AN INVESTIGATION INTO FACTORS AFFECTING ACCESSIBILITY OF CREDIT BY WOMEN ENTREPRENUERS IN KENYA
(A CASE STUDY OF KIBERA TOI MARKET IN NAIROBI)

BY:

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D53/15823/05

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE AWARD OF DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (FINANCE OPTION) OF KENYATTA UNIVERSITY

JUNE, 2010
DECLARATION

STUDENT'S DECLARATION

This research project is my own original work and has not been presented for examination in any other university.

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SUPERVISOR'S APPROVAL

This research project has been submitted for examination with my approval as the University Supervisor.

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This research project has been submitted for examination with my approval as the Chairman of the Department of Accounting & Finance.

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DEDICATION

To my dear parents, Daniel and Mary Mujuka and my lovely daughter Victoria Akeyo, who sacrificed a lot to enable me, undertake this programme together with their love and constant encouragement.
Thank you and may God Bless you.
ACKNOWLEDGEMENT

In carrying out this research project, I first and foremost needed both physical and mental strength to accomplish it within the shortest period of time. It is by God's grace that this research has been written and I offer ultimate thanks and praise to the Lord God for His Faithfulness, Grace, Wisdom and Favor.

My invaluable help came from Mr. Theuri, my project supervisor who guided me throughout the entire process of writing this research paper. His unselfish devotion and personal time in situations of heavy workloads and genuine concern about my progress substantially contributed and significantly helped my intellectual growth.

Many thanks to all my lecturers who taught me course work. I would also like to thank all my classmates for motivating one another during difficult times to successfully complete this programme.

Special thanks go to my family for their patience and moral support during this project, especially my daughter Victoria Akeyo for believing in me even when I did not believe in myself. This is an accomplishment and I dearly thank them for supporting my interests and ambitions all the time.

Equally I am indebted to thank my friend Simon Ogendo for tirelessly helping me in compiling this work. The encouragement you gave me and all the support materially, emotionally and financially was of much help. May God bless you.

A Big Thank You to all.
ABSTRACT

This study was meant to identify factors affecting accessibility of credit by women through financial institutions in Kenya. Improving availability of credit facilities to women is one of the incentives that have been proposed for stimulating growth and realization of potential contribution to the economy. Despite this emphasis the effects of existing institutional lending terms and conditions on access to credit facilities have not been addressed.

Although formal credit institutions have proved relatively successful in meeting the credit of women in some countries their limited resources restrict the extent to which they can effectively and sustainably satisfy the credit needs of these women.

The government recognizes that economic growth alone doesn’t lead to sustainable development and elimination of poverty. Such growth must be accompanied by good governance, active participation of the population in socio-economic and political life and equitable distribution of resources.

Development is a process that should lead to the betterment of people’s lives by not only providing basic needs but also providing opportunities to choose a fuller and more valued existence. The government has identified women and has channeled finances to financial Institution’s for on lending to these women in order to reach their development goals. This study sought to examine accessibility of this credit and tried to critically examine factors affecting accessibility. The research was carried out specifically in Kibera Toi Market, which is located in Nairobi.

Primary data was collected by administering questionnaires which consisted of open and closed ended questions. The research adopted both explanatory and descriptive research design. The sample from this study was drawn by use of stratified random sampling. The population of this study was the women traders of Toi market. Data was analyzed using quantitative and qualitative analysis techniques with the aid of SPSS.
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<td>Accumulating Savings and Credit Association</td>
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DE\nFINITION OF TERMS

Credit: Refers to money loaned or the ability of an individual or company to borrow money.

Collateral: Property or goods used as security against a loan and forfeited if the loan is not repaid.

Formal Financial Institutions: Financial institutions characterized by established conventions of behavior.

Informal Financial institutions: Casual or unofficial financial institutions.

Poverty: state of being poor: the state of not having enough money to take care of basic needs such as food, clothing and housing.

Organized Groups: People with something in common considered to be belonging together.
CHAPTER ONE

1.0 Introduction

1.1 Background of the Study

During the 1980's, economic growth slowed down in most of the developing countries. Labour market entrants during this period of economic stagnation turned to the informal sector for self-employment to create jobs for themselves, family members and friends. Most Countries and their government agencies have come to recognize the informal sector and have sought strategies that support its growth (Levitsky, 1989 and Holt, 1990).

Small and Micro Enterprise, (SME’s) have been of special attention to organization and governments worldwide especially in developing countries. In Kenya, they have been considered important because of job creation, generation of revenue to the government and enabling the sustenance of the individual and the growth of trade and supplying of goods and services (GoK 1997).

SME’s generates more direct jobs per dollar of investment than do large enterprises. They serve as a ground for developing technical and entrepreneurial skills and by virtue of their greater use of indigenous technological capabilities; they promote local inter-sectoral linkages and contribute to the dynamism and competitiveness of the economy (Aryeetey, 1997).

One of the major development constraints faced by the SME’s is lack of access to adequate credit. The main research question to this study is therefore: How can the access of women’s to credit be improved? The Kenyan financial system is marked by a dualistic structure, namely the formal and informal financial sector. The informal sector suppliers make up in part of this lack of financial services; however they are not adequate (World Bank, 1999).
Shortage of credit has been identified worldwide as one of the most serious constraint facing SME’s and hindering their development (Oketch, 1995, Tomecko and Dondo, Kiiru, 1991). In absence of development of SME’s the country has continued to experience high levels of poverty (Daily Nation, November14th, 2003). Creating access of reasonably priced financial services has been identified as an effective strategy to promote the informal sector firms or micro enterprise growth (Sessional paper No. 1, 1992).

Reducing poverty by providing women with income earning opportunities is the surest way of empowering them to be responsible for their destiny (Daily Nation, November 14th, 2003). Availability of credit (Capital) is a crucial requirement to income generation hence poverty eradication. The government of Kenya has through several sessional papers proposed policies to alleviate the problem of availability of credit to women. Banks fail to lend to women for various reasons such as past lending experience, high risk of lending to the sector and adverse regulations that restrict the flow of finds to women.

1.1.1 Emergence of Micro Credit Sector

Access to formal credit by small-scale business women has been quite poor particularly among the low-income category. This is largely as a result of the credit policies associated with loans provided by the formal sector. To bridge this gap, the micro credit sector, with specific principles that target and feed loans to the small and micro Enterprise (SME) sector, has emerged (Wright, 2000).

It is widely known that banks have been more active in providing savings on behalf of the SME sector, collecting deposits yet lending the same to the formal sector (Otero and Rayne, 1994). Banks are still largely absent in the provision of micro credit. The area has literally evolved on its own accord from an informal level to the current status whereby some banks actually provides micro credit facilities as a result of growing evidence of the viability of the micro credit (Oketch, 2001).
1.1.2 Banks and Women Credit Finance

Many banks may be unwilling to provide credit to women because the clients of the sector are largely poor, lacking of normal securities that can be used as collateral in conventional lending. Banks have therefore for a long time perceived women as highly risky and un-deserving of any credit even though the business persons save with the banks.

Moreover, the costs associated with administering and monitoring credit services are quite high. The loan value required by clients in this sector is low hence proportionately low revenues are generated from the loans. This is an issue that could explain why for a long time lending to the rural areas has been driven by governments or donors who subsidizes lending. Banks have also been unable to develop the necessary capacity to be sustainable in the market. The banks avoided and were unable to learn and understand the operation of the market preferring to deal with the conventional lending activities that they know best. A better understanding of the market would lead to better credit risk management technologies that would enhance their revenue generating activities. It is also evident that government regulation has not encouraged commercial banks into the sector.

Central banks demand cash ratios that limits the availability of funds to lend, while the nature and cost of setting up and operating banking premises discourage banks from locating in areas where the poor women would access loans (Baydas et al, 1977). Growth in the micro credit sector has been mainly driven by NGO that the donor supported. A large number of these NGOs have collapsed or are unable to operate sustainably and continue to rely heavily on donors (Baydas et al, 1997).

The world over, there are cases of NGOs that started off by offering micro credit. Transforming themselves into commercial banks with admirable comparable levels of profitability to commercial banks (Christen et al, 1995).
Initial attempts into micro lending were made by governments through creation of development banks that were meant to allocate credit to certain sectors at subsidized rates. Studies have shown that directed credit has undermined development of sound financial systems in many third world countries mainly because the loans are limited to budgetary allocation and are priced below market rates. The presence of moral hazards in many developing countries means that credit rarely reaches desired clients and, in many cases, there is no obligation to repay the loans. Credit management techniques are rarely in place, and even if they are, largely ignored (Coetzee, 1997) the default rate is therefore quite high. During latter years, some development banks have been restructured to provide loans commercially.

Over the past few years, banks have also made a significant push into the provision of women credit in order to take advantage of the prevailing high levels of profitability. The challenge faced by banks is whether to replicate credit appraisal techniques already established in the industry or to apply their own tried and tested credit appraisal techniques to the new market (Otero et al, 1994).

1.2 Statement of the Problem

This study sought to investigate the critical difficulties that exist for women entrepreneurs in accessing credit. Lack of adequate financial services are seen largely as gender specific barriers affecting women more than men. This is largely due to deep rooted inequalities between women and men in the distribution of assets and access to property including access to land and succession laws. These limit women’s resources as well as their ability to access adequate and affordable credit. These issues remain a major obstacle for many women (Mc Cormic, 2001).

The financing gap is exacerbated by the relative lack of business skills of many women entrepreneurs, scarce business linkages, and the weaknesses in the technical capacities of women’s business associations.
Lending institutions being aware that women have difficulties in accessing loans, could be more sympathetic to this problem. In this regard conventional lending practices have not been revisited. The government and other development partners have an important role to play to increase the availability of resources and ensure effective use of risk capital for women, with a particular emphasis on meeting the needs of the women entrepreneurs.

1.3 Objectives of the Study
The main objective of the study is to investigate the factors affecting accessibility of credit by women at Kibera Toi Market (Nairobi) through financial institutions.

1.3.1 The specific objectives
The specific objectives of the study were to find out how;

i. Collateral requirements affect access of credit.
ii. Group financing affects access of credit.
iii. Repayment period and loan size allowed by institutions affect access of credit.
iv. Restriction of credit to specific activities affects access of credit.
v. Savings mobilization affects access of credit.

1.4 Research Questions
i. How collateral requirements do affects access of Credit?
ii. How do group financing affects access credit?
iii. How do repayment period and loan size affects access of credit?
iv. How does restriction of credit to specific activities affects access of credit?
v. How does saving mobilization affect access of credit?

1.5 Significance of the Study
The findings of the research will be of benefit to;

Government-The government in formulating and enhancing policies aimed at empowering women development.
**Financial institutions**- The financial institutions in identifying the most significant factors that contribute to non access of the credit and devise ways of ease of access in order to reach many women.

**Women entrepreneurs**- The women will be empowered thus improve their potential in accessing the credit.

**Academicians**- Academicians and other researchers who will be able to research further in the subject.

1.6 **Scope of the Study**

The scope of this study will be women entrepreneurs in Kibera Toi Market in Nairobi and limited to women accessing credit through formal institutions.

1.7 **Limitation of the study**

Access to information – some information was not accessible due to the knowledge the women have concerning the credit facilities available to them but the researcher created an environment conducive to enable them to exhaustively explain the sources of funds.

Access to resources – These are recent publications, and some historical data of the women entrepreneurs especially the small businesses were inadequate but the researcher was able to get the few that supported the research project.

Time management – time was limited to conduct a thorough research but the researcher utilized the limited time to ensure the information gathered was adequate to support the whole research.

Access to experts for editing, proofreading, and guidance – Currently these are not available to conduct the task but with the help of my supervisor I was able to achieve the desired results.

Support from women traders and other participants – Most of the women traders were unavailable to give the information but the researcher was able to create a rapport that enabled then to understand the reason and the outcome of the research that I was conducting.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The growth and relative sophistication in the Kenyan financial systems haven't been matched by efficiency gains in the quality of service offered to women and the economy in general. There is a large difference between deposits and lending rates causing sufficient competition for saving among Kenyan banks.

Bank charges for services rendered makes costs of banking prohibitive to a majority of women. The high profitability in the banking sector has not triggered new entry. In the formal sector the criterion for credit worthiness, delays in loan processing and disbursement and government approach to preferential interest rates, resulted in non-price credit rationing, have limited the amount of credit available to women and the efficiency with which the available funds are used (Atieno, 1994).

Bottlenecks in the capacity of the existing institution to deliver credit are also reflected in the existing unsatisfied demand (Aleke Dondo, 1994). Its inability to meet the particular credit needs of different types of women activities, Kenya's financial system displays deficiency in the range of financial instruments and lack of coordination between different financial institutions.

The lending policies used by main credit institutions in Kenya do not ensure efficient and profitable use of credit funds especially by women resulting into disparity between credit demand and supply (Atieno, 1994). Survey by KREP shows that where as credit is an important factor in women growth, it will most likely lead to their enterprises contraction when not given in adequate amounts. Hence despite existence of sophisticated financial system, it has not guaranteed the access to credit by women.
2.2 Characteristics of Credit Market in Africa
Credit markets in Africa have mainly been characterized by their inability to satisfy existing demand for credit. For some it’s the small size of resources it controls and others the difficulties in loan administration like screening, monitoring, high transaction costs and the risk of default (Mwenda, 1993).

Credit markets are characterized with information asymmetry, agency problem and poor contract enforcement mechanism. They are mainly fragmented because different segments serve clients with distinct characteristics. Due to this, lending units are unable to meet the needs of borrowers interested in certain types of credit. The result is a credit gap that captures those borrowers who cannot get what they want from informal market yet too they cannot gain access to formal sources (Mwenda, 1993).

Credit markets in which favored borrowers obtain funds at subsidized interest rates while others seek from expensive informal markets develop due to repressive policies that raise the demand for funds. Unsatisfied demand for investible funds forces credit rationing using non interest rate criteria while an informal market develops at uncontrolled interest rates. Removing these restrictive policies will enable formal markets to expand.

Equally imperfect information of credit worthiness, as well as cost of screening, monitoring and contract enforcement among lenders results in market failure due to adverse selections and moral hazards (Kimuyu et al 2000).

According to Johnson (1999), market segments left out by formal institutions are served by the informal markets that use personal relationships, social sanctions and collateral substitutes to ensure repayments. However borrowers from Formal Financial Institutions (FFIs) or Informal Financial Institutions(IFIs) may cross to the others depending on factors like institutional barriers, availability of credit facilities or the ease of physical access. Cost of segmentation is that funds fail to flow across groups of individuals despite the benefits of doing so.
2.3 Financial institutions serving women in Kenya

A number of institutions provide women with credit; they include commercial banks, non bank financial institutions, NGOs, business associations and ROSCAs. Financial transactions, also takes place between traders, friend’s, relatives, landlords and commercial money lenders. Main banks involved in women lending and savings mobilization include, KCB, BBK, Co-operative Bank, Equity but majority emphasize collateral which many women lack.

The advantage of commercial banks is that they have wider branches network and can reach most women. They also operate accounts which make it possible to monitor their clients closely. Most are located in urban areas thus difficult to provide services in the rural areas (Johnson, 1999).

Other limitations of commercial banks lending to women are the lack of appropriate savings instrument to mobilize savings to women and restrictions on withdrawals, this discourages women who would like frequent access to their savings. Their locations away from many women also implies high transaction costs, which discourage most women from using their savings and other services (Johnson, 1999).

NGOs lack financial resources restricting their potentials. Most have high credit costs, are donor based and sponsored, lack adequate funding and limited in geographical coverage. They also discriminate against women who get rationed out by lenders since cheap credit creates excess demand for loanable funds, forcing lenders to lend to “better off women” that have collateral and are perceived to be less risky(Mugwanga, 1998).

ROSCAs are found in both rural and urban areas. They provide credit to women who would likely be ineligible to borrow from other sources. ROSCAs have developed in response to access to credit by women forcing them to rely on their own savings and informal credit sources for their financing, it’s popular with rural women than urban ones. However, not all credit needs of members are satisfied implying there is a proportion of borrowing and lending not catered for (Daniel et al., 1995).
In the recent past, there has been increased tendency to fund women credit programmes in Kenya. Despite the emphasis on increasing the availability of credit to women, access to credit by them remain one of the major constraints they face. A 1995 survey of women entrepreneurs found that up to 32.7% of the women surveyed mentioned lack of capital as their principal problem, while only about 10% had ever received credit (Daniel et al, 1995). The failure of specialized institutions to meet credit needs of women has underlined the importance of a need-oriented financial system for rural development. Experience from informal finance shows that the rural poor, especially women, often have greater access to informal credit facilities than to formal sources (Hussain et al, 1998).

Hillier (1993) in his study on small and media scale enterprises in Ghana found out that large population of enterprises identify inadequate access to finance as a paramount chances of getting credit in most institutions, and they are reluctant to undergo the loan application process. They think it takes too long and is very vigorous. The researchers also analyzed data on financing the Small Scale Enterprises, where they sought questions on the extent to which they make use of banks and formal financial institutions and how actively do they seek external finance and what terms they are seeking.

A study by Ndirangu, (2001) on the constraints to financing to MSE’s asserts that policy liberation and the institution of small-scale credit program has not been sufficient to generate substantially more lending to these firms. The decline in the providence of formal credit to these enterprises has continued. Respondents cited the cumbersome documentation and the repeated request to seek more information as major obstacles because small enterprises can ill afford the time involved since the delay meant opportunities missed.

Muchai (1999) in his survey on the causes of failure of small enterprises cited lack of capital and related financial problems as one of the main causes. In his study on smallholder dairy farmers in Kikuyu and Limuru, most of the surveyed enterprises
indicated that if finance was more adequate their business could perform better. According to the survey 42.5% needed financial assistance but lacked collateral and 15% cited other problems by banks and financial institutions like short paying period and bad experience with a past loan.

Kiiru (1998) identified characteristics of small-scale entrepreneurs that restrict their access to credit. He asserts that most enterprises lack experience of dealing with formal financial institutions. They are unaware of variations in terms and conditions of repayment of loans and the implication in the business. Most of them do not have a recognizable credit history and are perceived to be high-risk category investments, they not able to prepare business plans that are suitable for a bank need, if the financing institutions need them, raising collateral and security is a major problem, the sector is extremely heterogeneous and it is difficult for financing institutions to issue general guidance to its lending officers regarding the loans and most of them have no management training and this has reduced their credibility with most bankers.

### 2.4 Access to Financial Services

Access to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities. However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Parker and Torres, 1994).

For small-scale enterprises, reliable access to short-term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises. Parker and Tones, (1994) further argue that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access.
Most of the conditions imposed by formal credit institutions like collateral requirements should not actually stand in the way of smallholders and the poor in obtaining credit. The poor can use the loans and repay if effective procedures for disbursement, supervision and repayment have been established. On the issue of interest rates, the bank also supports the view that high interest rate credit can help to keep away the influential non-target group from a targeted credit programme (Joyce, 1978). This further demonstrates the need to develop appropriate institutions for the delivery of loans to small-scale borrowers.

Notable disadvantages of the formal financial institutions are their restriction of credit to specific activities, making it difficult to compensate for losses through other forms of enterprises, and their use of traditional collateral like land. There is need for a broad concept of rural finance to encompass the financial decisions and options of rural economic units, to consider the kind of financial services needed by households, and which institutions are best suited to provide them.

2.5 Micro and Small Enterprises Credit Programmes in Kenya

With the exception of a few special credit arrangements, often funded by donors or Government, most formal financial institutions in Kenya do not knowingly make loans to the small-scale and jua kali sector. Though they would never say so, they seem to believe that if you must lend to these businesses, you would be better off just giving the money away as charity. This would, in their calculation, eliminate the need to meet overhead costs. The attitude of the banks to the perceived risk of the micro finance market is unfortunately ignorant of the economic potential of MSEs. Most often the banks forget to take into account the social and economic rewards of doing business with the MSE sector.

Historically, the provision of loans to the informal sector in Kenya, whether by banks or NGOs, has consisted of an assortment of pilot projects and innovative ideas. After 20 years of experimentation, lending to the MSE sector is beginning to evolve into a new
financial industry, one that builds on successful principles, experiences and best practices from both commercial finance and grassroots based development institutions.

2.6 Global Interest in Promoting Women Entrepreneurs

The state of women in enterprise development is a major concern among governments in most countries. However, much of this interest is relatively recent. One of the global impetuses in developing countries was the United Nations Decade for Women (1976-1985). In 1979, the General Assembly of the United Nations adopted the International Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), and this paved the way for greater government attention everywhere on the role of women in development programmes and on strategies for eliminating discriminatory practices against women. During the Decade for Women, women’s contributions to family income and their roles as producers of goods were documented, and evidence provided that economic development policies often failed to benefit women and, in many cases, even hurt them (Yudelman, 1987).

During the 1980s, the question of how to integrate women effectively into development projects was more systematically researched, and the objective of development policies became more focused on how to increase women’s access to education, skills training, credit, land and other productive resources to enable them to participate fully in economic activity. At the same time, there was a growing recognition that prevailing patriarchal structures and stereotypical attitudes towards women’s roles in society impacted negatively on the ability of women to function as economic agents in society. Peterson and Weiermair (1988) argued that women had been wrongly perceived as a marginal economic group, rather than a positive socio-economic force. As entrepreneurs they had significant untapped potential as wealth creators.

The Beijing Platform of Action, adopted in September 1995, was a key event in influencing governments to adopt National Gender Policies and to put into place further mechanisms to ensure that women and men had the same rights, obligations and opportunities in all areas of life, including economic activity. Nevertheless, women in
developing countries are still too often subject to the persistent burden of poverty; unequal access to resources and participation in economic policymaking; inequality in access to education, skills development and training; unequal access to health and related services; and inequality with men in the sharing of power and decision-making.

In developed economies, women are generally under-represented in the population of business owners as compared to men. Reynolds, (2002) report that men in developed countries are two to three times more likely to be involved in business ownership as women. In the majority of the countries, women’s share of self-employment (a proxy for business ownership) is a quarter to one-third of the total, but this ranges significantly from a low of 13 per cent in Turkey to a high of 40 per cent in Portugal. In Latin America and the Caribbean, women comprise between a quarter and a third of the formal sector population, a share that has been increasing over the past twenty years (Weeks & Seiler, 2001). In developing economies, the situation changes somewhat.

Reynolds (2002) notes, for example, that the participation level of women in entrepreneurship is almost equal to that of men in a number of developing countries (South Africa, Mexico, China, Thailand). Reynolds (2004) makes the point that in the developing country context, one of the most critical structural improvements that can be made by governments is to provide special assistance to women entrepreneurs.

The challenge of developing women’s enterprise is, therefore, different in developed versus developing countries. In developed countries, the initial challenge is to increase women’s share of business ownership by encouraging more women to start businesses, removing impediments, and improving their access to economic resources (e.g. credit, business advice, entrepreneurship training). The secondary challenge is to address their growth barriers, that is, to increase the percentage of women-owned enterprises that grow rapidly. In developing countries, a higher percentage of women are often found in the micro-enterprise sector, particularly among informal enterprises, so the challenge (in the short-term) is less about trying to increase the number of women entrepreneurs and more
about how to legitimize and strengthen the base of their activity so they can grow their enterprises.

Apart from differences in the numeric share of women's enterprises in the micro and small enterprise (MSE) population among countries, the situation of women relative to men in the MSE sector in both developed and developing countries is similar in many ways. Regardless of the country, relative to the men women start smaller businesses, are less likely to employ hired workers, grow more slowly (if at all) and are less likely to borrow from a bank, are more likely to access personal networks for advice and support, and tend to dominate the lower growth sectors of the economy.

In all countries, it appears that the larger the enterprises, the fewer women one will find. Even in the most developed countries, women-owned enterprises are seriously underrepresented among technology and export-oriented firms. Among the list of priority, barriers to women's entrepreneurship in all countries are lack of access to, credit; formal business networks; and, opportunities to gain management experience and exposure; as well as, the limitations of combining household and family care responsibilities with those of running an enterprise. So the end game in both developed and developing countries is the same — improving the conditions under which women operate businesses; increasing their access to credit, training, business support and information and other necessary resources; and enhancing the level of cultural support for women's role as entrepreneurs.

2.7 The Role of Women in the Micro and Small Enterprise Sector

Entrepreneurship and enterprise development by women has to be placed in context. It emerges within an environment that has its social, cultural, economic and even political boundaries. It also evolves within the overall policy and programme framework for development of the micro and small enterprise sector. The importance of women entrepreneurs to the Kenyan economy is reinforced in various micro and small enterprise policy documents of the respective governments. Women make up a significant share of the micro-enterprise population and are considered critically important to poverty reduction strategies.
The government’s MSE policy makes particular reference to the importance of addressing gender-based inequalities in access to credit, business services and information, training and technology. However, there is little evidence of specific concrete policy measures or programmes to address the particular barriers faced by women-owned MSEs, and virtually no provisions has been made for facilitating growth oriented women entrepreneurs. Although several donor programmes include a women’s enterprise development component, these are often dwarfed by larger MSE initiatives, and are rarely part of an overall coordinated government-donor strategy to strengthen women’s enterprises. Women-specific programmes that do exist often fall into the category of social welfare and poverty alleviation.

2.8 Women accessibility to credit,
Hornby (1990) observed that there is a striking disparity in women’s access to credit vis-à-vis that of men. He further conducted a study of thirty-eight branches of major bankers in India and the study revealed that only 11% of borrowers at these banks were women. Further, the amount of credit disbursed to women was disproportionately small.

According to Berenbach (1992), there is too much emphasis on gender rather than entrepreneurship. The excessive gender specific concentration has isolated rather than integrated women into mainstream of the economic activity. The result of this is that women enterprises remain small as compared to those of men.

The main issues regarding credit delivery are accessibility and the cost of providing it. Of greater importance to the women entrepreneurs is the availability of credit, the reduction of processing time or transaction Costs to a minimum (Dondo, 1991). He further noted that women entrepreneurs in Kenya continue to have low access; the majority of reasons related to the security required by the lenders e.g. land title deeds.

Berenbach (1992) observed that women have less entry into the banking credit process and are remained of the necessity of spouse cooperation throughout the management of
their enterprise. Other constraints identified to women entrepreneurs are education level, size of the enterprise, business training and markets for their products.

According to parker (1994) women's low level of education creates difficulties in application procedures and information access about credit and married women are less independent in making decision credit granted. Further, he noted that NGOs are attractive to women than banks for many reasons. This includes the lower interest rates and additional services such as counseling and training.

Since 1991, interest rates and other bank charges are no longer controlled by the government. Borrowers can therefore negotiate with banks on interest rates and other charges, Wanguria (1997). This has not helped the women traders who have, like negotiation skills and knowledge of banking term. Types of fees include negotiation fees, arrangements fees, commitments fees and legal fees.

2.9 Informal financing
Informal service providers include several variants of merry-go-rounds and rotating savings and credit associations (ROSCAs). They have their roots in the traditional mutual guarantee system, which makes them very popular. In fact, there are thousands of ROSCAs in Kenya serving as a source of credit for millions of low-income people. Estimates are that 76 per cent of group members are women (Kabbuchi et al., 2000).

A typical ROSCA involves a group of 5-10 members. It operates on simple principles regular meetings, each member contributes a fixed amount, each member gets a turn as a recipient. Unless the ROSCA “tops up” its fund with finds borrowed from a microfinance institution, no interest is paid on the loan or earned on the savings. If the ROSCA does borrow money for on-lending, it charges an interest rate to borrowers in excess of the cover its own borrowing. The amount will vary from one group to another but could be as high as 5 per cent a month.
A variation of the ROSCA is the Accumulating Savings and Credit Associations (ASCAs). The most common version of ASCAs involves regular savings with an agreed minimum amount for every member, but allowing higher amounts to be saved by members who wish to. Not all members borrow. This goes on for an agreed period of time, at the end of which members take their savings and interest and the ASCA is wound up.

These informal financial service systems are savings-led and do not work as well when external capital is introduced. Introduction of such capital tends to make the lump sums too large in relation to the members capacity to repay, thus distressing the system (Coetzee et al, 2000).

Savings and Credit Cooperative Societies (SACCOs) are the institutions with the most visible impact on the lives of many women. Their primary objective is to give group-based members access to a convenient savings system and affordable credit. They are currently organized at workplace or group-based savings and credit associations. SACCOs are the largest supplier of micro-finance to MSEs in the country, accounting for a total market share of over 90 per cent (Coetzee et al, 2000).

2.10 Women-focused micro-finance initiatives

According to Mayoux (2000), to the considerable potential of micro-finance for the empowerment of women; their demand for credit and savings facilities is high. Together with savings propensity and loan repayment rates equal or exceed those of men. Many women, particularly in programmes targeting women entrepreneurs, decide on the use of the loan and invest in income-earning activities.

Some women are able, over a cycle of several loans, to increase incomes that they themselves control. However, MF targeted to women and financed by MFIs is often seen as part of a poverty reduction programme, rather than as an economic, business development tool. Women micro enterprisers tend to operate in an environment with low
investment, low growth potential, endure harassment on issues pertaining to licensing, operate in safe, cheap and “possible to get” premises, if not home-based, and have fewer hours to invest in their businesses due to domestic responsibilities. These women tend to have little or no education and often lack confidence - all factors affecting growth. An additional factor is that it cannot be assumed that the woman entrepreneur has control, or even an effective say, over loan use, even if she secures the loan from a programme targeted specifically to women (Mayoux, 1999).

Women may simply be used as low-cost and reliable intermediaries between loan programme staff and male family members. Professional staff find it more convenient to deal with women because they are at home during working hours; male clients have neither the time nor the inclination to attend group meetings. In some reported cases, women do not even know that their husbands have taken a loan in their names (Mayoux, 1999).

2.11 Financial Institutions Practices Affecting access to Credit

Clients selection and existing procedures
Most financial institution are targeting individuals in groups, one may be a business starter, and they must have to produce good and viable business plans to qualify for the loans. Equally there is a department for women and different clientele selection system, that of searching for a guarantor for the individual borrower and not group of other borrowers.

For government supported schemes women have to organize themselves in groups before they can apply for a loan from these schemes. The composition of the group is not specified. Group members that are interested to borrow from the schemes do select themselves (Wagacha, 2000).

According to Kenya Women Finance Trust (2002), Self selection process is quite strict as women visit each other’s business premises to assess the viability before accepting a member into group. They also take interest to exchange information about their families
before accepting a new member into a group; as a result clients are closely related some are family members or friends.

Most of the women undergo a pre-loan training as part of loan application from one week to one month. The training takes a form of meeting in which participants are informed about rules and procedures of the loan in question.

The same opportunity is taken to sensitize the women on some of basic skills of businesses and credit management. The training attendance is used to assess the seriousness and commitment of the potential borrowers in their groups, At KWFT its only those women borrowers who attend the pre-loan training without missing even a single day that quality as clients.

Selection conditions of borrowers are determined by institutions themselves where a borrower must be a member and size of loans has to be consistent with business activity. Capacity to pay is determined by the level of business income. Thus a higher investment attracts a higher loan than a lower investment. It’s mainly for business people (Shayo et al., 1998).

**Repayment Enforcement mechanism**

Loan repayment enforcement mechanisms are designed to suit the circumstances of the parties involved. Usually they are a creation of the lender. For government loans women borrowers enter into a contract with the lender in which a grace period and other terms of loan are specified. Normally a borrower is required to contribute a fixed percentage of the value of the project being financed before loan approval. At the same time if the loan is given in form of an asset the ownership doesn’t pass to the borrower until after the payment of the final balance (Shayo et al, 1998).

Repayment rates are quite minimal at 8% p.a. Repayment practices includes:- Members of groups guarantee each other no real asset or collateral such that if repayment is due and a member can’t pay, other group members pay on her behalf. Starting with

20
small sized loans that can easily be repaid back if business performs well. Very short and frequent repayment intervals. Imposition of penalty against the groups which don’t pay on time. Frequent meeting to pressurize loan repayments. Very short grace periods from loan receipts to loan repayments. Very frequent repayment intervals shortest one week to lessen risk of funds diversion. Close monitoring by credit officers occasionally offering assistance when needed.

Use of incentives to repay effected through increasing the loan sizes for good repeat borrowers that may need larger loans. Social exclusion of members from groups if one defaults. In extreme cases personal properties (house hold items) to be confiscated and auctioned to recover loans. The women fund has short repayment period mainly within one year (Shayo et al., 1998).

Savings Mobilization
Savings is the beginning of all financial intermediation. Savings services are among the most beneficial service for the women. All households need to save to protect themselves against periods of low incomes or cover for emergencies. Some institutions mobilize savings in guise of members’ registration fees, loan insurance funds, group funds. The savings are both compulsory and voluntary. Compulsory savings are in form of loan insurance funds (LIF) i.e. borrowers contribute a part of the loan (5%) of borrowed amount into (LIF) of the lender before receiving it (Shayo et al, 1998).

This is deducted by the lender and retained in the institution account. The voluntary savings are made by members in the groups account or paid into borrower’s account which then saves as an indicator of seriousness to credit demand.

Lending Conditions
Lending conditions are imposed upon women to comply with. They include interest rates charged, loan sizes, minimum savings prior to loan application references or collateral loans are extended to women of 18 years of age and above. Most institutions lend as a rule and general practice to borrowers who have viable Profitable projects. Many of the
projects have been ongoing. Loans made carry interest rates of 8% p.a translating to 1.25 per month. Pre-loan savings either in group fund or in bank accounts is encouraged for a period of three months. Pre-loan training attendance on the side of women is another condition. Some institutions require some women to pay for the training costs mostly for women applying for huge loans.

**Location of Borrowers**

Most of formal institutions except SACCOS and religious organizations are urban and peril-urban shortcoming being that exclusion of rural areas where majority of women are located. These formal institutions justify their confinement to urban areas due to high cost of operation in rural area. It’s also argued that group lending model which demands frequent meetings of women cannot be easily applied in rural areas where the population is more scattered and poor infrastructure (Shayo et al, 1998).

**Inadequate Loans Approved**

Most women complain against the size of loans. The startup loans are too low to start any meaningful business. The applications of the minimum collateral to all borrowers may be serving the interest of the lenders more than the women borrowers. It puts all the women in the same bandwagon regardless of the differences in financial needs. In fact some women admit that they borrow, keep and repay as schedule, repeat the same procedure until they qualify for higher amounts that they need (Kabbuchi et al., 2000). This delays the potential large borrowers from realizing the business activity in mind.

**Gaps filled by study.**

A lot of research has been done on lending/credit facility by financial institutions. However scanty information exists on factors affecting women from accessing credit facilities. This study sought to analyze credit policies in financial markets with the view of establishing their role in determining the access to credit by Kenyan women. Improving the availability to credit this sector is one of the incentives, which have been proposed. Despite this emphasis, the effects of existing institutional problems, especially the lending terms and conditions on access to credit facilities have not been addressed. In
addition, there is no empirical study indicating the potential role of improved lending policies by formal institutions in alleviating problems of access to credit. Knowledge in this area, especially a quantitative analysis of factors affecting accessibility of credit by women entrepreneurs is lacking.

2.13 Conceptual Framework

Independent variables

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Collateral / security / guarantors</td>
</tr>
<tr>
<td>2</td>
<td>Group financing</td>
</tr>
<tr>
<td>3</td>
<td>Loan size and repayment period</td>
</tr>
<tr>
<td>4</td>
<td>Restriction of credit to specific activities</td>
</tr>
<tr>
<td>5</td>
<td>Savings mobilization</td>
</tr>
</tbody>
</table>

Dependent variable

Access to Credit by Women

(Source: Researcher)

2.9 Expected Relationships

Collateral requirements: Women shy away from borrowing due to poor collateral position.

Group lending: Groups guarantees loans to their members thus ensuring easy loan supervision but again leaves out women who are socially left out of groups.

Repayment period is deemed to be relatively too short and amounts of loans approved is inadequate this hinders access to this facility.

Restriction of credit mostly to business hinders others women from access mainly working class women are left out.

Low savings mobilization due to low income saving rate is low so imposing savings on women defeats the purpose of the credit.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction
This chapter outlines the methodology that will be used in the research project. It gives details of research design, study population, sampling techniques and data collection, survey instruments and data analysis.

3.1 Research Design
This study will adopt an explanatory research design to obtain primary data from women traders in Kibera Toi Market. A descriptive approach will be used to obtain secondary data for the study. (Mugenda, 1999) asserts this is the most appropriate method because it will attempt to show and document the current conditions and describe what is existing at the moment.

3.2 The Study Population
The target population for this study will comprise all the women traders at Kibera Toi Market. According to Kibera Market traders register, there are about 1200 traders at the market, of which 800 are women. This study targets these women.

3.3 The Sampling Design
A random sample of 120 women will be picked from Kibera Toi Market traders register, using the simple random sampling technique. (Rosco, 1975) proposed a rule of the thumb for determining a sample size and indicates a sample size of 30 to 500 as appropriate for most researchers.

3.4 Data Collection
Primary data will be collected through a semi structured questionnaire having closed and open ended questions. The closed ended questions are intended to elicit qualitative responses about the respondents view on normal credit accessibility by women entrepreneurs in Kenya. The questionnaires will be piloted so as to help the researcher
identify any ambiguous and unclear questions. The drop and pick later method data collection will be used. The researcher will be available to clarify any questions that wouldn’t be clear to the respondents. The researcher will also assist the respondents who are illiterate by administering the questionnaire orally.

3.5 Data Analysis
The data collected will be edited for accuracy, uniformity, consistency and completeness and then arranged to enable coding and tabulation before final analysis. The data will be analyzed using descriptive statistics by way of percentages, proportions and frequency distributions. The statistical packages on social sciences (SPSS) will be used to analyze the data. The tables, graphs and charts will be generated and there after interpretations, conclusion and recommendations will be done.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION OF THE FINDINGS

4.1 Introduction
In this chapter the researcher is going to discuss the result of the findings from the data that was collected from the respondents. Only those issues related to the objectives of the study will be considered for analysis.

4.2 Analysis

Table 4.1 Age of the respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 18Yrs</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>19 -30 Yrs</td>
<td>23</td>
<td>19%</td>
</tr>
<tr>
<td>31-40 Yrs</td>
<td>72</td>
<td>60%</td>
</tr>
<tr>
<td>Above 40Yrs</td>
<td>25</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author
Most of the respondents were in their middle ages for they formed 60% of the respondents who filled in the questionnaire. Those who were below 30Yrs of age formed 19% and those above 40yrs of age were 21%.

Table 4.2 Marital Status

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>32</td>
<td>27%</td>
</tr>
<tr>
<td>Married</td>
<td>65</td>
<td>54%</td>
</tr>
<tr>
<td>Windowed</td>
<td>10</td>
<td>8%</td>
</tr>
<tr>
<td>Divorced</td>
<td>10</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author
The status of women in a patriarchal social structure makes women dependent on males in their lives – husbands or fathers – and family resistance is a major disincentive to business start-up. Other close male family members often make decisions for women hence going against the independent spirit of entrepreneurship. In this line most of the women who have good businesses in the market are those who are married and upon
being interviewed they confirmed that they get all they need to improve their businesses from their husbands. Married women should be given support by their spouse in respect of finances, motivational encouragement, advice and actual involvement in the running of business. Access to credit by women entrepreneurs at the level of micro and small-scale enterprises, should be facilitated through innovative programs and financing arrangements that go beyond the conventional approaches; which require collateral and capital among other conditionalities. While today women rarely have the same access to resources as men, in the past some resources were available to them, especially land. Wives in many societies were not fully economically dependent upon their husbands. Women had their own age-grade associations and leaders and wielded power in spheres regarded as exclusively feminine, guaranteeing them some leverage in political processes and allowing them to negotiate with men.

Table 4.3 Education Level

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>30</td>
<td>25%</td>
</tr>
<tr>
<td>Secondary</td>
<td>60</td>
<td>50%</td>
</tr>
<tr>
<td>College</td>
<td>10</td>
<td>8%</td>
</tr>
<tr>
<td>University</td>
<td>20</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source Author

Lack of sufficient education and training for women is another impediment to micro-enterprise success. Culturally, and especially in the both urban and rural setting, the girl child was not given equal opportunity to study like the boys; hence they had limited education and training (if any) which tends to affect effective performance in later life. Only few women have university education in a market where majority are just secondary level. This causes them not to utilize the available sources of credit to boost their businesses.
Table 4.4 Salary/Wages

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25</td>
<td>21%</td>
</tr>
<tr>
<td>No</td>
<td>95</td>
<td>79%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author

The experiences the women entrepreneurs have in running their businesses include such problems as lack of enough capital, difficulties in transportation and marketing, the perishability of some commodities and competing demand related to household chores. They encounter difficulties in licensing procedures and other such constraints. This causes them to be employed to get income where they can use it as collateral to loan borrowed. The few who are salaried their businesses were performing compared to those who were not employed.

Table 4.5 Years of Trading in the Market

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1Yr</td>
<td>25</td>
<td>21%</td>
</tr>
<tr>
<td>1-5Yrs</td>
<td>44</td>
<td>37%</td>
</tr>
<tr>
<td>6-10Yrs</td>
<td>39</td>
<td>33%</td>
</tr>
<tr>
<td>Above 10Yrs</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author

Entrepreneurship always involves some level of risk taking. For women in the urban as well as rural areas, gender stereotyped perception of self, lack of confidence and assertiveness appear to be major barriers. The fear to risk is a big hindrance. The majority who have traded for many years were those between 6-10Yrs. The lest were in the market for less than a year, below five years and only were 10% while those who have been in the market for over 10 yrs formed only 10%.
Table 4.6 Type of the Business

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saloon</td>
<td>15</td>
<td>13%</td>
</tr>
<tr>
<td>Grocery</td>
<td>44</td>
<td>37%</td>
</tr>
<tr>
<td>Tailoring</td>
<td>25</td>
<td>21%</td>
</tr>
<tr>
<td>Hotel</td>
<td>20</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source Author

Small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries. While the contributions of small businesses to development are generally acknowledged, entrepreneurs face many obstacles that limit their long-term survival and development. This causes the type of the business that need financing to be discredited to receive loan for it have no documentation that would be required by the financing institution. These are like the book of accounts which enable the financier to rely on them for advancing credit. These businesses in Kibera do not have for most are informal. The various types of businesses are in the market. These vary from saloon, Green grocery, tailoring to a hotel. Most of the businesses are green grocery selling dry as well as fresh green vegetables.

Table 4.7 Loan facility applied

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>88</td>
<td>73%</td>
</tr>
<tr>
<td>No</td>
<td>32</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source Author

Many of the urban women belong to women-only mutual-aid societies, benevolent groups in churches, cooperatives and market women's groups. Some of these groups allow women to pool resources to reduce their workload and to invest in savings societies or cooperative ventures. Cooperative societies have provided women access to resources. From the table above 75% have applied for a loan and only 25% have not applied for a loan. This is an indication that some have no access to the loan facilities from the financial institutions.

29
Table 4.8 what was the source of the loan

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>30</td>
<td>25%</td>
</tr>
<tr>
<td>Micro Finance Institution</td>
<td>10</td>
<td>8%</td>
</tr>
<tr>
<td>Roscas (Merry Go Round)</td>
<td>68</td>
<td>57%</td>
</tr>
<tr>
<td>Friends &amp; Relatives</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Access to financial services is critical for economic empowerment of any population and it varies across gender. This includes levels of savings, access to credit, and installments remittances. Experiences and evidence from these traders, point out that loosening of economic constraint imposed on women can have immense consequences on development. This includes the success of micro-finance institutions such as the Equity Bank that provides small loans for women to start a business of their own. Most of the respondents who filled in the questionnaire access loans from the ROSCAS. Those who get from the bank are only 25%, from the micro-finance institutions 8% and 10% from family friends and relatives.

Table 4.9 Reason for not taking a loan

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of security</td>
<td>44</td>
<td>37%</td>
</tr>
<tr>
<td>Lack of information</td>
<td>11</td>
<td>9%</td>
</tr>
<tr>
<td>High cost of finances</td>
<td>23</td>
<td>19%</td>
</tr>
<tr>
<td>Complicated procedures and time</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
However, MF targeted to women and financed by MFls is often seen as part of a poverty reduction programme rather than as an economic, business development tool. Women micro enterprisers tend to operate in an environment with low investment, low growth potential, endure harassment on issues pertaining to licensing, operate in safe, cheap and “possible to get” premises, if not home-based, and have fewer hours to invest in their businesses due to domestic responsibilities. These women tend to have little or no education and often lack confidence – all factors affecting growth. An additional factor is that it cannot be assumed that the woman entrepreneur has control, or even an effective say, over loan use, even is she secures the loan from a programme targeted specifically to women. The respondents gave varied reasons for not taking loans. Security and collateral requirements, Group lending requirements, Business plan / proposal, Cost of finance and high cost of finance.

Table 4.10 Perception of the bank as sources of finance

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Good</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td>Good</td>
<td>22</td>
<td>18%</td>
</tr>
<tr>
<td>Not Good at all</td>
<td>62</td>
<td>52%</td>
</tr>
<tr>
<td>No idea</td>
<td>24</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source Author

Women often lack the ability to approach a financial institution and to develop a proposal for financing (business plans). Many do not understand the mechanisms of borrowing. Women are seen to lack management skills, and some women have relatively low levels of education and technical skills. Even if their project is “bankable”, they often lack proper business financial records and their capacity to prepare a business plan is limited. Women are perceived to be risk adverse in approaching banks to finance their small projects. Small loans are costly for financial institutions to put on the books and administer. “Men have bigger ideas and borrow bigger”. Sources of loan from the bank faced varied perception with only 10% accepting it is a good source and only 52% disagreed that they are not the best source of financing their businesses. They are mostly used to the ROSCAS.
Table 4.11 Women Groups

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>67</td>
<td>56%</td>
</tr>
<tr>
<td>No</td>
<td>53</td>
<td>44%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author

From the chart above and the table 56% of the respondents belong to a women group and only 44% have not joined a women group to support their businesses.

Table 4.12 Any credit from the women group

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>87</td>
<td>73%</td>
</tr>
<tr>
<td>No</td>
<td>33</td>
<td>27%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author

Table 4.13 Husband Support in the business

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>69</td>
<td>58%</td>
</tr>
<tr>
<td>No</td>
<td>51</td>
<td>42%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author

The women who have joined the women groups have also borrowed loan from the groups. The 58% of the respondents agreed they have loan from the group and only 42% have not borrowed from the groups. Due to husbands supporting the businesses that are with their wives they don’t have the need to borrow the money and this is an indication they give monetary support to these businesses.
Table 4.14 Husband permission to the wife to borrow loan

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>75</td>
<td>62%</td>
</tr>
<tr>
<td>No</td>
<td>45</td>
<td>38%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source Author

One other challenge is the responsibility of providing for the extended family and relatives. Most micro-enterprise financial resources are not usually isolated from personal finances and hence these family obligations are met from resources earned in the business. Their demands tend to drain the savings and income made by the business, since such finances would otherwise have been used in the enterprise for expansion and growth. Though some of them do assist in providing services in the enterprise (or in the family), the financial obligations in supporting them usually exceed the services they provide. This is the reason that most husbands who don’t allow their wives to borrow funds for the businesses affect these businesses negatively. Most of the husbands whose wives has businesses in the market have given their wives a chance to borrow loans but only 38% of the husbands do not encourage their wives borrowing. Married women should be given support by their spouse in respect of finances, motivational encouragement, advice and actual involvement in the running of business. Access to credit by women entrepreneurs at the level of micro and small-scale enterprises, should be facilitated through innovative programs and financing arrangements that go beyond the conventional approaches; which require collateral and capital among other conditionalities.

Table 4.15 Amount of loan applied

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10,000.00</td>
<td>26</td>
<td>22%</td>
</tr>
<tr>
<td>10,000-20,000</td>
<td>17</td>
<td>7%</td>
</tr>
<tr>
<td>20,000-30,000</td>
<td>29</td>
<td>24%</td>
</tr>
<tr>
<td>30,000.00 and above</td>
<td>16</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>
Women are very often unable to meet loan conditions, specifically collateral requirements. This is primarily due to cultural barriers that restrict women from owning fixed assets such as land and buildings. As well, the traditional sectors of women’s business activities are often not asset based. The majority who has loan from either the bank have borrowed between 10,000 and above 30,000. This is an indication that the businesses are not that big to demand a lot of money to finance them.

The respondents who filled in the questionnaire gave the following as the factors that affect their accessibility of loan from banks and other financial institutions: Security and collateral requirements, Group lending requirements, Business plan / proposal Cost of finance, Repayment enforcement practices, Savings mobilization, previous credit history Credit Duration, Lack of information.

The respondents suggested that, So far in the country, women who want to expand their small businesses cannot do so, as Banks in the country will not give them loans, until they (women) show land or house ownership for collateral. The situation is considered by experts as dire because, women who are small scale traders in Kenya, as well as most African countries have no houses or land of their own.

The other challenges affecting the success of rural micro-enterprises include: need for effective communication to negotiate/bargain favorably, management of debtors, proper record keeping and issues to do with domestic matters such as balancing a woman’s role in the home and the enterprise expectations.

Most women who venture into businesses in the rural areas and need financing lack the needed collateral to enable them secure bank loans. Responsibility of entrepreneurs for dependants has limited opportunities to make savings or undertake business expansion and diversification.

From the respondents, a purely legal point of view, only some considerations must be made with regard to these social, economic and cultural factors. First, in some cases, gender neutral legislation (without the explicit statement of the non-discrimination
principle) is not enough to ensure gender equality. For instance, silence on gender equality in cooperative legislation may allow cooperative by-laws to directly or indirectly discriminate against women (e.g. in admission policies) without violating the law. Second, where socio-economic gender inequality exists, the lack of legal response by the state (e.g. through the adoption of affirmative action measures) may be remarked.

Without loans most women stick to their petty trade; and stay trapped in that economic and social class. But economist in Kenya has warned that their stagnation has a long term effect on the economic growth of the country. The government should provide the conditions for women to gain more access to credit facilities so they could easily compete with foreign merchants, who now dominate commerce in Kenya. However, these illiterate women, even when they have property as collateral, the loan application process still discourages a lot of them, as they must present a business plan, insurance documents, income statements and a convincing profit strategy. This trend, according to economists, will hinder socio-economic development considerably, in the long run.
CHAPTER FIVE
SUMMARY OF THE MAJOR FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction
In this chapter the researcher is going to discuss the summary of the major findings, conclusion recommendations and area for further research.

5.2 Summary of the major Findings
Without loans most women stick to their petty trade; and stay trapped in that economic and social class. But economist in Kenya has warned that their stagnation has a long term effect on the economic growth of the country. The government should provide the conditions for women to gain more access to credit facilities so they could easily compete with foreign merchants, who now dominate commerce in Kenya.
The respondents suggested that, So far in the country, women who want to expand their small businesses cannot do so, as Banks in the country will not give them loans, until they (women) show land or house ownership for collateral. The situation is considered by experts as dire because, women who are small scale traders in Kenya, as well as most African countries have no houses or land of their own.

5.3 Conclusions
The study was aimed at evaluating the factors that determine accessibility of formal credit to women traders/entrepreneurs in Kenya. The study found out that most of the credit traders ere trading for long periods ranging mostly between 5 to 10 years at the market selling different products especially clothes, fresh foods products among other products. The respondents indicted that their customers were satisfied with their services.

It was found out that majority of the women traders do not take loans and mostly raise their own finances. However some few borrow from friends and relatives. The few who borrow funds from lending institutions for the women to embrace borrowings of funds.

The research established a need in the traders to borrow funds from banks but discovered that most of these women traders do not have collateral or security against which to
obtain the loans. The respondents however perceived the bank loans as being very good sources of finance for their business.

The economic conditions in Kenya do affect but according to this study that only targeted women traders, the economic situation in Kenya affect their business to some extent. The respondents also felt their business had the capability to survive competition in future.

The study further established that most of the traders belong to lending groups with an approximate membership of between 10 to 15 people. This shows cohesion in the women traders who can only manage to save in the informal institutions like ROSCAS which do not have stringent formalities like the banks. This also calls for the MFI’s to come up and target these traders and offer them financial services on terms that they can manage and afford.

The issue of level of education of the respondents revealed that most of the women traders had primary and secondary education. This may due to the fact that educated women tend to get prestigious jobs with better pay, thus leaving their fellow women who have only the basic primary and secondary education to trade in the markets.

The traders also do not have salaried employment and are married. The issue of marital status was important in this study since the researcher wanted to establish whether the women traders are assisted by their husbands in the running of their business or whether their husband allow them to obtain and handle finances. The study established that the husbands of the respondents do indeed assist them in the day to day running of their business and also allow them the handle financial matters. This shows an enlightened society where men have allowed their women to handle matters that traditionally were a reserve of men only.
5.4 Recommendations

From the findings obtained above, the researcher would like to make the following recommendations in as far as the factors that determine accessibility of formal credit to women traders/entrepreneurs in Kenya is concerned.

1) There is need to ensure that women have access to adequate credit finances. This can be achieved through involving women in making decisions that affect them.

2) There is need for formal banking institutions to adopt a more integrated approach in delivering their services to their clients. They should look at the aspects of borrowing ensuring that all the necessary collateral and procedures are followed. However this should be done with consideration that the small business operators have minimum wealth and therefore the formal institutions should affordable collateral.

3) There is a need for the government to harmonize the laws, which discriminates women in financial markets. For examples inheritance law, which discriminates women from inheriting properties such as land, which is considered as the most important collateral by the traders. This would enable more women to have access to financial resources without depending on the goodwill of their husbands.

4) The government should formulate policies that would encourage women financing of their business activities. Once the government clarifies its support for women financing, MFI’s and other lenders will also develop policies that enable women to access adequate formal credit.
5.5 Suggestions for Further Research

The purpose of this study was to find out the factors that determine accessibility of formal credit to women traders/entrepreneurs in Kenya. The study was carried out in Nairobi’s Kenyatta Market. It could be that the results are not truly representative of other areas. Therefore the researcher would suggest that similar studies to be carried out in other areas in Kenya. Also the sample size was relatively small and thus the need to carry out research on a large sample size to increase reliability of the study results.

Further research should be carried from the perspective of the lenders (MFI’s that lend exclusively to women) to establish the constraints they experience when lending to women because this study has dealt with only borrowers.
REFERENCES


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APPENDIX 1
QUESTIONNAIRE
SECTION A

I would like to kindly request for your assistance and cooperation in responding to the following questionnaire. Any information given will be treated with utmost confidentiality and will be used only for the purpose of this study, which are purely academics.

General information

Please tick in the box where appropriate

1. What is your age?
   □ Below 18 years  □ Between 31-40
   □ Between 19-30  □ Above 40 years

2. What is your marital status?
   □ Single  □ Widowed
   □ Married  □ Divorced

3. What is your educational level?
   □ Primary  □ College
   □ Secondary  □ University
   Other specify................................................................................................................

4. Do you have any salaried / wage employment?
   □ Yes  □ No

5. How long have you been trading in this market?
   □ Less than 1 year  □ 6-10 years
   □ 1-5 years  □ Above 10 years

6. What business activity are you engaged in?
   □

46
<table>
<thead>
<tr>
<th></th>
<th>Saloon</th>
<th>Tailoring</th>
<th>Grocery</th>
<th>Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others specify</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Have you ever applied for a loan facility?
- [ ] Yes
- [ ] No

8. If yes what was the source?
- [ ] Banks
- [ ] Merry go rounds /ROSCAS
- [ ] Micro-finance institutions
- [ ] Friends and relatives
- [ ] Others specify

9. If not from bank why?
- [ ] Lack of security / guarantors
- [ ] High cost of finance
- [ ] Lack information
- [ ] Complicated procedures and time
- [ ] Others specify

10. How do you perceive banks as a source of finance for your business?
- [ ] Very good
- [ ] Good
- [ ] Not good at all
- [ ] No idea

11. Do you belong to any women group?
- [ ] Yes
- [ ] No

12. If yes have you ever tried to get credit as a group?
- [ ] Yes
- [ ] No

13. If married does your husband support you in your business venture?
- [ ] Yes
- [ ] No

14. Does he allow you to apply for loans?
- [ ] Yes
- [ ] No

Any comment

15. What amount of loan have you applied for?
- [ ] Less than 10,000
- [ ] 10,000 – 20,000
- [ ] 20,000 – 30,000
- [ ] 30,000 and above
- [ ] Please specify
SECTION B

16. Please indicate by a tick (✓) the extent of significance of the following factors in access to credit by women in Kibera Toi Market.

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>No. Significance</th>
<th>Low Significance</th>
<th>Fairly Significant</th>
<th>Very Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Security and collateral requirements.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. Group lending requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Business plan / proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Cost of finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Repayment enforcement practices.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Savings mobilization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Previous credit history</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Credit duration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Lack of Information</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17. Any suggestions as to what measure/scheme of improvements to improve access to credit by women?

........................................................................................................................................
........................................................................................................................................

18. In addition to the above suggestions would you like to see introduction of the following services / products. You can tick more than one answer/

☐ Assistance in the preparation of banking documents
☐ Publication of a guide on how to prepare a business plan
☐ Provision of advice / training to women entrepreneur for negotiation process
☐ Bank agreement on credit condition opened to women entrepreneurs
☐ Advertisement on facilities / products offered by banks.

Thank you for your consideration and time.
Be sure that your answers will be treated with the highest confidentiality.
APPENDIX 2

PLAN OF ACTIVITIES

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>TIME (WEEKS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PILOT STUDY</td>
<td>2</td>
</tr>
<tr>
<td>DATA COLLECTION</td>
<td>5</td>
</tr>
<tr>
<td>DATA ANALYSIS</td>
<td>4</td>
</tr>
<tr>
<td>COMPILATION</td>
<td>3</td>
</tr>
<tr>
<td>SUBMISSION OF THE REPORT</td>
<td>DUE DATE</td>
</tr>
</tbody>
</table>

SCHEDULE OF ACTIVITIES

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td>PILOT STUDY</td>
<td></td>
</tr>
<tr>
<td>DATA COLLECTION</td>
<td></td>
</tr>
<tr>
<td>DATA ANALYSIS</td>
<td></td>
</tr>
<tr>
<td>COMPILATION</td>
<td></td>
</tr>
<tr>
<td>SUBMISSION OF THE REPORT</td>
<td></td>
</tr>
</tbody>
</table>

ACTIVITIES: PILOT STUDY, DATA COLLECTION, DATA ANALYSIS, COMPILATION, SUBMISSION OF THE REPORT.
### APPENDIX 3

### BUDGET

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>COST (KSHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. PROPOSE DEVELOPMENT</strong></td>
<td></td>
</tr>
<tr>
<td>• Travelling and accommodation</td>
<td>7,000</td>
</tr>
<tr>
<td>• Typing and printing 80 pages @ 30</td>
<td>2,400</td>
</tr>
<tr>
<td>• Binding 4 copies @ Kshs. 100/=</td>
<td>400</td>
</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td>9,800</td>
</tr>
<tr>
<td><strong>B. DATA COLLECTION AND ANALYSIS</strong></td>
<td>18,000</td>
</tr>
<tr>
<td>• Travelling and accommodation</td>
<td>11,500</td>
</tr>
<tr>
<td>• Data processing</td>
<td>1,200</td>
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<tr>
<td>• Stationary</td>
<td></td>
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<tr>
<td><strong>SUB TOTAL</strong></td>
<td>30,700</td>
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<tr>
<td><strong>C. PRODUCTION OF FINAL DOCUMENT</strong></td>
<td></td>
</tr>
<tr>
<td>• Printing and typing 50 pages @</td>
<td>1,500</td>
</tr>
<tr>
<td>Kshs.30</td>
<td></td>
</tr>
<tr>
<td>• Binding of 4 copies @ Kshs. 100</td>
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<td><strong>SUB TOTAL</strong></td>
<td>1,900</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>42,400</td>
</tr>
</tbody>
</table>
APPENDIX IV

LETTER OF INTRODUCTION:

Dear __________________________

I am a student pursuing a post graduate degree at the school of Business, Kenyatta University. The title of my study is. ‘AN INVESTIGATION ONTO FACTORS AFFECTING ACCESSABILITY OF CREDIT BY WOMEN ENTERPRENUERS IN KENYA’ (A CASE STUDY OF KIBERA TOI MARKET IN NAIROBI)

You are selected to participate in this study as an entrepreneur in Kibera Toi market. The questionnaire attached asks questions about your business activities, processes and practices. Your participation is essential to this study and will enhance our knowledge on factors affecting accessibility of credit by women.

I also wish to inform you that the information you will provide will only be used for academic purposes. If you would like, we can send to you the report of the findings on request.

My address is provided below.

Thank you.

DOLPHINE MUJUKA A.
Kenyatta University,
School of Business,
P. O. Box 43844,
NAIROBI, KENYA.