Effect of Microfinance Services on Women Empowerment in Nyandarua County, Kenya: A Case of Kenya Women Finance Trust Clients

Faith Gathoni¹, Margaret Oloko²

Abstract
Women play a crucial role in the economic development of the society but obstacles like poverty, unemployment, low income and societal discriminations mostly in developing countries have hindered the effective performance of that role and women thus still lack many of the resources available to men, they are faced with inevitable poverty and they also lack empowerment. The study sought to address the effect of microfinance services on women empowerment in Nyandarua County, Kenya. Descriptive research design was used in this study. Clients of Kenya Women Finance Trust (KWFT) formed the population of the study. Primary data was obtained through administration of questionnaires to the target population. Data collected was analysed using descriptive analysis tools, processed by SPSS and information generated presented in form of frequency tables and graphs. The researcher found out that Microfinance institutions (MFIs) through their services have played a huge role in empowering women both economically and socially. The researcher concluded that for women to be more effective in their strategic options for empowerment, they need to invest microfinance credit obtained in profitable business in order to increase the capital and MFIs should also introduce mechanisms to motivate their clients to develop better saving habits. Further recommendations were that the Microfinance institutions give more attention on trainings on the management of the funds to help women make better business decisions.

Keywords: Microfinance Loans, Savings Mobilization, Non-Financial Services, Women Empowerment

1. Introduction
The history of micro financing can be traced back to the middle of the 1800s when the theorists Lysander Spooner was writing over the benefits of small credits to entrepeneurs and farmers as a way of getting the people out of poverty (Lysander Spooner, 1800). An economist, Muhammad Yunus, the winner of the Nobel Peace Prize in 2006 pioneered microfinance institutions in Bangladesh with the aim of providing financial services to low-income customers in an effort to break the vicious cycles of poverty (Stoner and Wankel, 2007).

Micro Finance Institutions (MFIs) in Kenya have since the mid 1990s gained wide recognition for the role they play in providing financial services to the low income households and their contribution to poverty alleviation and one such institution is the Kenya Women Finance Trust (KWFT-DTM), which was founded in 1981 by a group of women lawyers, bankers, and entrepreneurs. Micro finance institutions have originated from the appreciation that micro entrepreneurs and some poorer clients especially women can be ‘bankable’. Micro finance is viewed as the provision of financial and non financial services by micro finance institutions (MFIs) to low income groups without sufficient collateral but whose activities are linked to income generating ventures (Harper, 2003). In basic terms, microfinance makes possible a virtuous economic cycle

¹Department of Business Administration in the School of Business, Jomo Kenyatta University of Agriculture and Technology
²Senior Lecturer, Department of Business Administration, Jomo Kenyatta University of Agriculture and Technology
where a small loan granted to a micro entrepreneur is invested, generates income, the loan is repaid, the entrepreneur can then access another loan and eventually gains increased purchasing power, as well as social recognition. Through access to financial resources, microfinance not only gives access to self-employment, but also contributes to the advancement of family life and influences the social situation of poor people by promoting self-confidence and the capacity to play an active role in society (Karlan, 2001).

Women are vulnerable members of society who have been marginalized, are rarely financially independent and they still have difficulties in accessing credit and other financial services. Microfinance services have increasingly become a popular intervention against poverty in developing countries, generally targeting poor women and it has been considered an effective vehicle for women’s empowerment (Leach and Sitaram, 2002). Microfinance services lead to women’s empowerment through positive influence on women’s decision-making power and enhancing their overall socio-economic status (Kabeer et al., 2008). Using microfinance programs to give women access to financial services is a means of mobilizing their productive capacities for the benefit of economic development and microfinance services must therefore be highly oriented towards women because in addition to their role in the family, they have considerable potential for national development and can enable women to become active economic actors. Microfinance above all represents a means of realizing people’s dreams and helping even the poorest of the poor to attain dignity (Yunus, 2007).

**Statement of the Problem**

Traditionally women were restricted from participation in the economy and also in the access of resources for development especially in developing countries due to socio-cultural beliefs (Bennet and Goldberg, 1993). In Kenya, Nyandarua County is no exception to this fact. According to Cheston and Kuhn (2002), the issue of empowerment is very crucial in enabling women to fully participate in poverty alleviation despite the fact that women are viewed as socially and economically disadvantaged. It has been argued that women play a meaningful role in economic development and could succeed in economic activities if given resources to finance their small and medium enterprises (Hunt and Kasynathan, 2002).

Financial institutions have made efforts to extend financial services with an aim of helping women access funds. Despite these efforts, majority of women have continued to face enormous challenges in their attempt to access funds from banks due to lack of tangible collateral and the ever increasing procedural bureaucracies of credit borrowing.

On one hand, some studies have provided evidence in support of micro-credit as a useful tool for the empowerment of the poor. For instance, a study of Grameen Bank suggested that women participants in credit programmes were more conscious of their rights, were better able to resolve conflicts, and had more control over decision making at the household and community levels (Hashemi, 1997). Pitt and Khandkar (1998) argued that credit to women has positive effects on increases in women's asset holdings and is a significant determinant of total household expenditure. Another study on a micro-credit scheme in Malaysia revealed that monthly household income of those involved in the project increased by 72 percent within a period of eighteen-months of the project’s commencement and 98 percent of the increases was attributable to the project’s loan services (Zaman, 1999). However, further evaluations of the effects of microfinance programs on women’s empowerment generate mixed results. While some are supportive of microfinance’s ability to induce a process of economic, social and political empowerment, others are more hesitant and even show a deterioration of women’s overall well-being (Holvoet, 2005).

Karlan (2001), has argued that on its own, micro-credit could sometimes increase women’s disempowerment through higher debt and work burden since credit by definition is a liability that must be paid by all means. Malhotra et al. (2002) noted that scholars just assume that empowerment would be an absolute outcome of access to micro-credit and they have therefore neglected other microfinance services. Providing credit alone does not facilitate a sustainable resource for the poor nor does it lead to women empowerment especially in cultures where women are not traditionally included in the economic market. In addition to credit facilities, saving mobilization and non-financial services need to be given more attention
2. Literature Review

Theoretical Framework

Financial sustainability paradigm concentrates on a large-scale outreach that aids the working poor (Robinson, 2002). This approach focuses on borrowers who have the ability to repay loans based on household or business incomes, and also on savers. Emphasis on financial sustainability is seen as necessary to create institutions which reach significant numbers of poor people in the context of declining aid, budgets and opposition to welfare and redistribution in micro economic policy (Wright, 2000). The financial sustainability approach assumes that increasing women’s access to financially sustainable microfinance programs will enable women to increase their incomes through micro-enterprise and that this will increase their control over income and resources (Mayoux, 2002).

Poverty alleviation theory emphasises on the ability of market incomes to encompass increasing capabilities and choices and decrease the vulnerability of poor people (Bakhtari, 2006). The modernization theorists contend that poverty is internally created in the developing nations and could only be removed through internal strategies through following the development paths of the advanced world (Schultz, 1980). The dependency theorists, on the other hand hold the view that poverty is externally created and can only be eradicated if the developed world alters the unfavourable trade relations with the developing countries (Bauer, 1981). Yunus (1983) argued that availability of credit to low-income households and small business can greatly enhance their economic strength and eventually break the circle of poverty. Most strategies target women because of higher levels of female poverty and women’s responsibility for household well-being. The assumption is that increasing women’s access to microfinance will enable them to make greater contribution to household income which is believed to translate into well being for women and result to changes in gender inequality (Mayoux, 2002).

Feminist empowerment theory is rooted in the development of some of the earliest micro-finance programmes with the underlying concerns being gender equality and women’s human rights and the focus being mainly on gender awareness and feminist organization. Microfinance should be based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change (Mayoux, 2002). Microfinance must therefore be part of a sectional strategy for change that identifies opportunities and constraints within industries which can raise the prospects for women when addressed.

Empirical Literature

Women who are often viewed as poor and the most marginalized group in most societies are the primary loan recipients of credit facilities (Weigelt, 2012). Different scholars believe that credit facilities if offered under the right conditions could promote the empowerment of poor people and increase the opportunities for poor women to become active participants in economic activities and to attain new roles as cash income earners and managers of household incomes (UN, 2005). Kabeer (1996), asserts that women whether poor or not suffer discrimination in the market and thus it is very important to ensure that women can obtain loans provided by intervention agencies to help ease their economic burdens. According to Cheston and Kuhn (2002), microcredit can therefore help women gain respect and achieve more in their traditional roles, which might lead to increased self-confidence and although increase in esteem does not automatically lead to empowerment, it can absolutely contribute to women’s ability and willingness to challenge the social injustices and discriminatory systems that they face in society.

Recent World Bank household country studies in Sub-Saharan Africa showed that, rural households in Africa have higher average and marginal propensity to save (Albee, 1996). According to Albee (1996), savings are viewed as a build up on loan facilities offered by Microfinance Institutions and there is general consensus that facilitating savings is important because savings play a role in protecting against the
seasonality of cash-flows and fulfilling an insurance function. In addition, building up deposits reinforces financial discipline for customers and can eventually yield collateral and serve as a source of funding for MFIs. Saving programs targeting at women have the potential to enhance economic empowerment since women make financial security safety and provision priorities in their households (UN Expert group on women and Finance, 1995). According to Swain and Wallentin (2009), an economically active woman with her own independent savings and greater income share within the household, has more economic power and this makes her more empowered and likely to challenge the prevailing norms that restrict her ability to make choices (Ashraf, Karlan, and Yin, 2008).

Non-financial services such as carefully designed adult literacy and business training programmes can facilitate women’s access to better jobs and income-generating opportunities and may be the most effective means of promoting gender equality (Mayoux, 2002). Microfinance-driven empowerment processes of women depend as much on women’s access to credit as on the MFIs providing further services like training. Skill training is necessary to provide the needed entrepreneurial skill for small business start-up while business or management training provides the needed managerial competence for routine and corporate decisions (Ashraf, Karlan, and Yin, 2008). According to Mayoux (2002), knowledge is power and ensuring that women who comprise the largest percentage of small scale entrepreneurs have financial management tips is vital for business growth.

Mosedale (2003), states that women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men. Empowerment is a dynamic process and it is all about making changes, changing the perception of the community, causing personal transformation, and improving individual capabilities to be able to formulate strategic choices for their lives (Malhotra et al., 2002). According to Mayoux and Hartl (2009), the empowerment approach arises from a strong commitment to women’s rights and capacity to make their own decisions about development strategies, under the credit for empowerment.

Microfinance programmes have a significant potential for contributing to women’s economic, social and political empowerment. Access to savings and credit by women induces their investment in economic activities which eventually improves employment opportunities for women. This economic contribution may increase their role in economic decision making in the household as well as change in gender roles and increased status within households and communities. Savings and microfinance loans lead to increased incomes and assets and control over these incomes and assets. Status of women within the community is also enhanced through a combination of women’s increased economic activity and control over income, access to knowledge, improved skills and support networks (Malhotra et al., 2002).

**Conceptual Framework**

The main aim of this study was to examine the effect of microfinance services on women empowerment. The paper conceptualizes that microfinance loans, savings and non-financial services are closely related to women empowerment as shown in the Figure.

![Figure 1: Conceptual Framework](image-url)

### 3. Methodology
Descriptive research design was used in the study. Descriptive research studies allow the researcher to take out a sample and make statements about the population on the basis of sample analysis. The target population was the clients from the four branches of Kenya Women Finance Trust (KWFT) in Nyandarua County. Simple random sampling was used in determining the sample of the study where each individual was chosen entirely by chance basing on the client’s lists as the sampling frame. Statistical Package for Social Scientists was used in analyzing the data and information generated presented in the form of tables.

4. Results and Discussion

Table 1 Response Regarding Loans Offered By Microfinance Institutions

<table>
<thead>
<tr>
<th>Strongly Agree (%)</th>
<th>Agree (%)</th>
<th>Disagree (%)</th>
<th>Strongly Disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance institutions have made it easy for clients to get access to loans</td>
<td>79.8</td>
<td>20.2</td>
<td>0</td>
</tr>
<tr>
<td>Microfinance loans are perceived as an important contributor towards women empowerment</td>
<td>32.6</td>
<td>67.4</td>
<td>0</td>
</tr>
<tr>
<td>Loans offered by Microfinance institutions have helped women in creating employment opportunities</td>
<td>11.2</td>
<td>25.8</td>
<td>48.4</td>
</tr>
</tbody>
</table>

Findings as indicated by Table 1 show that majority of the respondents were able to have an easy access to loans and also were of the perception that the loans were an important contributor towards women empowerment. The results are consistent with the findings of (Leach & Sitaram, 2002) who note that loans enable women to invest in and expand their business leading to increased women’s empowerment. Most respondents were however sceptical about the loans having helped in creating employment opportunities and thus were in disagreement.

Table 2 Responses on Savings Mobilization

<table>
<thead>
<tr>
<th>Increase in savings</th>
<th>Very large extent (%)</th>
<th>Large extent (%)</th>
<th>Moderate extent (%)</th>
<th>Small extent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilised savings encouraging investment in sustainable projects</td>
<td>5.6</td>
<td>58.4</td>
<td>31.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Savings has led to higher standards of living</td>
<td>3.4</td>
<td>68.5</td>
<td>28.1</td>
<td>0</td>
</tr>
<tr>
<td>More inclusion of the poor from combining microfinance loans and savings</td>
<td>21.3</td>
<td>74.2</td>
<td>4.5</td>
<td>0</td>
</tr>
</tbody>
</table>

As shown in Table 2, MFIs have been of great help in filling the vacuum that has been created by other formal institutions especially in regard to the inclusion of poor women from combining microfinance loans and savings as they can now save the little they obtain from their daily income generating activities to accumulate much more to guarantee them to obtain loans, invest in sustainable projects and hence improve on their standards of living. The results are consistent with prior research on the view that financial institutions that offer deposit services are very attractive to women (USAID, 1995) and the opportunity to save rather than only access to credit would lever the poor out of poverty (Robinson, 2002).

Table 3 Response on Non-Financial Services
As shown in Table 3, non-financial services in form of training programs play a huge role in ensuring women gain financial and management skills relevant in helping them set up viable businesses, effectively run them and also attain entrepreneurial growth for economic and social empowerment. This is in agreement with the recommendation of several authors’ claim that there is a strong need for financial literacy courses within the minimal commercial financial package offered by MFIs (UN, 2009). Despite this, the large number of respondents who are not sure of trainings on customer care and record keeping thus attached less emphasis and importance to these sections.

5. Summary of the Findings

Microfinance Loans

The study found out that most respondents strongly agreed that microfinance institutions had made it easy for the clients to access loans and the loans offered by Microfinance institutions were perceived as an important contributor to women empowerment. Despite this, majority of the respondents disagreed on the fact that the loans offered had led women to create employment opportunities an implication that even though MFIs had been very effective in making it easier for women to get access to loans that have enhanced increased socio-economic empowerment, the client’s income generating activities have not received considerable diversification in terms of growth and expansion to guarantee employment of more workforce and thus businesses continue to be managed single-handedly.

Savings Mobilization

From the findings, the study found out that savings mobilization scheme has allowed the poor women to develop a savings culture which is of great help to them in times of financial crisis. Despite this, savings with microfinance has had very little effect on women empowerment. This is due to the fact that the minimum monthly compulsory savings by the respondents to the microfinance before loans are advanced to them is always tied to the savings the group or individual respondent has with the institution and thus most of the women save out of an obligation and not out of self-will to advance on their savings.

Non-Financial Services

The study found out that Non-financial services offered in form of training programs have had a positive effect on women empowerment and thus complement the financial independence that microfinance provides. Illiteracy creates a situation of dependency on others and can limit an individual’s prospects for empowerment and microfinance institutions have hence realised women’s general education and literacy are important if the women are to reach their full potential and become empowered. From the findings, respondents illustrated they had greatly embraced the different business skills accorded to them as a measure in obtaining improved business success, resulting into increased incomes and wealth and also better credit management.
6. Conclusions

Microfinance should not be seen as a universal remedy for women empowerment but rather as an important tool in the mission of empowering women in all aspects. Savings mobilization has the potential to give women both access and control over their resources, investments, and long-term planning schemes. Knowledge is power and thus non-financial services in form of training programs offered by microfinance institutions are of great importance to majority of the respondents who lack formal education beyond the secondary level and thus have shortage of the necessary business management skills for entrepreneurial growth and development.

Empowerment is a complex process of change that is experienced by all individuals somewhat differently. While economic, social and political resources are often critical in ensuring that women are empowered, they are not always sufficient. Without women’s individual or collective ability to recognize and utilize resources in their own interests, resources cannot bring about empowerment. Although microfinance is not always empowering for all women, it has the potential to have a powerful impact on women’s empowerment and most women do experience some degree of empowerment as a result. It is unlikely that any one intervention such as the provision of loans or the provision of training will completely adjust power and gender relations. Therefore, women should be given an opportunity to access different microfinance services so that they can be able to unlock their full economic, social and political potential and develop a greater voice in their homes and hence move from being disempowered to the state of being able to exercise their denied rights.

7. Recommendations

The process of saving on a regular basis should be fully embraced since it is an empowering experience especially for the women used to living at the margin and can contribute to an improvement in the quality of their lives as it serves to capitalize on their productive activities. It is recommended that since micro finance institutions could help in women’s empowerment and also in wider outreach to most of the un-banked areas in the country, there is a need for the government to support creation of an enabling environment for greater development of the sector by removing regulatory obstacles and providing incentives to microfinance institutions that meet established standards for delivering financial services to the poor. The fact that the loans offered at MFIs are usually not sufficient, it is also recommended that women entrepreneurs be given a loan size based on the assessment of their individual enterprises and successively be graduated to a level where individuals access loans on their own to encourage individual ability and also serve as a catalyst for being more empowered.

References


Acknowledgements

My sincere gratitude goes to my supervisor Dr. Margaret A. Oloko for her patience, understanding, guidance and commitment in ensuring successful completion of this great achievement. I also thank the clients and management of Kenya Women Finance Trust in Nyandarua County for their participation and cooperation.