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Group Lending Mechanisms and Growth of Women Enterprises Funded by Kenya Women Finance Trust in Kericho County

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Group Characteristics, Group Lending, Financial Inclusion, Gender Equality, Growth of Women Enterprises.

Access to business finance is the backbone of small and medium enterprises' success. Women have been involved in economic development in both developed and developing countries because of engaging in business activities that create employment and enhance livelihoods. Women in urban and rural obtain credit services through group formation rather than individual because of the challenges they face, such as lack of collateral. However, attaining financial inclusion through group lending has seen many women left out in this process due to the lending models and approaches utilised by these institutions. Previous studies have demonstrated that women may access financial credit from micro-finance institutions through a corresponding growth in women's enterprises remains unknown. This study, therefore, sought to establish the relationship between group lending mechanisms and the growth of women enterprises funded by Kenya Women Finance Trust in Kericho County. Specifically, the study assessed the relationship between group characteristics and the growth of women's enterprises funded by Kenya women's finance trust. The study adopted a correlation research design with a target population is 636 members from 70 women enterprises in Kericho County. A sample of 245 women was selected using a stratified sampling technique. A questionnaire was used to collect primary data. Validity was determined through piloting, where the researcher compared the actual outcome against predicted responses. Reliability was determined using Cronbach's alpha to examine the reliability, where a coefficient value of 0.895 was found and thus deemed reliable. Collected data was coded into a statistical package for social statistics version 23 and analysed through descriptive statistics and inferential statistical analysis. Data were presented as frequency tables, pie charts, and graphs. The study established that group characteristics had a significant effect on the financial growth of women enterprises funded by Kenya Women Finance Trust in Kericho County. The study concluded that group mechanisms through group characteristics had a significant effect on the growth of women. Therefore, the study recommended that the government should increase the

amount of grants and loans offered to various business groups to improve access to credit to the group as well as encourage group loans in Micro-Finances Institutions.

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INTRODUCTION

Globally, women are increasingly becoming important in the social-economic development of both developing and developed economies as they form a considerable percentage of small and medium enterprises (Neumeyer, Santos, Caetano, and Kalbfleisch, 2019). According to Ibtissem and Bouri (2015), the concept of group lending has become a significant area of study. This is because of the successful group lending program in the bank of Grameen. Group lending in Africa has attracted microfinance institutions to adopt the practice. Credit risks have become a big concern because of the high rate of loan defaulting among micro-financial organisations. Due to the high level of loan defaults has led to poor credit availability to borrowers simply because financial institutions limit or set specific requirements to be fulfilled before awarding loans (Warue, 2014).

Financial institutions have adopted group lending mechanisms in developed and developing nations. For instance, Global Giving (2016) indicate that in Bangladesh, group lending practices have been of

great help to over 5000 women entrepreneurs who operate in a remote area of Chittagong to access credit facilities. Jaya and Reeba (2016), who did a study in India, discovered that women group entrepreneurs who benefited from group lending, which was being offered by microfinance institutions, boosted their enterprises' growth because of easy credit access.

Microfinance in Kenya consists of microfinance facilities and regulations which have been developing since the mid-1990s. The legislation was passed in 2006 with the Micro Finance Act, which became active in 2008. By 2010 there were 24 large microfinance institutions in Kenya, which provided US \$1.5 billion to approximately 1.5 million active borrowers. With over 100,000 clients, Equity Bank had the largest share of business loans representing a market share of 73.50%, followed by Kenya Women Finance Trust with 12.06% (Government of Kenya, 2012).

Kericho County has massive microfinance institutions, which have boosted entrepreneurs with a lot of financial support and entrepreneurial

training programs. Some micro-financial institutions operating in Kericho County include Kenya Women Finance Trust (KWFT) with over 15,000 members, Small and Medium Enterprises Programme (SMEP) with over 10,000 members; Ecolof, with over 5000 members and Faulu Kenya, with approximately 6000 members. The MFIs have the mandate of funding different viable projects like individual and group members' purchase of farm inputs, individual enterprises and tailoring equipment, purchase of salon equipment, poultry units, motorbikes, and welding machines, plus many more.

Problem Statement

In the recent past, most developing countries have experienced an influx of women venturing into entrepreneurship. This has mainly been attributed to advocacy for empowerment programs directed at women from both non-government and government organisations. Some of these programs include soft skills training on entrepreneurship and providing platforms to access credit facilities. Despite the success stories of the upsurge of women-owned enterprises, studies indicate that these enterprises continue to perform poorly compared to men-owned enterprises. According to a report by World Bank (2019), only 30 percent of small and medium enterprises have access to affordable and sufficient financial capital to run their businesses. This may have impacted the performance of the women's enterprises too. Most of the challenges women face in business are the ability to access credit facilities from commercial banks to boost their businesses. This is due to a lack of controlling powers over family-owned assets such as land that can be used as collateral and the fact that most of them are low-income earners. Microfinance institutions have come up with several financial products to address this challenge, requiring that women access credit facilities through group lending. This is to ensure minimum default rates due to the joint liability of the members. Most studies on group lending mechanisms have focused on government-initiated

programs such as the Uwezo fund and women enterprise fund and a few on MFIs. However, these studies have established different factors that influence the effectiveness of group lending in developing and developed countries. It is on this basis that this study sought to assess the relationship between group characteristics and the growth of women enterprises funded by Kenya Women Finance Trust in Kericho County.

Research Hypothesis

H01: Group lending mechanisms and growth of women enterprises funded by Kenya Women Finance Trust in Kericho county

LITERATURE REVIEW

Theoretical Review

The study was anchored on the Theory of Social Capital which was first developed by Bourdieu and Coleman in 1983. This theory postulates that social relationships are essential resources that can be used to accumulate and develop human capital. Tsai (2014) defines social capital as a relationship that yields productive benefits in society or the organisation. These economic returns derived through social capital are rooted in the social ties of a group of people who are organised to achieve a specific objective. Social relations help screen, monitor, and pressure peers to repay loans promptly. Maclean (2010) argues that for a group to preserve its social capital, members of the group should control their behaviour because by being liable jointly as a group in repaying their group loan, they pledge their social collateral.

Empirical Review

The study reviewed past studies on the relationship between group lending mechanisms and the growth of women enterprises funded by Kenya Women Finance Trust from scholarly research, journals, and articles were reviewed.

Group Characteristics and Growth of Women Enterprises

Group characteristics have a direct influence on the effectiveness of group lending. These characteristics include group size, social ties, peer pressure, and age of the group. In larger groups, for instance, members may have a free ride on the provision of some active members. Coordination of large groups has also proved to be a problem for large groups hence the requirement of optimal size. On the other hand, in smaller groups, members can monitor, screen, and identify ties that can keep them together to pursue their goals.

Mukherjee and Bhattacharya (2015) did a study on optimal group size with optimal group lending strategy from the Indian context. The study aimed to develop a theory on the optimal group size when accessing credit from a financial institution. The methodology adopted in this study was an empirical investigation of various studies in association with a standard theoretical model. The study's outcome indicated that when group size increased, the level of optimum cooperative effort and the deviation from the incentive for cooperation rose proportionately for every individual borrower. Therefore, when the group's fear and influence of social sanctioning are considered, the increased reward for adherence makes the group smaller; hence, the optimum size is obtained. This implies that the extent of joint liability in group lending should be designed in relation to the extent or strength of social sanctions among the members. The main limitation of this study is that the study's findings require empirical verification, which is difficult as measuring social sanctions is tedious.

Likewise, another study was conducted by Hill and Sarangi (2012) investigating the repayment performance in group lending in a case study of Jordan. The researchers collected data through a survey from 160 urban borrowing groups providing microfinance to women groups in Jordan. The effects of peer monitoring, screening, social ties on

borrowing groups, group pressure, and repayment behaviour were investigated using different theoretical models. Count data model alongside cluster standard errors was used to analyse the intensity of credit default rate measured by the period, that is, the number of days the payment was delayed. The empirical findings indicated that group pressure, social ties, and peer monitoring significantly reduced defaults. Social ties among group members were found to have a higher positive relationship with the promptness of group members in repaying credit.

A study was done in Ghana by Asare, Akuffobe, Quaye, and Atta-Antwi (2015) investigating the effect of entrepreneur characteristics and the growth of women in micro, small and medium enterprises. The study adopted a descriptive survey research design. The sample size for the study was 4450 respondents. A primary data collection technique was used whereby online questionnaires were sent to the respondents through their email addresses. It was revealed that groups with women over 35 years were more innovative in their enterprise. The study showed that such women could easily access credit facilities from microfinance institutions than young women. Therefore, there is a significant relationship between the growth of women's enterprises and age. The study recommended that young women entrepreneurs be educated on financial management skills and MFIs to provide business credit services to women and introduce flexible repayment plans.

Muteru (2013) did a study to examine the impact of credit facilities given by KWFT on the growth of women's retail enterprises in Kikuyu town, Kenya. The study adopted a descriptive survey research design. A sample size of 160 was obtained through a stratified sampling technique. The study adopted primary data collection methods using interview schedules and questionnaires. Data were analysed through a spreadsheet and presented in the form of charts, graphs, frequency tables, and percentages. The study revealed that women groups, which were formed by widow members, were more focused,

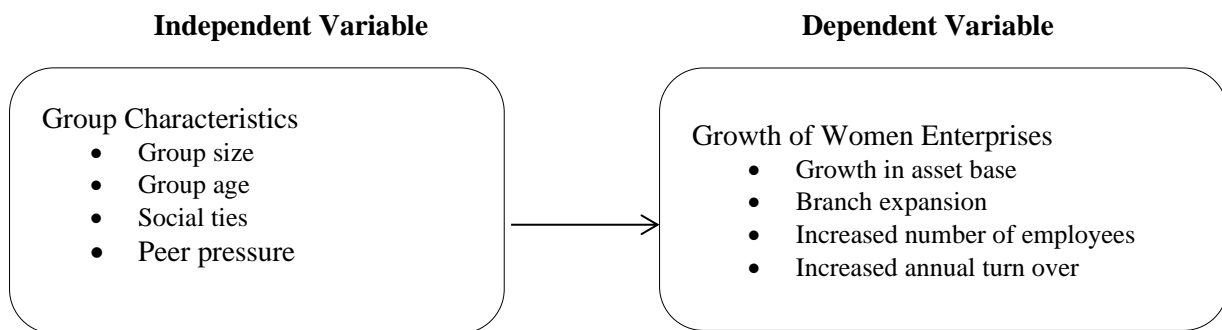
and their business expanded by almost 15 percent, unlike the other groups. The study further revealed that groups dominated by young women failed to repay back the loan promptly. The study concluded that a positive and negative relationship exists between group characteristics and the growth of women’s enterprises. In conclusion, there is a need to train women retail entrepreneurs in business management skills and financial management skills.

Kiraka, Kobi, and Katwalo (2013) conducted a study to establish growth in MSEs in Nairobi, Kakamega, Nyeri, and Nakuru, focusing on Women

Enterprise Fund performance. Quantitative and qualitative approaches were adopted for the study. A random stratified sampling technique was used to obtain 430 respondents for the study. Self-administered questionnaires were adopted to gather data from randomly selected respondents and focus group discussions, and in-depth interviews were also used to collect data from selected respondent groups. SPSS was used to analyse qualitative data. The data analysed indicated that group characteristics such as level of education, age group, marital status, group size, and religion were determinants of women SMEs’ performance.

Conceptual Framework

Figure 1: Conceptual Framework



METHODOLOGY

This study adopted a correlation research design. This study targeted all women enterprises accessing funds from KWFT either as a start-up or working capital. According to KWFT Kericho branch records, there were 70 women enterprises with 636 members. From this population, a sample of 245 women was chosen using the cluster sampling method. The study relied mainly on primary data, which was collected by the use of questionnaires. The reliability and validity of the research instruments were appropriately assessed using piloting and Cronbach alpha coefficients, respectively. The obtained data were cleaned and

then coded into a statistical package for social statistics (SPSS) version 23 and analysed through descriptive and inferential statistical analysis. The researcher acquired all the necessary permits that allowed the data collection exercise to conform to the ethical requirements of the research.

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistics

A Likert scale was used to present descriptive statistics which allowed the calculation of mean and standard deviation as presented in *Table 1*.

Table 1: Group Characteristics and Growth of Women Enterprises

Statement	N	Mean	Std. Dev
The size of a group running an enterprise influence the efficiency of management	224	3.76	0.68
Social ties among group members influence the group's cohesiveness and unit of purpose	224	3.72	1.00
Age of the group signifies the achievement of group goals	224	3.40	0.84
Peer pressure among group members influences the outcome of group activities	224	3.49	0.89
A cohesive group increases the organisation' quality of output	224	3.99	0.74

The results in *Table 1* shows the effect of group characteristics on the growth of women's enterprise in Kericho County. The finding indicated that the size of a group running an enterprise had a moderate influence on the efficiency in management ($M = 3.76$). Its variation was low on the efficiency in management ($SD = 0.68$). This implies that group sizes affect the efficient management of the women's group. The results further revealed that social ties among group members had a moderate influence on the group's cohesiveness and unit of purpose ($M = 3.72$). Its variation was somehow low on the group's cohesiveness ($SD = 1.00$). It implies the groups should be cohesive with one unit of purpose, which improves the social ties among the group members. The group's age had a small significance in achieving group goals ($M = 3.40$). Its variation in the achievement of group goals was low ($SD = 0.84$). Therefore, the age of the group plays a minimal role in the success of the group based on the experience of the members affecting the achievement of the women group.

Similarly, peer pressure among group members had a small influence on the outcome of group activities

($M = 3.49$). Its variation was also low on the outcome of group activities ($SD = 0.089$). Hence, peer influence within the group has a small impact on the outcome of the group activities within the women groups. Furthermore, a cohesive group was found to moderately increase the organisation's quality of output ($M = 3.95$). Its variation was low on the organisation's output quality ($SD = 0.74$). Therefore, a cohesive group was somehow significant to the quality output of the women's enterprise.

The results revealed that the size of a group had a moderate effect on the efficiency of the group. The study also associated the social ties of the member to moderately influence the cohesiveness and unit of the purpose of the groups. The member's age and peer pressure among the group members had a small effect on the achievement of group goals and the outcome of the group activities, respectively. Therefore, the cohesiveness of a group was associated with moderate improvement in the quality of the women's group output.

Table 2: Growth of Women Enterprises Descriptive Statistics

Statement	N	Mean	Std. Dev
The enterprise's asset base has grown due to the efficient application of credit accessed from KWFT	224	4.31	0.55
The enterprise has opened new branches as a result of increased business	224	4.21	0.67
The number of employees has increased in the enterprise as a result of business growth	224	4.26	0.62
The annual turnover of the company has increased as a result of the prudent use of credit facilities	224	4.27	0.61

The findings in *Table 2* are related to the growth of women's enterprises in Kericho County. The results revealed that the enterprise's asset base had grown to a great extent due to the efficient application of credit accessed from KWFT ($M = 4.31$). However, its variation in growth was low ($SD = 0.55$). This implies that there is significant growth based on the enterprise's assets. The study also established that women enterprises could open new branches due to increased business ($M = 4.21$). The variation of opening new branches is low ($SD = 0.67$). Therefore, women's enterprise has also grown in branches as a result of support from KWFT. The results also reveal that improvement in the size of the number of employees had significantly increased the enterprise as a result of business growth ($M = 4.26$). There was a low variation of increment of the number of employees ($SD = 0.62$). This implies that women enterprises had increased the number of employees due to improved KWFT services. Finally, the company's annual turnover increased greatly due to the prudent use of credit facilities ($M = 4.27$). Its variation on the increase of prudent use of credit facilities was low ($SD = 0.61$). Hence, there was an improvement in the annual turnover of the women's enterprise in relation to better prudent utilisation of credit facilities provided by KWFT. The findings were similar to Omondi

and Jagongo (2018) and Rahman, Khanam, and Nghiem (2017). The studies indicated that microfinance credit facilities influenced the growth of women's enterprises.

Inferential Statistics

Inferential statistics were done using correlation analysis. This was to establish the strength and direction of the relationship between group characteristics and the growth of women's enterprises. Correlation analysis was used to test the significance of the relationship using a 5% significant level.

Correlation Analysis

Table 3 was used to examine the correlation among the variable; group characteristics and growth of women enterprises. The results reveal a significant positive relationship between group characteristics and the growth of women's enterprises ($P < 0.05$). Group characteristics had a strong positive significant effect on the growth of the women's enterprise ($R = 0.826$, $P = 0.000 < 0.05$). This implies that as the interest in group characteristics increases, there is a positive impact on the growth of women's enterprises.

Table 3: Correlations Analysis

		Group characteristics	Growth of Women Enterprises
Group characteristics	Pearson Correlation	1	0.826**
	Sig. (2-tailed)		0.000
	N	224	224
Growth of Women Enterprises	Pearson Correlation		1
	Sig. (2-tailed)		
	N		

***. Correlation is significant at the 0.01 level (2-tailed).*

Regression Model Summary

A linear regression model was used to examine the relationship between Group characteristics and the growth of the women's enterprise. This was because the study only used one independent variable.

The tested model was presented as;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where, Y = dependent variable (Growth of women enterprises); X_1 Independent variable (Group characteristics); B_1 = Beta coefficient;

B_0 = Constant; ε is the error term.

Table 4: Model Summary

R	R Square	Adjusted R Square
0.759 ^a	0.576	0.557

Table 4 reveals that Adjusted R=squared = 0.557, which implied that 55.7% of the variation in the growth of women enterprises was associated with group characteristics. However, 44.3% of the variation in the growth of women's enterprises was due to other factors that were not considered by the study

CONCLUSION AND RECOMMENDATIONS FOR THE STUDY

The study concluded that group characteristics positively influenced the growth of the women's enterprises funded by KWFT. Groups with good social ties had existed for more extended periods, and that used peer pressure to motivate their members were more productive. Therefore, group characteristics had a significant positive influence on the growth of women's enterprises.

The study recommended that other banks and microfinance institutions emulate the group loan lending mechanisms adopted by KWFT that positively influenced the growth of women enterprises, specifically, developing group lending credit facilities (products). This would lead to the growth of small and micro enterprises in the country. This type of product will also assist in creating jobs since women groups will be able to access credit for start-ups and expand their enterprises. Group lending is also preferred over individual lending, which can be adopted by a majority of commercial banks. This has blocked the majority of SMEs from growing and accessing start-up and working capital.

The study also recommended that the government increase the amount of grants and loans offered to various business groups to improve access to credit to the groups. This, in return, would enable the

growth of the business through cohesive, joint purpose and loyalty, leading to the growth of the business. Also enhance job creation among women, the youth, and persons with disability.

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