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## **Effect of non-financial services provided by microfinance institutions on social capital and women empowerment in Kericho town, Kenya**

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### **Abstract**

Women play a vital role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low income and social discrimination mostly in third world countries have hindered their effective performance. The series of microfinance programs and policies were put in place by the government to reduce the rate of poverty by empowering women through having women have access to credit facilities. However, it is discovered that women entrepreneurs, especially in developing countries do not have easy access to micro-finance factors for the entrepreneurial activities and at such have low business performance than the male business. The specific objective addressed in this research paper was to assess how non-financial services provided by microfinance institutions affect social capital and women empowerment. This answered the question; how do non-financial services provided by microfinance institutions improve social capital and women empowerment? The research problem emerged from the need to assess Micro Finance Institutions (MFIs) effects on women entrepreneurial empowerment and social capital. The study was of great significance to the women entrepreneurs, the management of microfinance institution, the government and the community at large. The study presented analysis of culture and deeper understanding of linkages between MFIs and women empowerment. Descriptive research design was adopted basing the study on selected women group enterprises within Kericho town, (Kericho County) with a target population of 100 respondents of which 79 of them were sampled. The data was analysed with the help of Statistical Package for Social Science (SPSS). Validity was achieved through pilot study. The findings revealed that Micro-finance provided the needed opportunity for entrepreneurs to start or improve business in order to make profit and improve their lives, savings, training and social capital could have positive impact on opportunity for entrepreneurial activity of women enterprises which could lead to business performance which highly depend on attitude to risk. The study concluded that women entrepreneurs lack the skills, ideas to innovate and respond to market opportunities and threats leading to weak market positions. It was recommended that women entrepreneurs should attend several training workshops and business meetings in order to develop business skills that will help them grow and build business empires in their counties.

**Keywords:** women entrepreneurs, social capital, credit, training, savings

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### **1. Introduction**

Women play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low income and social discrimination mostly in third world countries have hindered their effective performance. Overtime, it has been discovered that women entrepreneurship could be an effective strategy for poverty reduction in a country, since women can possibly multi-task hence most entrepreneurial activities are achieved. However, the rate of participation of women in the informal sector is lower than for males (Gibbons and David, 2011) <sup>[4]</sup>. Research from developing countries has shown that as mothers gain a stake and control in the financial resources of a household, children are more likely to stay in the education system and less likely to suffer from malnourishment (Yunus, 2010) <sup>[8]</sup>. The Grameen Scotland foundation inspired by these facts, believed that they could transfer the same model to work in a moderated form for a westernized society. Women entrepreneurs throughout the world contribute to economic growth and the sustainable livelihood of their families and communities. Microfinance helps empower women from poor households to make this contribution. According to Gibbons and David (2011) <sup>[4]</sup>, whilst a celebrated model for alleviating poverty

in rural areas of developing countries, micro financing as a business idea is yet to truly make its mark in the West. It may come as a surprise to many then that the model worked out by Grameen and Yunus has been successfully implemented in poverty-stricken areas in France and America.

### **2. Literature Review**

Non-financial services with conditionality to credit access, such as carefully designed adult literacy and business training programs, can facilitate women's access to better jobs and income-generating opportunities and hence, perhaps the most effective means of promoting gender equality. Women entrepreneurs, especially in developing countries lack training, (International Finance Corporation, 2016). Entrepreneurial process is a vital source of developing human capital as well as plays a crucial role in providing learning opportunity for individuals to improve their skills, attitudes and abilities (Brana, 2016). Effect of training on women entrepreneurs' performance, especially in developing countries, has not been adequately addressed in the literature. In Indonesia, female clients of BRI were more likely than non-clients to make joint decisions with

their husbands concerning allocation of household money, children's education, family size and participation in community events. In Bangladesh, a survey of one thousand three hundred clients and non-clients showed that credit clients were significantly more empowered than non-credit clients in terms of their physical mobility, ownership and control of productive assets for example land, involvement in decision making, and awareness of legal and political issues (Barcu, 2009) [1]. As reported in Centre for Self Help Development (CSD) by Collins *et al.* (2009) [3] in Nepal, sixty eight percent of Women's Empowerment Program members said that they made decisions on buying and selling property, sending daughters to school, arranging children's marriages, and family planning. In some instances, women's access to microfinance may result in increased violence within the household, leaving them with a greater loss of power.

In one study on poverty eradication and pro-poor growth (OECD, 2010) [7], women borrowing from a micro-enterprise may end up being forced to work longer hours and lose control over financial resources and decision making to male members of the family. Neither should microfinance be seen as a substitute for dealing with key structural issues pertinent to women and poverty such as lack of skills and education, or legislation that discriminates against women for example property rights, agrarian or land reform, and trade agreements. Non-financial services/social capital with conditionality to credit access, such as carefully designed adult literacy and business training programs, can facilitate women's access to better jobs and income-generating opportunities and are perhaps the most effective means of promoting gender equality. There is strong evidence that access to financial services and the resultant transfer of financial resources to poor women, over time, lead to women becoming more confident and assertive. Access to finance enables poor women to become economic agents of change by increasing their income and productivity, access to markets and information, and decision-making power. Hunger and illness are generally the most risks that poor people face. The death of a breadwinner further decreases a poor family's well-being. Increased earnings, savings, and, increased, insurance allow clients to seek for health care services earlier, before conditions deteriorate.

### 3. Methodology

#### 3.1 Research design and Sample size determination

This study adopted descriptive research design. The researcher used because it allowed an in-depth investigation with regard to the subject of study. The target population was 100 women and sample size of 79 respondents were chosen. Mugenda and Mugenda (2012) [6] define sampling as a process of selecting individuals for a study. Stratified random sampling was used to select the sample from selected women groups to be given questionnaires. Stratified random sampling refers to probability technique that assures that each population category has an equal chance of being selected for the study. The general sample size when the population is less than 10,000 with 95% confidence, using Sloven formula;

nf=final sample size  
n- General sample size  
N-target population  
z- Critical standard score

$$z=1.96$$

p=probability of being involved or not being involved =0.05% Or

$$=0.5$$

$$\Sigma = \text{variance } 0.05$$

$$n = (z^2 * p * n) / \Sigma^2$$

$$= (1.96^2 * 0.5 * 100) / (0.05^2)$$

$$= 384$$

The final sample size

$$nf = \frac{n=384/1+384/100=79.33}{1+n/N}$$

Therefore, the sampled population was 79 respondents.

#### 3.2 Data collection instruments and procedures

The data was collected by aid of questionnaire. A questionnaire is a list of questions in a set form that is developed to address specific objectives, research questions of the study both closed and open ended questions are used. Part one of the questionnaire addresses personal information of the respondent, while part two of the questionnaire addresses information assessment of the benefits of microfinance services on women group enterprises. The data was analysed by use of qualitative method of data analysis. Qualitative assessment was conducted in-depth discussion held with selected women clients and in some cases families (spouses or grown). The questionnaires were screened for completeness; coding and final formatting was done.

#### 3.3 Validity and reliability of the research instruments

The validity of the research design was achieved by carrying out a pilot study at Bomet town, targeting Women group enterprises within the town. The validity of the research design was achieved by carrying out a pilot study at Bomet town, targeting Women group enterprises within the town. The chosen method was quite reliable since, the standard questions which were in control of the researcher put in the simplest way possible. Questionnaire were mailed some personally. The researcher found the method reliable from the several questionnaires given to different people with same results.

#### 3.4 Data analysis and presentation

The data was analysed by use of both qualitative and quantitative methods of data analysis. Qualitative assessment was conducted in-depth discussion held with selected women clients and in some

cases families, (spouses or grownups). Quantitative analysis involved coding of the questionnaires and data entered into the computer system. The data was analysed by use of Statistical Package for Social Science and the findings were used to make inferences.

#### 4. Results and Discussion

**Table 1:** Marital status

Marital status	Frequency	Percent (%)
Single	29	36.7
Married	32	40.5
Divorced/Separated	5	6.3
Widowed	13	16.5
Total	79	100.0

The research findings indicated that 41% of the population were married. Most of the married people were women who owned businesses in the region. Most of their businesses were established in town. 37% of the same population to were single women. This comprised of young women who have established their business in order to sustain their livelihood. Only 17% of the remaining population were widowed and hence have tried their best to keep the enterprise running in order to keep their lives moving and thus eradicating poverty. The remaining (5) 6% of the population were divorced.

**Table 2:** Highest level of education

Education	Frequency	Percent (%)
None	1	1.3
Primary School	8	10.1
Secondary School	21	26.6
'A' Level	30	38.0
University	15	19.0
Literacy Class	4	5.1
Total	79	100.0

The data showed that, (30) 38% of the population interviewed have A level as their highest education attained. The studies showed that with a varied experience they have in business, they are good managers of their own. (21) 27% of the same population are secondary school leavers and that is their highest level of education they have attained. The data findings further showed that (15) 19% of the total population of respondents issued with questionnaires have attained bachelor's degree. This showed that most of these entrepreneurs have the knowledge and the capacity to build and grow their business. Most of them have served in the employment sector for such a longer time. (8) 10% of the remaining population has attained primary level as their highest level of education. Only (4) 5% of the same population has literacy class as their highest level of education. (1) 1% has not attained any level of education. This simply means this entrepreneur dropped out of school, primary level and started up business.

**Table 3:** Women empowerment

Women empowerment	Frequency	Percent (%)
Network diversity	13	16.5
Market size	22	27.8
Bonding	16	20.3
Increased savings	28	35.4
Total	79	100.0

The research findings showed that women in entrepreneurship have empower themselves on the microfinance services they get. Microfinance services offer network diversity to women entrepreneurs in the region. This network diversity helps the women entrepreneurs to open up marketing opportunities for them. (13) 17% of the respondents responded to this. Only (16) 20% of the same population stated that these microfinance services creates a long lasting bond between the women entrepreneurs, microfinance and the customers. (22) 28% of the population indicated that the microfinance services increases market size even to the regional market due to market challenge training provided by microfinance institution. (28) 35% of the same population indicated that due to network diversity, market size, regional bonding among others have increased savings in the business.

**Table 4:** Women entrepreneurship

Women entrepreneurship	Frequency	Percent (%)
Net profits	26	32.9
Output	28	35.4
Investment	12	15.2
Employment	13	16.5
Total	79	100.0

From the data collected the results indicated that, out of women empowerment through provision of microfinance services, women entrepreneurship has been enhanced. (28) 35% of the population issued with questionnaires showed that it has led to increased output on development projects aimed at enhancing entrepreneurship. (26) 33% of the population indicated that the targeted nets profits have been declining in a worrying note. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. (13) 17% of the population indicated that, it's due to employment which has become a barrier to the growth and success of women entrepreneurship. (12) 15% of the remaining population showed that the rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business.

**Table 5:** Microfinance services

Microfinance services	Frequency	Percent (%)
Training advantages	29	36.7
Skills acquisition	30	38.0
General management	20	25.3
Total	79	100.0

From the data collected, the research findings showed that majority of women entrepreneurs enjoyed microfinance services. (30) 38% of the population issued with questionnaires to fill showed that they acquired skills in entrepreneurship. The skills acquired will be used to enhance the operation of the enterprise. Only (29) 37% of the same population issued with the same questionnaires to fill showed that they acquired training advantages. Microfinance services also instilled knowledge on general management of the enterprise.

## 5. Conclusion

The results revealed that women acquire skills in entrepreneurship. The skills acquired will be used to enhance the operation of the enterprise. The researcher further concluded that women in entrepreneurship have empower themselves on the microfinance services they get. Microfinance services offer network diversity to women entrepreneurs in the region. This network diversity helps the women entrepreneurs to open up marketing opportunities for them. This further creates a long-lasting bond between the women entrepreneurs, microfinance and the customers. Moreover, microfinance services increases market size even to the regional market due to market challenge training provided by microfinance institution. Network diversity, market size, regional bonding among others have increased savings in the business. The researcher concluded that it has led to increased output on development projects aimed at enhancing entrepreneurship. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. It's due to employment which has become a barrier to the growth and success of women entrepreneurship. The rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business. Women empowerment has been enhanced through provision of microfinance services, this has led to increased output on development projects aimed at enhancing entrepreneurship. Moreover, the researcher concluded that the targeted nets profits have been declining in a worrying note. This is because the women entrepreneurship has not embraced the training programs offered by microfinance institutions. This has been attributed to poor and slow growth of businesses by women entrepreneurs. It's due to employment which has become a barrier to the growth and success of women entrepreneurship. It is revealed that the rate of investment in women entrepreneurship has been declining in recent past due to negligence of some important microfinance services that could have help women entrepreneurs to grow strong and be successful in business.

## 6. Recommendations

This research recommends that

- Women in entrepreneurship have to attend several training workshops and business meetings in order to develop in business skills that will help them grow and build business empires in the county.
- Women entrepreneurs have to share experiences with fellow successful business men and women. Business consultants and experts in entrepreneurship have to be consulted too.

- Offer of network diversity to women entrepreneurs in the region. This network diversity helps the women entrepreneurs to open up marketing opportunities for them. This further creates a long lasting bond between the women entrepreneurs, microfinance and the customers. Moreover, microfinance services increases market size even to the regional market due to market challenge training provided by microfinance institution. Network diversity, market size, regional bonding among others have increased savings in the business
- The study suggested further study in regard to micro-finance loans and economic empowerment. The suggested areas of concern are the effect of interest rates ; how effective are SHGs; the role of social capital in improving economic empowerment in SHGs.

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