

# **THE EFFECT OF MICROFINANCE ON RURAL WOMEN EMPOWERMENT IN KIKUYU CONSTITUENCY, KIAMBU COUNTY IN KENYA**

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## **ABSTRACT**

Microfinance Institutions (MFIs) provide its members with various services to help improve their entrepreneurial ventures and in the end empowering them. Despite many studies carried on the topic, the effect of microfinance intervention on the empowerment of women entrepreneurs in rural constituencies remains largely unexplored in Kenya. This study sought to close the gap by establishing the effect of Micro Finance on rural women empowerment in Kikuyu Constituency, Kiambu County in Kenya. The study adopted a descriptive research design with the population consisting of all women groups in Kikuyu Constituency, Kiambu County in Kenya. The sample of the study consisted of the 80 active women groups. Primary data was gathered using structured questionnaire for analysis which was done using the Statistical Package for Social Sciences (SPSS version 19) to generate the descriptive statistics and also to generate the trends results and regression findings. Findings on the analysis of variance (ANOVA) indicate that the overall model was statistically significant as indicated by an F statistic of 4.863 and p value less than 0.04608. The regression analysis revealed that micro credit to be statistically significant with micro training and micro

saving with significance of more than 5% to be not statistically significant. This study provides recommendations clear financial management strategies should be set aside to address key critical financial difficulties facing women particularly developing good financial management technique to provide adequate responses to challenges and problems by focusing on women business processes to minimize claims and enable women growth and women empowerment and have clear framework to advice women on how financial management decisions are made and the procedure to be followed to make sure the right decisions are made to meet the benefit of the customers and maintain their visibility. This will enable to minimize any conflict of interest which might ruin their image and reputation. Nevertheless, women should focus on planning issues to improve their effectiveness and efficiency. Operating activities which involves receivables, payments and savings should be well management to ensure efficiency and effectiveness to maintain steady cash flows to finance groups operating long term projects and goals.

**Key Words:** *microfinance, rural women, empowerment, Kikuyu constituency, Kiambu County, Kenya*

## **INTRODUCTION**

The impact of microfinance on women's empowerment is of great interest to academicians, researchers and policy makers. Studies suggest that microcredit helps women increase their income earning abilities, leading to greater power within the household, while others argue that men often take control over the microcredit, which was allocated to women, leading to a more

vulnerable position within the household for women. Poverty is a social condition that is found in every part of the world. Yunus (2007) acknowledges that, there are different definitions of poverty depending on the region and county. For instance, poor people from Bangladesh lead a life that is totally different from their poor counterparts in the U.S. While majority of U.S. citizens who are classified as poor do own television sets, majority of the poor people in Bangladesh do not have electricity in their homes. In Philippines, poverty refers to the lowest income below which one cannot buy goods and services considered necessary for basic survival (Gordon, 2007).

Ackerly (1995) argues that in the informal sector women's participation in production only is not empowering, but knowledge and empowerment come through access to the market. Women may have a higher and more stable income either as an independent entrepreneur or as an employed worker. Entrepreneurship is often problematic even with a relatively high but very irregular income. An entrepreneur can be highly dependent in practice, if she buys raw material from middlemen and sells products back to them. In situations of this kind the entrepreneur can be exploited and underpaid. However, women are usually not able to choose between waged employment and salaried employment, but they have limited options or no options at all. Olsson (2005) defined a poor person as one who cannot afford the necessities of life including food, clothing and housing. Even though there are different definitions, they all converge at a common point. That is, poverty is that condition where low income earners cannot live a decent human life. This condition is caused by the lack of resources or capabilities to utilize existing resources in order to acquire basic needs. Causes of poverty can be classified into two categories: internal and external. Internal factors include social and environmental conditions under which a population lives in. External factors, on the other hand, include a country's debt burden and effects of international trade.

According to Chant (1997), women are more disadvantaged in the labor market than men because they have fewer financial resources to operate small-scale business, their skills are primarily domestic and their mobility is lower than men's. Still, women's share in the global labor force has risen. Factors affecting this are the expansion of the tertiary sector, the rising level of women's education and lower fertility. The size of the female work force often increases during recessions among the urban poor in consequence of the effort to maintain the level of the household income. Women participate in economic progress and in a flexible labor market in several ways: through their underemployment and unemployment, their willingness to move in and out of the labor market, and their low wages (Bruce 1989).

A study by Carter and Cannon (1992) on women has also revealed that women have problems raising start-up for business than men and that women encounter credibility problems when dealing with bankers. Similarly, the „Women Entrepreneurs“ summit hosted by the Organization for Economic Cooperation and Development (OECD) held in 1997, accessibility to credit facilities was raised as a problem for the promotion of women entrepreneurship and business

advancement. Thus, supplying credits to small and micro-enterprises is important for the reasons that: First, it has to do with market imperfection where banks do not favor lending to small enterprises. In offering credit to small enterprises, market imperfection will thus be minimized since banks will now favor lending to small enterprises especially, women in the promotion of gender equity (Mensah, 2003). Again, they favor the development of private sector, the promotion of women and the implementation of community development by private initiative and they help to reduce poverty and contribute to a fairer income distribution. In a workshop held in Dares salaam, 1997, the participants observed that many women suffer human rights abuse because of their economic weakness. MsNambuo added that it is often a product of their comparative lack of educational opportunities so reinforcing their women's rights might include challenging traditions, ensuring that education is available, providing legal help and making business capital available (Commonwealth Report, 2001).

Increasing evidence shows that not only women are overrepresented among the poorest people but are also more likely than men to spend their incomes on the welfare of children and dependents. Therefore, poverty reduction programs which target women are likely to be more effective. Again, there is much evidence that in microfinance there is higher repayment and savings discipline among women than men. Empowering women is the second stated goal of microcredit summit campaign. There is also evidence of significant potential for microfinance to enable women to challenge and change gender inequalities at all levels. There is now the growing need to rethink the best practices to ensure that women have equal access to all types of financial services (Mayoux, 2006). Roodman (2012) has blossomed from a humble beginning, something that started off as small experiments involving provision of financial services to poor people has now matured into a global movement. Microfinance stimulates micro enterprise, empowers women and lifts families from conditions of poverty to being self-sufficient. Microfinance stepped into the picture following the neglect of the needy people by commercial banks and other mainstream financial institutions. Many countries in Africa, Kenya included continue to suffer from poverty, illiteracy, malnourishment, ill health and hunger.

## **RESEARCH PROBLEM**

According to the government of Kenya, there are problems in lending to small enterprises on three levels: small borrowers lack experience with credit institutions, financial organizations are not predisposed to lending to small enterprises, and existing regulations limit the total funds available for on-lending (Government of Kenya 1992, 18). The reality on the ground indicates that the increase on the number of poor people both in rural and urban Kenya is worrying. Therefore, if poverty levels are not reduced in Kenya, then the MDG goal number 1 on 80 the eradication of poverty to less than 30% of the Kenyans by 2015 and as envisioned in the Kenya Vision 2030 will not be achieved. This creates a need to intensify poverty reduction efforts through MFIs in planning and outreach. Recent studies show that, linking MFIs with other interventions such as poverty alleviation often complicates the functioning of MFIs by pushing

them to areas not considered sustainable. Most of sustainability indicators focus on the MFI as a profitable institution (loan repayment, profitability and degree of subsidization). Thus for an MFI to meet the microfinance best practices, as given by Consultative Group to Assist the Poorest (CGAP), and be financially sustainable, it has to regard itself as a business venture. Since early 1980s, there have been a large number of studies conducted on microfinance programs and their effect on women empowerment. However, there are few studies addressing the subject of how effective microfinance has alleviated poverty in rural parts of Kenya. In majority of these studies, emphasis has been on savings and credit products MFIs have introduced. Research appears to be heavily skewed on Microfinance success with little or no emphasis on the extent of benefits on individuals. This study sought to answer the question; what is the effect of microfinance on rural women empowerment in Kikuyu constituency, Kiambu County in Kenya?

## **RESEARCH OBJECTIVE**

The research objective was to determine the effect of micro finance on rural women empowerment in Kikuyu Constituency, Kiambu County in Kenya.

## **THEORETICAL REVIEW**

### **Identity Empowerment Theory**

Under this theory, women who are empowered can be able to commitments with a meaningful nature. In addition, they can undertake activities that are both effective and goal-oriented. At the same time, the identity empowerment theory assumes that an empowered woman is able to comprehend strengths and weaknesses associated with her past and present life while coping with relationship conflicts (Boraian, 2008). He argued that this theory delineates different levels through which women must participate before getting empowered. At therapeutic or „manipulators“ level, a lot of importance is placed on mass campaigns such as those targeted at improving women literacy levels. The second level is where participation takes a token form. At this level women are introduced into income generating program. Here, there is a lot of information exchange, collaboration and consultations.

### **The Harvard Framework**

This theory recognizes five gender equality levels. These are: access, welfare, participation, control and conscientization. Under welfare, the theory states that women are not only supposed to receive material benefits but also take part in development efforts. In the access level, women need to access credit, land, wage employment and educational opportunities. Participation requires women to take part and include men in the making of decisions both at the family and public level. Control level is the ultimate where women who are empowered can take an active role in all developmental affairs (Boraian, 2008).

## **EMPIRICAL REVIEW**

Cumming (2012) observed that frequent group meetings held by microfinance institution trainers has had positive effects on capital building. Rural women face a huge challenge of being unable to judge how profitable their business ventures are or how they should be. This is due to lack of basic skills in accounting, business management and technical skills. Training is, therefore, critical in providing these much needed skills. By the time women get into contact with MFIs, they already have business ideas or income generating projects that they are struggling with. Training has had significant impact on implementing innovations, using profits to grow businesses, knowledge and record keeping (Valerio, Parton and Robb 2014).

Islam and Maitra (2012) carry out an insightful analysis of the role of microcredit in Bangladesh in performing an insurance function, using four rounds of a panel data set. This analysis presumes that health shocks are unpredictable and idiosyncratic in nature. Using a variety of models, they offer insightful findings. Their results show that households that have borrowed from microcredit organizations are better able to cope with health shocks. The main instrument of insurance used is trading in livestock. Households that have access to microcredit do not have to use this instrument, to the extent households without access to microcredit need to, in order to insure consumption against health shocks.

A recent assessment by Pellegrina, (2011) is innovative in two respect she assesses the impact of microfinance relative to the impact of bank loans and informal credit. (ii) She focuses on the impact of credit on investment on the grounds that through investment higher living standards are feasible in the long run. Her analysis is based on a large survey in Bangladesh in 1991-92. Her results show that microfinance is less effective than bank loans in terms of long-term investments. She attributes this to short and regular repayment schedules and the group lending method. The borrowers are thus pushed toward projects with short-term revenues.

## **RESEARCH METHODOLOGY**

### **Research Design**

The researcher has singled out descriptive research as the ideal design. A descriptive study gives the description of a subject through profiling. A researcher can create a profile that includes groups of people, list of problems or events. Cooper and Schindler (2003) advocate for the use of this method due to its two unique aspects which are: data collection and tabulation of frequencies.

### **Population**

The population of interest consisted of all women who were members of microfinance institutions within Kikuyu constituency, Kiambu County in Kenya. The women considered were those who owned and ran business and had a physical presence such as kiosk, workshop, farm or

house from where they operate their business. With contact details which enabled the researcher to trace them and collect the questionnaires.

### **Sample**

The study adopted multiple sampling techniques. First, the study took a census of the eight microfinance institutions (MFI) who were actively involved with women empowerment in the constituency and then, random sampling design was used to identify and pick subjects who were clients for each MFI institution to allow for equal representation of the institutions. Quota samplings was used to select two 10 clients of each MFI from the constituency, using simple random sampling based on the Clients' lists as sampling frames.

### **Data Collection**

Questionnaires were used to collect data. There were open as well as closed questions in the questionnaires. Closed ended questions help minimize time wastage. They also kept the data collection process consistent. In addition, close ended questions make it easy to analyze data. On the other hand, open ended questions encourage respondents give deeper and more detailed responses. These data collection instruments help eliminate bias while standardizing it collection.

### **Data Analysis**

The statistical package for social science package (SPSS) version 19 was used to analyze and interpret the collected data. The final output was presented in form of graphs, charts and other tabulations. The data was analyzed using the regression model specified below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where: Y = Empowerment of women; X<sub>1</sub>= Micro credit; X<sub>2</sub>= Micro savings; X<sub>3</sub>=Microfinance training; β<sub>0</sub>=Intercept term Empowerment of women entrepreneurs; β<sub>1</sub>= coefficient of Micro

## **RESEARCH RESULTS**

Table 1 gives the results on women statistics. From the analysis of women statistics it was found that 59%, 60%, 70% and 80% of the sampled women respondents agreed that they live in their own house, they are fully satisfied with microfinance services, credit facility has improved their performance and that they have received adequate training from microfinance institutions. On average 65%, 60% and 61% of the sampled women respondents believe that social status and decision making has improved on joining microfinance, awareness has also improved but women have also agreed that they have faced difficulties at the time getting loans. 100% of the sampled women believe that they have not involved themselves in any political party or gained any political recognition after joining microfinance or even feel like they actively associated with microfinance.

**Table 1: Women Statistics**

	<b>Yes</b>	<b>No</b>
Are you living in your own house	59%	41%
Are you satisfied with the services offered	60%	40%
Did credit facility improve after joining microfinance	70%	30%
Did you get training after joining microfinance	80%	20%
What is your employment generation through microfinance	30%	70%
Has self-confidence increased after joining microfinance	50%	50%
Has your awareness improved after joining microfinance	60%	40%
Has social status and decision making improved	65%	35%
Has your husband dominated the decision making	20%	80%
Has participation in social activities improved after joining Microfinance	55%	45%
Are you involved in any political party after joining Microfinance?	0%	100%
Do you feel like you are politically active after associated with Microfinance?	0%	100%
Do you feel like you got some political recognition after joining Microfinance?	0%	100%
Did you face any difficulties at the time of getting loan?	61%	39%

The results on Analysis of Variance are presented in Table 2. Given 5% level of significance, the numerator df =1 and denominator df =2, critical value 2.74, table 4.3 shows computed F value as 4.863. This confirms that overall the multiple regression model is statistically significant, in that it is a suitable prediction model for explaining how the selected microfinance variables influence women empowerment.

**Table 2: Analysis of Variance**

	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	.020	1	.015	4.863	.04608
Residual	.307	2	.154		
Total	.327	3			

The results of regression model are presented in Table 3. Using a significance level of 5%, any independent variable having a significant value greater than 5% is considered not statistically significant. This study found that X1 to be statistically significant with X2 and X3 with significance of more than 5% to be not statistically significant. This reveals that the general multiple regression model for this study was:

$$Y = -0.538 + 0.479X_1 + -0.246X_2 + 0.513X_3$$



**Table 3: Regression Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-.538	318		-1.306	.214
Micro credit	.073	.041	.479	1.327	.027
Micro saving	-.186	.122	-.246	-1.526	.151
Micro training	.013	.013	.513	1.458	.169

## **INTERPRETATION OF THE FINDINGS**

Due to the benefits accrued from the micro finance institutions despite the information challenges most of the sampled women believe that microfinance institution services are good and very good in comparison to other institutions to meet their needs while others believe that microfinance institutions services are satisfactory and bad on average. From the analysis of women inflows, outflows and savings it was found that monthly income before joining microfinance was found to have increased significantly on average after joining microfinance while monthly expenditure on average leading to monthly saving increase on average. The training offered by micro finance institutions to women has changed their spending capacity downwards thus improving their savings. With 5% percentage error the findings showed a computed F value as 4.863. This confirms that over all the multiple regression models are statistically significant, in that it is a suitable prediction model for explaining how the selected microfinance variables influence women empowerment and can generally be applied to all women initiatives along the country. From the analysis of women statistics it was found that most of the sampled women respondents agreed that they live in their own house, they are fully satisfied with microfinance services, credit facility has improved their performance and that they have received adequate training from microfinance institutions. Above average for the sampled women respondents believe that social status and decision making has improved on joining microfinance, awareness has also improved but women have also agreed that they have faced difficulties at the time getting loans. This clearly reveals that the micro finance empowerment initiatives have really or in large scale improved the economic conditions of women. All the sampled women believe that they have not involved themselves in any political party or gained any political recognition after joining microfinance or even feel like they actively associated with microfinance.

## **CONCLUSION**

Given 5% level of significance the findings showed a computed F value as 4.863. This confirms that over all the multiple regression model is statistically significant, in that it is a suitable prediction model for explaining how the selected microfinance variables influences women empowerment. From the analysis of women statistics it was found that most of the sampled

women respondents agreed that they live in their own house, they are fully satisfied with microfinance services, credit facility has improved their performance and that they have received adequate training from microfinance institutions. Above average for the sampled women respondents believe that social status and decision making has improved on joining microfinance, awareness has also improved but women have also agreed that they have faced difficulties at the time getting loans.

100% of the sampled women believe that they have not involved themselves in any political party or gained any political recognition after joining microfinance or even feel like they actively associated with microfinance. All the sampled women believe that on average their husband and their children have positive attitude with their women being involved with the microfinance. Using a significance level of 5%, any independent variable having a significant value greater than 5% is considered not statistically significant. This study found that micro credit to be statistically significant with micro training and micro saving with significance of more than 5% to be not statistically significant.

## **RECOMMENDATIONS**

The study recommends that clear financial management strategies should be set aside to address key critical financial difficulties facing women particularly developing good financial management technique to provide adequate responses to challenges and problems by focusing on women business processes to minimize claims and enable women growth and women empowerment.

Micro finance should in addition have clear framework to advice women on how financial management decisions are made and the procedure to be followed to make sure the right decisions are made to meet the benefit of the customers and maintain their visibility. This will enable to minimize any conflict of interest which might ruin their image and reputation.

Women should focus on planning issues to improve their effectiveness and efficiency. Operating activities which involves receivables, payments and savings should be well management to ensure efficiency and effectiveness to maintain steady cash flows to finance groups operating long term projects and goals.

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