

The Role of Microfinance Institutions in Empowering Women Economically: A Case Study of Umoja Women Entrepreneur Programme Nakuru Branch

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Abstract: *Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In Kenya, Microfinance scene is dominated by Self Help Group-Bank Linkage Programme as a cost effective mechanism for providing financial services to the “Unreached Poor” which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self-help capacities of the poor women, leading to their empowerment. Economic empowerment results in women’s ability to influence or make decision, increased self-confidence, better status and role in household etc. This paper puts forward how micro finance has received extensive recognition as a strategy for economic empowerment of women. This research examined the role of Micro finance institutions with respect to economic empowerment and poverty alleviation of rural women. An effort is also made to suggest the ways to increase women empowerment. The research used both quantitative and qualitative data collected from both primary and secondary sources. A sample of 30 employees serving in the study area; Umoja Women Entrepreneur Programme, a microfinance Institution in Nakuru Town were approached through questionnaire to collect primary data. Secondary data was collected from relevant books, journals, theses, government publications, research reports, and various web sites. Analysis of data employed descriptive statistic. It was established that availability and accessibility of microfinance institutions to women investors is way above average. Further, the study established that microfinance institutions play a positive role on women who invest in them by: increasing their well-being, access to and control of their resources, eradicating illiteracy among women, taking part in decision making in their households as well as economic decisions and finally microfinance institutions have boosted women’s self-esteem.*

Keywords: Microfinance Institutions, Economical Empowerment, Women Entrepreneur Programme

1. Introduction

The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. There is, however, no statutory definition of micro finance. The taskforce on supportive policy and Regulatory Framework for Microfinance has defined microfinance as “Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards”.

Microfinance Institutions (MFIs) are financial institutions that offer financial and non-financial products and services to the poor active that would otherwise not have access to the services from the formal financial institutions. There are close to three hundred and fifty registered financial institutions in Kenya out of which one hundred and eighteen are micro-financial institutions. Umoja Women entrepreneur Programme is one of the micro-finance institutions operating in Nakuru town. It provides financial products and services to the needy especially women.

The concept of micro finance institutions and its operations emanates from the model of the Grameen Bank in Bangladesh founded by the prestigious Nobel peace prizewinner Professor Mohammed Yunus who was celebrated as the founder of the most successful micro-

finance institution in the world with the highest number of registered members and borrowers and the highest effective repayments rate. His exemplary work has been adopted and duplicated by nearly all the developing countries and has spread its wings to even the developed world as the best tools to alleviate poverty through provision of small and affordable loans to the poor active through solidarity and on-lending procedures.

Kenya embraces the concept of Micro-Finance as a vehicle towards realizing the Millennium development goals. In the year 2006, it passed the Micro Finance bill 2006 into law to regulate the Micro Finance industry meaning that any MFI that wishes to become a deposit taking institution must be regulated by the Central bank and ready to transform under the law.

This study was intended to carry out the detailed study on the role of microfinance institutions as providers of financial and non-financial services to the women investor. It aimed at finding out the role of micro-finance institutions to women investors’ for economic development which has existed.

1.1 Objectives of the Study

- 1) To find out the criteria used by Umoja Women Entrepreneur Programme in lending money to the women
- 2) To find out how the women entrepreneurs pay back the loan advanced to them by Umoja Women Entrepreneur Programme

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- 3) To identify the specific role of Umoja Women Entrepreneur Programme in developing women entrepreneurs.
- 4) To find out whether Umoja Women Entrepreneur Programme offers training services to the women other than lending money

1.2 Research Questions

- 1) What criteria does Umoja Women Entrepreneur Programme use in lending money to the women?
- 2) How do the women entrepreneurs pay back the loan advanced to them by Umoja Women Entrepreneur Programme?
- 3) What is the specific role of Umoja Women Entrepreneur Programme in developing women entrepreneurs?
- 4) Does Umoja Women Entrepreneur Programme offer training services to the women investors other than lending money?

2. Literature Review

There are several interpretations about empowerment and what it entails. This can be analyzed with reference to the international models of microfinance the famed Grameen Bank in Bangladesh, established in 1983, with more than four million women entrepreneurs (Murdoch, 2000; Ragman, 1999). It is most remarkable aspect being the high repayment rate (recovery rate) of 98% interpreted, as women are good loan payers. This translates to the deduction that the women are able to control their loans and the ability to invest the funds in productive ventures.

Microfinance according to CGAP is the provision of thrift, credit and other financial services e.g. savings and micro-finance and products of very small amounts to the poor in rural, urban, semi-urban or urban for enabling them to raise their income levels and improve the living standards. CGAP: microfinance is the supply of loans, savings and other basic financial services to the poor. A micro-finance institution (MFI) is an organization that provides micro-finance services and products ranging from small non-profit organizations to large commercial banks e.g. Equity Bank.

According to World Bank estimates there are 7000 microfinance institutions serving some 16M poor people in developing worldwide. The total cash turnover for MFIs world is estimated to be US\$2.5 billion. Evolution of (MFI) dates back to 1950s and 1970s when government focused to providing subsidized agricultural credit to small and macfral farmers in hopes of raising productivity. During the 1980's micro enterprise credit focused on provision of loans to poor women to invest in tiny businesses, enabling to accumulate assets and raise household income and welfare (Ebahi and Demopoulos, 2004).

A number of organizations in Kenya are adopting the Grameen model including the Kenya, women finance trust, Equity bank, K-rep bank, Faulu Kenya, etc. Microfinance institutions adopt the concept of "self-help" models as a joint

liability group programs as an alternative to tangible collateral which most women borrowers' lack.

2.1 Status of Women Investors in Kenya

According to Rwabangira (1996), women entrepreneurs are proven than their male counterparts in Kenya. Women problems in Kenya include high gender inequality and women rights abuses, 75% of these women are engaged in agriculture; the status of women has remained low both socially and economically, high level of illiteracy inspite of increased initiatives to girl child education, high risk in investment due to lack of collateral even though classified as best loan payers (Mukangara and Koda, 1997; Stewson and SF. Onge, 2005), high rate of material and infant mortality brought about by lack of proper facilities as they can afford the mandatory fees, lack of resources, limited educational knowledge, early marriages (TGNP, 1993)

2.2 Empowerment

When discussing the term empowerment a general distinction between relative and absolute wellbeing need to be indicated or explained. According to Hashemi et al (1996), there exist several indicators of empowerment for women involved in microfinance mobility, economic security, social freedom, major household, decision-making, and freedom from male domination, political and legal awareness. Absolute: indicated by outcomes that measure education, health and nutrition, labour force participation. Relative: process in which the position of a woman makes decisions and controlling resources within the households is compared by the men's position. Through meetings, discussions of partnered family issues through continuous meeting of group members and credit staff (Hashemi et al, 1997, Kibas, 2001).

Economic empowerment results in women's ability to influence or make decision, increased self-confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self-reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure.

This paper puts forward how micro finance has received extensive recognition as a strategy for economic empowerment of women. This paper seeks to examine the impact of Micro finance with respect to poverty alleviation and socioeconomic empowerment of rural women. An effort is also made to suggest the ways to increase women empowerment.

Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is the process of enabling or authorizing an individual to think, behave, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over resources (Physical, Human, Intellectual and Financial) and over ideology (Belief, values and attitudes) (Batliwala, 1994).

Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation. It strengthens innate ability by way of acquiring knowledge power and experience. Empowerment is a multi-dimensional social process that helps people gain control over their own lives communities and in their society, by acting on issues that they define as important. Empowerment occurs within sociological psychological economic spheres and at various levels, such as individual, group and community and challenges our assumptions about status quo, asymmetrical power relationship and social dynamics. Empowering women puts the spotlight on education and employment, which are an essential element to sustainable development.

2.2.1 Economic Empowerment

Women's access to savings and credit gives them a greater economic role in decision making through their decisions about savings and credit. When women control decisions regarding credit and savings, they optimize their own and the households welfare. The investment in women's economic activities will improve employment opportunities for women and thus have a 'trickle down and out' effect. The financial sustainability and feminist empowerment paradigm emphasize women's own income-generating activities. In the poverty alleviation paradigm, the emphasis is more on increasing incomes at the household level and the use of loans for consumption. In the feminist empowerment paradigm, individual economic empowerment is seen as dependant on social and political empowerment.

Women face gender specific barriers to access education health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available solely and entirely to this target group of women. There are several reason for this: Among the poor, the poor women are most disadvantaged –they are characterized by lack of education and access of resources, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy.

This is due to the low social status and lack of access to key resources. Evidence shows that groups of women are better customers than men, the better managers of resources. If loans are routed through women, benefits of loans are spread wider among the household. Since women's empowerment is the key to socio economic development of the community, bringing women into the mainstream of national development has been a major concern of government. The ministry of rural development has special components for women in its programmes.

2.2.2. Decision making

Studies show that a change in the financial status of a woman affects her involvement in decision making at both the family level and the community at large. This inter-relationship implies that policy makers on issues related to women must understand financial status-women empowerment interactions. In this context; financial status can both affect

and be affected by women's empowerment hence causing multi-directional effects. Decisions regarding family matters, business investment and management ideas (Kibas 2001).

Advocates argue that microfinance can increase women's bargaining power within the household. Women will become "empowered" and enjoy greater control over household decisions and resources. To the extent that group lending in microfinance entails peer monitoring by other borrowers in the same group, microfinance is likely to provide protection to women within their households. In particular, violent acts and abuses by men against women can now be subject to third party scrutiny as peer borrowers will want to find out why some woman in their group have stopped attending repayment meetings.

This, in turn, should act as a deterrent against violence within the household, and more generally as an instrument for women to promote their rights and improve their bargaining power vis-à-vis their husbands and/or other male family members. Rising household incomes in general can also diminish conflicts between husbands and wives by loosening constraints.

2.2.3. Increased being

This refers to increased proceeds from the invested amounts from loans. The women are able re- coup/re invest the generated interest income thus resulting to enlargements of their establishments and greater control. Access savings and credit facilities and women's decision about what is being done with savings and credit strengths women's say in economic decisions of the household

This enables women to increase expenditure on the well-being of themselves and their children. This is the main concern in the poverty alleviation paradigm. Women's control over decision- making is also seen as benefiting men through preventing leakage of household income to unproductive and harmful. Other welfare interventions are advocated in addition to microfinance, typically nutrition, and health and literacy campaigns to further decrease vulnerability and improve women's skills. In the financial self-sustainability and feminist empowerment paradigms, improved well-being is an assumed outcome from increasing women's economic activities and incomes. The access to credit and the increase in women's income leads to an increase in women's ability to make economic choices, which they would not otherwise do as dependants on their husbands.

2.2.4. Access to and control of financial resources

Hashemi et al, (1996), Goetzad Gupta, (1996), Ability of women maintains control over credit they receive and income accruing from it. Evidence shows that women maintain significant control over their loans activities. According to, Ackerly, (1995); Goetz and Gupta, (1995), it seems obvious that the effect of microfinance services is higher when women actually control the financial resources acquired in their names. Increased control is likely to; contribute to women's empowerment, facilitate women's entrepreneurship, assist women in their reproductive tasks and ease their repayment burden.

2.2.5. Relationships and Domestic violence

According to Kibas, (2001), families that have financial freedom tend to be stable and normal domestic violence. Schuler, Hashemi and Akhter, (1996) found that women who participated in the Grameen program were much less likely to be beaten by their husbands than women who lived in the non-Grameen bank programs.

2.2.6 Health and Education

The fact that women bore the family burden, access to credit has enabled women to improve health and education of their children leave alone access of education to girl child; access to credit has enabled women acquire the health insurance that is greatly subsidized by the government. Access to credit has helped women prepare balanced diet meals for their families (Kabeer, 2001; Rwabangira, 1996).

2.3 Impact of microfinance institution on women

According to Mayoux, (2001) due to provision of credit facilities and non-credit facilities women have been empowered economically and socially. According to the research done there are various impacts on access of microfinance facilities to women entrepreneurs. Microfinance program when properly implemented help not only to reduce poverty but contributes to the empowerment of women. They help place vital resources in the hands of rural women, which otherwise will not be available to them. This helps women to increase their economic activities and raise their standard of living in the process. This assessment provides evidence of the positive effects of finance on the livelihood of poor women especially in India.

A study from Bangladesh confirms improvements in women's physical mobility, economic security, ability to make own purchase, freedom from family denomination and violence, political and legal awareness and public participation as a result of a more stable integration into micro-finance circuits (Schuler and Hashemi, 1994)

A study of Grameen Bank suggest that women participants in credit programs are more conscious of their right, better able to resolve conflicts and have more control over decision making at the household and community levels, (Chem,1992). Credit to women has positive effects on the schooling of girls; it increases women's asset holdings (except land) and is a significant determinant of total households' expenditure (Pitt and Khandkar, 1995).

A study in Srilanka found that loans contributed to women's independent income, giving them more bargaining power in their relation with male family members, Hulme and Mosley, (1996). Enhanced women's empowerment, such as increased self-confidence and better cooperation with neighbors has also been observed in Thailand. (Mk Nelly and Watetip, 1993)

According to research findings Africa gives a less clear picture on the role of microfinance to small scale women investors, in that there is a positive impact on self-confidence, Vengroff and Creevey, (1994), but little proof of increased access to credit, intra-household decision making

and individual assets ownership, (Vengroff and Creevey, 1994; Creevey, Ndour and Thiam, 1995).

2.4 Critical Review

In the past and in the present era, there has been the disparity of gender in our society; this is due to certain obstacles holding the women back from participating fully in business as well as leadership. Ruth L S (1995) says that in most parts of the world "women have remained a very small minority at the centers of political power", they have been passed in the development strategies. Providing small loans to women micro-entrepreneurs, women are empowered due to generation of additional income, accumulation of assets and wealth, access to good health facilities and education for their children, consumption of balanced foods e.t.c. Therefore, in general the livelihood of the women entrepreneurs and their families is greatly improved. One other critical question arising from this study includes: Can the growth and proliferation of the micro- enterprise activities be considered an indication of economic growth?

However, the research gives a meaningful insight or the issues that MFIs considers important to women after accessing small loans. Some of the effects of the institutions on women investors include; growth in gross domestic product due to increased economic activities, improved health, low level of malnutrition, reductions in domestic violence as all members of the family are busy and accountable to their sustainability, access to education and good health even to the girl child, improved self-esteem and increased income and control over income

3. Research Methodology

3.1 Research Design

The research was done as a case study of Umoja Women Entrepreneur Programme. This research design was appropriate because it helped the researcher to acquire in-depth information about provision of loans to women at Umoja Women Entrepreneur Programme. Mugenda and Mugenda (1999)

3.2 Target Population

The target population was the management staff and the general staff of Umoja Women Entrepreneur Programme in Nakuru. Management population included nine managers while that of the general staff included fifty one employees.

3.3 Sampling procedure

The study used census sampling at the management level of employees and stratified random sampling at the general level of employees. Stratified random sampling was used for the general staff because every member had an equal chance of being selected to give feedback.

Table 1: Sample size

Respondents	Population	Sample size
Management staff	9	9
General staff	51	21
TOTAL	60	30

3.4 Data collection procedure

Primary quantitative data was collected from Umoja Women Entrepreneur Programme by use of both open and closed questionnaires. This method of data collection was convenient since it is time saving and easily understood by the respective respondents. Thirty questionnaires were issued to Umoja Women Entrepreneur Programme and collected after a period of three weeks after the respondents filled them.

3.5 Data analysis and presentation

After the collection of data, it was analyzed using descriptive analysis where by data collected errors corrected, summarized and quantified to make it measurable. The data was then presented in form of charts, graphs and tables for easy and clear understanding, and interpretation. Conclusions were the drawn from the analysis.

3.7 Validity and Reliability of Research instrument

The researcher's supervisor to ensure clarity and relevance inspected the particular questions asked in the questionnaire. A pilot study was also done at Jiweze Women Development Programme to test for consistency and reliability of the questionnaire to give the required information. The results showed 85% accuracy which indicated that the instruments were reliable and valid for the intended research. Further, validity was conducted through the expert opinion of the supervisor.

4. Findings, Conclusions & Recommendations

4.1 Research Findings

It is evident that Umoja Women Entrepreneur Programme plays a major or rather a critical role in developing women mostly economically by offering them loans. Findings also indicate that loan issuing in Umoja Women Entrepreneur Programme is a daily operation that has various requirements necessary so that one can be given a loan.

The organization lends money to a registered group of women normally composed of more than five members. Each member of the group should have savings that determine the amount of money the MFI is to lend them. These groups should be in existence for three months before they are lending any money. The loans are repaid at an interest rate normally varying in different microfinance institutions. A grace period is provided which is appropriate for the loanees and the organization. All loanees are expected to start their payments after a period of one month.

It is evident that Micro Finance Institutions have received extensive recognition as a strategy for economic

empowerment to women. Women's access to savings and credit gives them a greater economic role in decision making through their decisions about savings and credit. When women control decisions regarding credit and savings, they optimize their own and the households welfare. The investment in women's economic activities will improve employment opportunities for women and thus have a 'trickle down and out' effect. The financial sustainability and empowerment paradigm emphasize women's own income-generating activities.

MFI's also train the women thus eradicating illiteracy on how to manage the funds they advance from it. This enables or guides women on how to make economic decisions as well as those of their households.

The research also indicates how the microfinance institution has benefited in offering funds to women. 60% indicated that the microfinance institution has increased or gained more profits, 20% indicated that it has also marketed itself to others not only women but men too are included. The other 15% indicated that the organization has grown and finally 5% of the research findings showed that the organization is increasing its goodwill. A further analysis led to the conclusion that women are good investors because a very small percentage of them fail to pay their loans but also indicated that women are very committed to their groups.

The Research indicated that the women receive advice from the MFI on how to use or manage the funds they acquire. Research also concluded that the MFI's provide adequate investment knowledge that gives the women an opportunity to make appropriate choices of investment helping them to rise economically. The MFI also conducts regular training to groups on the management of the funds. MFI also provides other services to these women i.e. paying school fees to their children and sponsoring projects that are of help to these women.

4.2 Conclusion

A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes among women. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders.

A promising solution is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. Careful research on demand for financing and savings behavior of the potential borrowers and their participation in determining the mix of multipurpose loans are essential in making the concept work.

Several requirements have to be met before a loan is processed and members have to provide them all. These requirements include; set a percentage rate of the savings of

the loan to be issued, guarantors, securities, documents and membership. Interest is charged on every loan issued depending on the organization.

The repayment rate is above 50% of the loans issued although not all loanees are able to repay on time due to various hindrances like lack of knowledge, or poor management skills. The word empowerment is broad and sometimes hard to quantify. Empowerment comes in various ways especially through financial accessibility, access to education, access to other facilities, therefore its imperative to conclude that access to finances through loans have positive effect to women through attainment of the most fundamental needs of the women borrowers.

5.3 Recommendations

From the research findings, the researcher came up with the following recommendations. MFIs should train or educate women before giving them loans. This will reduce wastage of funds due to poor management. There is need for MFIs to network other institutions in order to gain ideas on how to empower women especially economically. Microfinance institutions should have more flexible repayment periods and conditions.

5.4 Suggestion for further studies

Studies on how to educate women on how to access and use the services or products they acquire from the MFIs. Numerous traditional and informal system of credit that were already in existence before micro finance came into vogue. Viability of micro finance needs to be understood from a dimension that is far broader- in looking at its long-term aspects too .very little attention has been given to empowerment questions or ways in which both empowerment and sustainability aims may be accommodated. Failure to take into account impact on income also has potentially adverse implications for both repayment and outreach, and hence also for financial sustainability. An effort is made here to present some of these aspects to complete the picture.

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