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EDUCATION LEVEL AS A DETERMINANT OF MICRO CREDIT ACCESS BY WOMEN OWNED MICRO AND SMALL ENTERPRISES IN KENYA: A CASE STUDY OF KAKAMEGA TOWN

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Abstract

This research study sought to analyze education level as a determinant of micro credit access by Women owned MSEs in Kakamega Town. The study was guided by the following research objective: To investigate the extent to which education level influence micro credit access the research study incorporated the use of descriptive research design and the population of study comprised of MSEs Kakamega Town. The study adopted stratified random sampling approach to select a sample of 98 and a researcher administered questionnaire was used to facilitate the acquisition of primary data. Data was analyzed by the use of descriptive and inferential statistics with the aid of SPSS and thereafter presented in the form of tables.

The study established that education level of the women does not influence micro credit access since the significance level for the chi-square statistic was greater than 0.05 (0.740). From the study, it is conclude that education level of the respondents does not have significant influence on micro credit accessibility.

Keywords: Education Level, Micro Credit, Women, Small businesses.

Introduction

Women, especially in developing countries bear unequal share of the burden of poverty. Microfinance helps the poor to borrow for business expansion, to save and buy other relevant products like micro insurance and to improve their standards of living. A survey on micro credit initiatives targeted at women has pointed out that women have superior credit repayment records and lending to women has a more positive effect on household welfare compared to men (Stotsky, 2006).

Although access to finance is a business constraint for both men and women, evidence suggests that women face higher hurdles. Women's access to finance especially at the small and medium enterprise level is a major constraint to start and expand businesses. Women therefore face tighter constraints in terms of the cost of and access to finance. Lack of collateral is a major hurdle for women. Majority of the loan applications rejections are based on the lack of acceptable collateral, a major constraint for women. Women are also twice as likely to complain about collateral requirements as men and they perceive such requirements as a greater burden to them (Nasr, 2010).

Women also typically have less wealth and therefore less collateral to pledge to financing organizations than do men. In poorer countries, financing usually comes through informal financial networks. In some countries/cultures, women may not have access to these networks. A very small percentage of micro credit programming usually targets women specifically. The year 2005 was the year of Micro Credit and there was an implicit focus on women in this initiative as called by Nane Annan who promised to give women even more access to microfinance services enabling them to fulfill their hopes and dreams for themselves and their families (Maxfield, 2007). In addition to this, the poor but economically active are not encouraged to go to financial institutions especially banks for financing because they lack credit history. Their limited control over land affects their ability to secure finance because they are unable to provide collateral. This means that any growth objectives they have are impeded (International Labour Organization and African Development Bank, 2004).

Statutory laws in some countries explicitly restrict women's access to formal credit. For example in some countries the regulatory framework regulating the creation and realization of non-land secured interests does not permit loans to be taken out without land-based collateral. Despite having no official rule with regards to women in terms of taking out loans, bank officials prefer to deal with men and do not take women seriously (Ellis et al, 2007). In Uganda, the constitution provides for equality between both sexes, but most commercial banks require a husband's co-signature to open an account. Bank officials feel that women are not key decision makers, despite the fact that the enterprise could be owned and operated by them (Cutura, 2007).

Women's lack of credit access as an individual and lack of control of household income could originate from the perception that men manage household money and economically independent women are negatively perceived. If credit was approved for women, it is commonly channeled to the husband, even if it is the woman who requested and applied for it.

Micro credit financial programmed have been largely designed, crafted and implemented with the male who is the head of household as the intended client and fail to recognize that women are active, productive and engaged economic agents with their own financial needs and constraints (Fletschner, 2009). Women constitute approximately half of the rural labour force and, while not always counted, they are economically active in each sub-sector of the rural economy (Diagne et al., 2000). Even though millions of women throughout the world contribute to national agricultural output and family food security, detailed studies from Latin America, South Asia, and Sub-Saharan Africa consistently indicate that rural women are more likely to be credit constrained than men of equivalent socio-economic conditions (Fletschner and Kenney, 2011). In addition, women entrepreneurs are often prevented from running competitive businesses by their relatively low education and skill levels, which generally limit their access to the various support and credit services (Cutura, 2007).

Moreover; AMFI as a body has acknowledged that women still face many barriers in accessing microfinance (Stevenson and St-Onge, 2005), but none of these studies have addressed specific groups. This study therefore focused on women entrepreneurs within Kakamega Town.

1. Data Interpretation and Findings

The objective of this study was to determine how education level of women influenced micro credit access. In this chapter the researcher presents the findings and the analysis of the study. The data was summarized using descriptive and inferential statistics to test the significance of the variables and data was presented in tables and graphs.

A. Profile of the respondents

Data was gathered on the respondents' level of education, age, marital status, length of operation of the business and family size. Table 1 highlights the results among the above variables. In terms of the level of education of the respondents; the highest proportion of women entrepreneurs were educated to secondary school level and were represented by 41.3%, followed by primary school level with 31.5%. Very few women entrepreneurs represented by 23.9% had attained tertiary education and 3.3% had no formal education. This finding was noted to be in agreement with a study conducted by (Gakure, 1995) which concluded that the majority of women entrepreneurs in Kenya were high school graduates. Other such findings were mentioned by (McCormick (2001) which states that on average women entrepreneurs are less educated than their male counterparts and are twice as likely as men to be illiterate due to institutional and cultural factors.

Table 1: Level of Education

Level of Education	Frequency	Percent
Primary	29	31.5
Secondary	38	41.3
Tertiary	22	23.9
Others	3	3.3
Total	**92**	**100.0**

The study established that a majority of the women enterprise owners were aged between 28 and 37 years. A total of 15 (16.3%) the respondents were in the age bracket of 18-27 while 34 (37%) were between the ages of 28-37. On the other hand, the age bracket of 38-47 had a total of 30 (32.6%) respondents compared to the category of those with over 48 years of age which had a total of 13 (14.1%) of the total respondents.

Table 2: Age Categories

Age Categories	Frequency	Percent
18-27	15	16.3
28-37	34	37.0
38-47	30	32.6
48 and Above	13	14.1
Total	**92**	**100.0**

Women marital status reflects a person's level of commitment, responsibility and mobility among other factors. The study established that most of the women entrepreneurs in are married and thus have the added responsibility of having to both run a business and be expected to undertake the household chores as dictated by socio-cultural roles. Knowledge about the marital status of rural women was necessary to ascertain their level of commitment and responsibilities to themselves, their families and to the society as a whole. The study established that out of the 92 respondents; 10 representing 10.9% were single, 65 representing 70.7% were married, 11 representing 12% were widowed and 6 representing 6.5% were divorced/ separated.

Table 3: Marital Status

Marital Status	Frequency	Percent
Single	10	10.9
Married	65	70.7
Widowed	11	12.0
Divorced/Separated	6	6.5
Total	**92**	**100.0**

The study established that the highest number of rural women entrepreneurs (34.8%) have been in business for 3 years followed closely by those who have been in business for more than 5 years with 29.3% implying some level of stability. Enterprises operating in a time frame of one year, two years and four years were represented with percentages of 9.8%, 15.2% and 10.9% respectively as indicated.

Table 4: Length of Business Operation

Length of Business Operation	Frequency	Percent
1 Year	9	9.8
2 Years	14	15.2
3 Years	32	34.8
4 Years	10	10.9
5 and above	27	29.3
Total	**92**	**100.0**

Overall, family sizes were fairly distributed in the study. However, a majority of the women enterprise owners in the study have family sizes of between 3 and 5. The number of dependants determines the expenditure patterns of the respondents, micro credit requirements and also their ability to expand their businesses over time. Out of the 92 respondents; sampled by the study; 19 representing 20.7% have a family size of less than 3, 40 representing 43.5% have a family size of between 3 and 5, 33 representing 34.8 % have a family size of more than

Table 5 Family Size

Family Size	Frequency	Percent
Less than 3	19	20.7
Between 3 and 5	40	43.5
More than 5	33	35.9
Total	**92**	**100.0**

Source: Survey Data 2013

The study established that of the 92 respondents sampled, 46 of them (50%) indicated that they have made an average extent to the use of micro credit services. 18 respondents (19.6%) have made a great extent to the use of micro credit services. On the contrary 16 respondents (17.4%) have made little extent to the use of micro credit services while 12 respondents (13%) have made no extent to the use of micro credit services. There is still a 30.4% gap in the use of micro credit by rural women respondents which needs to be addressed.

Table 6: Use of Micro Credit Services

Use of Micro Credit Services	Frequency	Percent
Great Extent	18	19.6
Average Extent	46	50.0
Little Extent	16	17.4
No Extent	12	13.0
Total	**92**	**100.0**

Source: Survey Data 2013

The study established that only 20.7% of the rural women had a great extent to credit accessibility. However, a significant majority (55.4%) had an average extent to micro credit access. 15.2% and 8.7% had little extent and no extent to micro credit accessibility. It is notable to add that a significant majority of the women in the study did indicate that bureaucracy by credit officers, short repayment periods, high interest rates, seasonality of their business ventures, numerous requirements, long processes and documentation, geographical distance between their homes and the MFI office are among the reasons that deter credit accessibility to women.

Table 7: Accessibility to Micro Credit Services

Micro Credit Accessibility	Frequency	Percent
Great Extent	19	20.7
Average Extent	51	55.4
Little Extent	14	15.2
No Extent	8	8.7
Total	**92**	**100.0**

Source: Survey Data 2013

The study established that education level of the rural women entrepreneurs affects micro credit accessibility to a great extent by 33.7%. 12% and 14.1% are affected to an average extent and little extent respectively. A significant majority of the respondents (40.2%) indicated that education level affects micro credit accessibility to a no extent.

Table 8: Extent of Education Level on Micro Credit Accessibility

Extent of Education Level	Frequency	Percent
Great Extent	31	33.7
Average Extent	11	12.0
Little Extent	13	14.1
No Extent	37	40.2
Total	**92**	**100.0**

Source: Survey Data 2013

Table 9: Informed Extent and Better Micro Credit Accessibility

Informed Extent and Better Micro Credit Accessibility		Frequency	Percent
Great Extent	38	41.3	
Average Extent	43	46.7	
Little Extent	8	8.7	
No Extent	3	3.3	
Total		**92**	**100.0**

Table 10: Extent of Involvement in Business/ Community Associations

Extent of Involvement in Business/ Community Associations		Frequency	Percent
Great Extent	22	23.9	
Average Extent	40	43.5	
Little Extent	13	14.1	
No Extent	17	18.5	
Total		**92**	**100.0**

Source: Survey Data 2013

The study established that education level of the rural women does not influence micro credit access. The significance level for the chi-square statistic was greater than 0.05 (0.740) as indicated in the model fitting information hence the study accepted the null hypothesis which states that education level of women does not influence to micro credit access

Table 11: Model Fitting Information on Education Level and Micro Credit Access

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	40.906			
Final	39.652	1.254	3	.740

Link function: Complementary Log-log.

Source: Survey Data 2013

The study established that education level of women does not influence micro credit access among the women since the significance level for the chi-square statistic was greater than 0.05 (0.740). In terms of micro credit accessibility it was clear that 76.1% of the respondents were greatly accessible to micro credit. It is equally to note that 23.9% of the respondents on the other hand were least accessible to micro credit services. With credit use, 69.6% of the respondents in the study have greatly used micro credit services compared to 30.4% who have least used such services.

It was also evident in the study that 54.3% of the respondents are greatly affected by the conditions imposed by MFIs before accessing micro credit facilities from them compared to 45.6% who were least affect by these conditions.

2. Conclusions

Education level of the respondents does not have significant influence on micro credit accessibility. The study also revealed the role of business and community associations towards access to micro credit.

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