

Data Analysis Methods

Descriptive statistics was used to analyze the data. Quantitative data from closed ended type questions was coded in the computer by applying the Statistical Package for Social Sciences (SPSS) using version 20.0 windows. The results were presented in frequencies and percentages

3.0 Results

Table 1 Strategies put in place to access the current loan

| | Frequency | Percentage |
|-----------------------------|-----------|------------|
| Acquired collateral | 9 | 18 |
| Group formation | 15 | 30 |
| Maintained books of account | 12 | 24 |
| Business proposal writing | 14 | 28 |
| Total | 50 | 100 |

As can be seen in table 1, 30% of the respondents used group formation, 28% used business proposal writing to acquire the current loan, and 24 % maintained books of accounts while 18% acquired collateral.

Table 2 Collateral that was expected for the loan

| | Frequency | Percentage |
|--------------------------|-----------|------------|
| Business plan | 13 | 26 |
| An account | 15 | 30 |
| Being in an active group | 17 | 34 |
| Guarantors | 5 | 10 |
| Total | 50 | 100 |

Among the collateral required: Being in an active group was at 34%, an active account was at 30%, business plan was at 26% while guarantors had 10% response. This is shown in table 4.17. This shows that group formation, business plan knowledge and account opening are strategies that influence access to credit by women entrepreneurs.

Table 3 Women/ investment group formation

| | Frequency | Percentage (%) |
|-------|-----------|----------------|
| Yes | 45 | 75 |
| No | 15 | 25 |
| Total | 60 | 100 |

As can be seen in table 4.20, 75% of the respondents were in women/investment while 25% were not.

Table 4 Purpose of forming the group

| | Frequency | Percentage |
|---|-----------|------------|
| To have easy access to credit | 28 | 63 |
| To provide a channel for information | 2 | 4 |
| To promote skills such as enterprise management and problem solving | 5 | 11 |
| To pull together scarce resources | 10 | 22 |
| Total | 45 | 100 |

Various reasons for forming the group were given as follows: to have access to credit was at 63%, seconded by to pull together scarce resources with 22 %, thirdly to promote skills such as enterprise management and problem solving at 11% and finally to provide a channel of information at 4 %. It clearly shows that reason for forming investment group by women entrepreneurs is to have easy access to credit.

Table 5 Knowledge to develop a business proposal

| | Frequency | Percentage |
|-------|-----------|------------|
| Yes | 44 | 73 |
| No | 16 | 27 |
| Total | 60 | 100 |

The respondents were required to indicate if they knew how to develop a business proposal. 73% of the respondents had knowledge on developing a business proposal whereas 27% did not.

Table 6 Did you learn in order to access credit?

| | Frequency | Percentage |
|-------|-----------|------------|
| Yes | 34 | 77 |
| No | 10 | 23 |
| Total | 44 | 100 |

As can be seen in table 4.25, 77% of the respondents learnt how to develop a business proposal so as to access credit while 23% of the respondents did not learn in order to access credit as shown in table 4.25. This shows majority of the respondents learnt to write proposals in order to access credit.

Account operation

All the respondents operated a bank account

Table 7 Purpose of the account

| | Frequency | Percentage |
|---|-----------|------------|
| To save money for future use | 20 | 33 |
| To have a day to day personal transaction | 4 | 7 |
| It was a condition for accessing the loan | 33 | 55 |
| Salary processing | 3 | 5 |
| Total | 60 | 100 |

The purpose of opening the account is as shown in table 4.29, 55% of the respondents opened an account as a condition for accessing loan, 33% opened to save money 7% opened to have a day to day transaction while 5% opened for salary processing. This shows that majority of the respondents opened bank account as a condition for accessing credit.

Table 8 Strategies adopted by respondents to access credit

| Strategy adopted | Frequency | Percentage |
|---------------------------|-----------|------------|
| Account opening | 23 | 38 |
| Group formation | 19 | 32 |
| Business proposal writing | 32 | 30 |
| Total | 60 | 100 |

As can be seen in table 4.35, 38% of the responded had adopted opening an account strategy to access credit, 32% adopted group formation strategy while 30% 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.

On business proposal, strategy the study established that many respondents knew how to write business proposals and thus they were able to access credit facilities. Most of them learnt how to write a business proposal in colleges

To the objective of group formation, the study found that group formation enhanced social collateral and hence enabled women who did not have physical collateral access loans from banks and microfinance.

On the objective of account opening, the study found that the majority of the respondents had bank accounts or accounts with in order to access credit facilities and save money for future use.

4.0 Conclusion

On the objective of business proposal, the study concluded that many of the respondents knew how to write a business proposal and this was for the purpose of accessing credit facility. The use of business proposal influences access to credit facility.

To the objectives of group formation, the study 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.

On the objective of account opening, the study concluded that the respondents have bank accounts or accounts with micro-finance institution. This enables them to access 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.

5.0 Recommendations

Based on the objectives of the study, the following recommendations were reached. On business proposal, the study recommended that people should be encouraged to learn how to write business proposal in order to access credit. Proposal writing should be made a core subject in colleges. This will equip them with the skill and put it into use when they run a business and when accessing credit.

On group formation, the study recommended that Commercial banks should accept group membership in lieu of physical collateral to access credit, women entrepreneurs be encouraged to form groups that will enable them to pull resources together which acts as collateral when acquiring a credit facility. 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.

References

1. Abor, J. and Biekpe, N. (2006). SME's access to debt finance: a comparison between Male-owned and female-owned business in Ghana. *The International Journal of Entrepreneurship and Innovation*, 7(2): 105-112.
2. Athanne (2011). *Entrepreneurship in Kenya*, Nairobi .
3. Atieno, R. (2001). Formal and informal institutions' lending policies and access to credit by small-scale enterprises in Kenya: An empirical assessment. African Economic Research Consortium, Nairobi, Research Paper 111.
4. Baydas, M., Meyer, R. and Aguilera, N. (1994). Discrimination against women in formal credit markets: Reality or rhetoric? *World Development*.
5. Beaver, G. (2002). *Small Business, Entrepreneurship & Enterprise Development*, Prent Int.
6. Besley, T. (1995). *Savings, credit, and insurance: The handbook of development economics*. The Netherlands. Amsterdam.
7. Brindley, C. (2005). Barriers to women achieving their entrepreneurial: women and risk. *International Journal of Entrepreneurial Behavior and Research*.
8. Cutura, J. (2007). *Voices of Women Entrepreneurs in Kenya*. Washington.
9. Diagne, A. and Zeller. M. (2001). Access to credit and its impact on welfare in Malawi. *International Food Policy Research Institute*. Washington, DC.
10. Dowuona-Hammond, C. (2007). *Improved Land and Property Rights of Women In Ghana*. Accra, Ghana: Donor Committee for Enterprise Development
11. Howse, K., Dunton, H. and Marshall, D. (1995). *Family Matters: A Guide to Family Life*. The Stanborough Press Ltd.
12. Katepa-Kalala, P. (1999). Assessment report on: women and poverty and economic empowerment of women.
13. Kuratko, D. and Welsch, H. (1994). *Entrepreneurial strategy, text and cases*. Dryden Press. Fort Worth.
14. Meyer, N. (2005). *An investigation into the determinants of women entrepreneurship*. Potchefstroom: North-West University.
15. Namusonge, N. (2005). The role of financial institutions in the acquisition of technological capabilities by small and medium enterprises in Kenya. *Africa technology policy studies network*
16. Primo, N. (2003), *Gender issues in the information society*. World Summit on the Information Society, UNESCO. Paris: France.
17. Republic of Kenya, (1992). *Sessional paper No. 2, Small Enterprise and Jua Kali Development in Kenya*. Nairobi.
18. Schmidt, M. and Kropp, K. (1987). *Rural finance guiding principles*. GTZ Esehborn.
19. UNDP. (2007). *Human Development Report*. New York: UNDP.
20. Wole, S. (2009). *Challenges in Financing Women's Businesses*. Ethiopia: Centre for African Women Economic Empowerment.
21. World Bank, (2008). *World Development Report*, Washington, DC.
22. Yin R.K. (2003). *Case Study Research: Design and Methods*. 3rd ed. Sage Publications, Thousand Oaks, California.
23. Thousand Oaks, California.