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**Factors influencing the growth of women groups in Kenya
A Case of Kibera Women Groups**

**BINDAR BERNHARD STEPHEN
MBA/1040/10**

**Submitted In Partial Fulfillment of the Requirements for the Award of a Masters Degree in
Business Administration at Strathmore University**



Strathmore Business School

Strathmore University

Nairobi, Kenya

1ST JUNE, 2016

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis

contains no material previously published or written by another person except where due reference is made in the in the thesis itself.

Bindar Bernhard Stephen

.....

20th May, 2016

Approval

The thesis of **Bindar Bernhard Stephen** was reviewed and approved (for examination) by the following:

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ABSTRACT

This study sought to assess the factors influencing the growth of women groups in Kenya. The social and dynamics factors in group lending such as age of the group, group solidarity are touted as instruments to attain favorable repayment rates. However, repayment rates vary dramatically from one program to another, suggesting an inherent instability and risks profiles for most groups are different. Typically, if one of the members default in repayments, the responsibility falls on the other members of the group to repay the remaining amount; hence the risks are fully spread to the members. This overtime has made women groups enhance due diligence and need assessments before borrowing.

The objectives of the study were stated as follows; to establish the challenges of women groups in kibera affecting their growth, establish the motivation for joining a women group and to determine the factors that influence the growth of women groups in kibera.

In this research study, the descriptive research methodology was employed and a clustered random sampling procedure used to arrive at the sample groups of interest. Data was collected using structured questionnaires which were self-administered by the respondents. The resulting data was analyzed using descriptive statistics to profile the groups and regression analysis to model the relationship between the key variables.

Key Words: Group lending model, effectiveness of group lending



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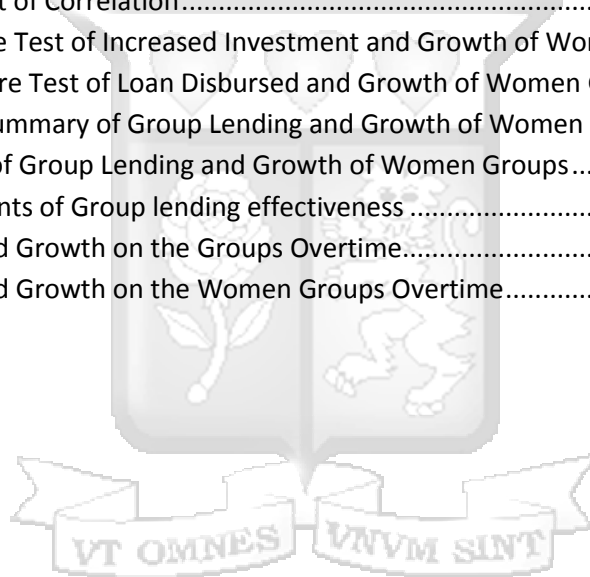
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DEDICATION

I dedicate this work to my late Mother & Teacher Mrs. Joyce Ogot, my loving wife Janet and children Leslie and Ivanka for the encouragement to carry on, even when the path to research was challenging.



CHAPTER ONE

Introduction

1.1 Background to the Study

The financial sector in Kenya has experienced profound changes in the recent past, marked by change in preference by micro finance institutions from lending to individuals to lending to groups. Group lending programs arise when borrowers cannot offer any collateral and are asked to form small groups. Group members are then held jointly liable for the debts of each other. Group lending refers to the small-scale financial inclusion services that involve mainly credit and savings services to the poor (Robinson, 2001). It is a powerful tool that can transform communities by lifting the poorest individuals out of poverty.

Today group lending has evolved to also include the provision of insurance, affordable housing and investment services for both middle and low-income people. Unlike other industries in Kenya, the financial services sector is led by the supply and not the demand for banking services. While almost all financial institutions face the same if not similar challenges from the external environment, each lending financial institution conducts its day to day business using a certain business model which further has an impact on several factors including lending to its customers (Fernando, 2004).

Group borrowing is characterized by loans to small groups of borrowers that are jointly liable for the loans granted to each member of their group. The loans are intended for clients who do not meet the wealth requirements of the formal banking system like material wealth and collateral requirements. The only collateral on the loan is the joint liability. While the repayment rates in many of these types of projects have been favorable, the role of group dynamics in influencing loan repayment is largely undetermined as observed by Campion and White (1999). While group dynamics often are touted as the engine of high groups repayment, other explanations of group loan repayment may also be important elements, such as the domino effect, the “matching” problem, repayment seniority, economic environment, or the history of group activity. The most important form of group lending is the circulation and access to credit, targeted primarily to women who are also talented

entrepreneurs. If these people gain access to credit, they will expand their businesses, stimulate local economic growth and hire their less entrepreneurial neighbors, resulting in fast economic development.

Three major justifications for group lending that often arise include: First, it reduces transactions costs. Second, poor people prefer to work in groups for financial gain as well as for social reasons. Third, repayment rates are more favorable in group lending schemes (World Bank, 2008). While these justifications appear in most of the group lending articles, they have not been empirically tested and their validity relies on anecdotal evidence according to Rajendran and Raya (2010).

1.1.1 The Concept of Group Lending

Groups arise when prospective borrowers come together for a common cause. According to Robinson (2001) groups are organized into “chamaas” or Self Help Groups (SHG) who meet weekly or monthly depending on how they agree at the borrowers’ homes or a local community center or at the malls. The group models key objective is to encourage a culture of financial responsibility where peer-support leads to 99% rate of repayment (World Bank, 2002). The group also serves as a social network of voluntary mutual support for other needs, as members are individually responsible for their own loans, they are expected to voluntarily provide assistance to their peers where needed. The banking systems in most developing economies tend to ignore the low end of the market for business loans, and Park (1998) noted that restrictive banking regulations have prevented new banks from entering the financial markets. In retrogress, some of the West African nations, have resorted to legal and policy solution. They take advantage of co-operative laws, some of which have been in place before the reforms in the financial sectors period, that allowed people to form finance and credit ‘clubs’ (World Bank Summit, 2012).

The group lending programmes have also been set up at a level below the formal banking structure and are, in many cases, operated by non-governmental organizations, rather than fully-chartered banks. In Kenya and the poverty-focused programmes in Africa, microcredit and ‘group lending’ have come to be closely associated. Loans are made to individuals, but

the group as a whole is held jointly liable should repayment difficulties arise. Economic theorists have been particularly interested in group lending, and nearly all of the economic work on microcredit focuses on the incentives induced by joint liability (Park, 1999). Financial stakeholders assert that, group lending presents an excellent opportunity to extend low virtual bank accounts to a large number of currently un-banked low income households in Kenya (FSD, 2010). This approach is likely to be driven by falling costs, the fact that the retail networks have already established relationships with populous and the ability of the retail networks to provide accessibility with ease (Cracknel, 2004). The success of informal banking in Brazil, demonstrates that indeed group lending has great potential in Kenya in making a wider success in tackling financial inclusion to the low income households who are not reached by the conventional banking system (Government of Kenya, 2007b).

Group lending models have generated a great appetite for credit and savings services that has resulted in the formation of over 100 microcredit organizations, half of which are non-governmental organizations, (practicing some form of micro lending across Kenya (www.amfikenya.com)). Group lending is rapidly becoming Kenya's most accessible and affordable financial tool towards poverty reduction and increasing the capability for self independence. There has been extensive research carried out on the growth of rural credit lending (Otieno, 2001) and the subsidized loan lending by non-governmental agencies in Kenya. The Financial Sector Deepening (FSD 2006), report on financial access strand and use of different financial services by Kenya's adult population shows that Kenya's Micro credit sector serves a small percentage of population. Today, financial and investments institutions including; Equity Bank, SMEP Microfinance Bank , K-rep bank have designed products specifically suitable and focused on women groups with attached incentives to have them adapt to a savings culture. (Cbk, 2012)

1.1.2 Foundations of Group Lending

Rotating Savings and Credit Associations (ROSCAs) is one form of informal finance used all over the world to provide a steady form of savings, insurance and in some cases loans. A regular contribution is collected from members of a selected group over a period of time. Loan terms and group characteristics vary dramatically, as this type of informal finance

tends to permeate different cultures and all socio-economic classes. ROSCAs and other types of informal self-help groups have been well documented in all regions of the world in studies including Ramalingam (1987), AFRACA (1987), Graham (1989) and Munshi (1992). ROSCAs have several unique features that contribute to their stability over time. First, the organizer of the ROSCA typically is someone with social stature or a solid reputation that participants trust. Secondly, the mobilizations of funds come directly from the participant's savings and therefore the use of funds is under group scrutiny. Finally, the groups utilize self-selection of members so that a strong degree of promise, trust and consent exists among members (Pischke, 1992).

A key take away here is that , contrary to what was believed, extending credit facilities to all will not make an entrepreneur out of every woman or group borrowers interested in undertaking group projects collectively (Crepon et al.,2011).This intervention involves randomly offering credit to one out of two villages in 81 matched pairs. The study by Crepon et al. (2011) found out that providing women groups access to credit facility did not lead to new business creation, but rather an expansion in scale of existing businesses. Households with no existing business at baseline merely increased consumption once they got access to credit. This meant that credit, by itself, cannot spawn entrepreneurs. If this study has external validity, it not only casts a shadow on the income generating potential on the group lending model effectiveness, but also raises longer term questions about the women borrower's ability and capacity to repay their loans leading to the possibility of chronic indebtedness. Karlan and Zinman (2010a, b) measured the effectiveness of group lending to women borrowers at the individual level by studying marginal loan applicants to a manila based urban lender that uses a credit scoring algorithm for its lending decisions (CFED, 2010).

1.1.3The Growth of Women Groups

The World Bank defines growth as “the Process of increasing the capacity of individuals or groups to make choices and to transform the very choices into desired actions and outcomes (A World Bank publication, 2011). Growth refers to a positive change in size, often over a period of time. Growth can occur as a stage of maturation or a process toward fullness or

fulfillment (Chambers Concise Dictionary, 2004). Different people perceive growth in different ways and so, it is difficult to arrive at a consensus on the issue. Growth is another dimension that forms a basis for lack of finance to most women groups. There is a wide controversy about growth of women groups in Kenya, the survival rate of women groups is significantly low (Olomi, 2001). Therefore due to doubts about the possibility of growth in most women groups, financial institutions' and commercial banks are inclined to tighten their requirements to approve a loan and may require a lot of information about the purpose of investments (Omar, 2008). According to the Menon Business Economics (2010), growth is ascribed to a gradual increase in investments, size, capacity and an improved business environment over a time period. Malhotra (2002) constructed a list of the most commonly used dimensions of women's growth drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlaps, these frameworks suggest that women growth needs to occur along multiple dimensions including: political, economic, social cultural, technological, interpersonal, legal and psychological.

The International Monetary Fund (IMF) poverty eradication strategy paper (2004) uses variables such as inadequacy of Income, deprivation of basic needs and rights and lack of access to productive assets as well as to social infrastructure and markets to measure growth overtime. According to an IMF study, half of the women globally do not work, and if they do, they are either exploited or underpaid (Reported by IMF Chief Executive – Christine Lagarde during the International Women's day 2014). Group lending models lead to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status.

Arising from this discussion, it is important to note that there are several forms of credit lending models, common amongst them are; associations, cooperatives, credit unions, intermediary model of credit lending, Rotating Savings and Credit Associations (ROSCAs) and Village banks (Thakur , Thukral , Sahu & Gupta ,2011).

1.1.4 Women Groups in Kibera Slums

Scattered within the nine Nairobi administrative divisions, the Nairobi slum accommodate approximately 1.5million people according to United Nations report (2006) and the Centre on Housing Rights and Evictions (2008). The major slums in Nairobi include Kibera, Mathare, Korogocho and Mukuru kwa Njenga. The United Nations Habitat estimates the population of Kibera to be approximately 800,000 while the 2009 census population census placed the population of Kibera at approximately 7million, thus there is no clear estimate of the Kibera Population. According to UN Population Fund (2007), Kibera is one of the fastest growing areas in Kenya. Residents there struggle daily to meet the basic needs such as access to water, nutrition and proper sanitation (CFK, 2011). Majority of the available schools and healthcares are run by non- governmental organizations, with majority of the residents earning a daily wage income of fifty shillings (Karanja & Makau, 2005). Access to finance services has been a critical factor in enabling the low income households as observed by Banerjee and Newman (1993). While these arguments have often provided the theoretical justification for widespread government intervention, evidence on the success of financial inclusions interventions in reducing poverty among the low income households and hence contribute to the government's efforts in alleviating poverty by 2030 remains open to debate.

1.2. Statement of the Problem

There is a mounting concern that conditions set by local financial institutions' and commercial banks for loans procurement deny women groups and indeed the informal sector access to credit facility (Omar, 2008&Olomi, 2009). The informal sector feels like the commercial banks are not sympathetic to their needs (Buerger & Ulrich, 1986). According to the International Fund for Agricultural Development (IFAD, 2004), group lending with its combination on savings, loans, investments opportunities, insurance and other financial services, combined with the strength of group solidarity in the form of "Mary go rounds" is considered the most powerful instrument or tool for social change, especially for women groups.

Globally, group lending is providing an avenue for solidarity into enriching livelihoods and has a greater impact on a countries' economic growth. Despite the attraction toward group lending, studies in developed countries reveal a number of challenges associated with this model. (Meyer and stellar, 2002). A study by Creston and Kuhn (2008), reveals that although women's access to financial services has increased substantially, their ability to benefit from credit facilities is often limited by the challenges they experience like; inability to borrow without enjoining the husband and access to family collaterals. Ledesma (2002), noted that financial and insurance institutions for example, provide a decreasing percentage of loans to women groups even as these institutions grow and embrace the conventional banking concept, they still have specific products designed specifically for women group borrowers, and this is largely due to the low risk profile attributed to repayments.

In Kenya, Ismail et al. (2003) provided evidence that various Kenyan communities have informal women groups that are very important in pooling together for funds. However, despite the exponential growth of the group lending industry, its demand remains largely untapped. This large gap in the supply and demand of group lending model is evident in Kenya. A 2008 survey by Faulu Kenya, estimated that based on 2009 Central Bank of Kenya (CBK) survey, the gap between supply and demand for credit in Kenya is 68 billion Kenya shillings (www.centralbank.go.ke/rates/exchangeindex.asp). While studies have been done in different parts of the world as discussed above, this study sought to assess the factors influencing the growth of women groups in Kenya.

1.3. Research Objectives

The general objective of this research sought to assess the factors influencing the growth of women groups in Kenya. The following were the specific research objectives:

- i. To establish the challenges of women groups in Kibera that affects their growth.
- ii. To establish the motivation for joining a Women's group.
- iii. To determine the factors that influences the growth of women groups in kibera.

These research objectives above have led to specific research questions of this study as below.

1.4. Research Questions

Using the previous discussion as a basis, this study will explore:

- i. What characteristics of the women groups in Kibera affect their growth?
- ii. What is the motivation for joining a Women's group?
- iii. How effective is the group lending model in influencing the growth of the group?

1.5. Significance of the Study

This study is expected to be of importance to various stakeholders both in the private and public sectors, financial institutions, on-governmental Organizations (NGOs), the Government policy makers, in particular the Kenya Vision 2030 steering committee, whose key mandate includes broadening of financial access.

The study results will be of importance to women groups. First it will assist them in improving their knowledge of how group lending model can be an alternative non convectional financing channel in the growth and empowerment of women borrowers. Second, such an understanding will guide them in taking remedial action prior to approaching financial providers for support.

The study results will help academic researchers by adding to the existing body of knowledge on the effectiveness of group lending model. The study presents empirical evidence on perceptions of group lending model in Kenya in their transformation to regulated status.

This study will help Central Bank of Kenya as the country's financial regulator. The study will identify the challenges associated with group lending models. This will provide insights to the regulator, with a view to providing workable strategies and intervention mechanisms to enhance capabilities in their oversight role.

1.6. Scope of the Study

The study focused on group lending model as an alternative source of financing to women groups in Kibera. The study sought to determine how effective group lending is in retrospect to the growth of women groups and their membership. The study was conducted amongst registered women groups in Kibera region of Nairobi Kenya.

1.7. Chapter Summary

This chapter discussed the back ground to the research study, the purpose of the study, the objectives of the study, the research questions and the significance of the study, and limitations. The chapter introduced the concepts of group lending, profiled the foundations of group lending and gave an overview of women groups in Kibera.



CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents the literature review on the factors influencing the growth of women groups in kibera that is relevant to this research. The chapter presents a theoretical review followed by an empirical review. The empirical review is guided by the specific research objectives. The study presents a conceptual framework, research hypothesis and a chapter summary.

2.2 Theoretical Review

The theoretical review provides a premise upon which this study is based. Key to understanding the group lending model is an appreciation of the economic and capitalism theories. The following section presents a brief of these theories.

2.2.1. Economic Theory

Group lending theorists have advanced the economic theory and theory of capitalism. The two theories emphasize that, given an enabling macroeconomic, political, legal, regulatory and demographic condition; group lending can be developed to provide financial intermediation for the economically active poor. These institutions' can deliver services at the local level profitably, sustainably, without subsidy and with wide coverage. The gist of an economic argument is that success in any business venture, including group lending, is determined by the entrepreneur's ability to deliver appropriate services and profitably (Remenyi, 2000).

Economic theory treats group lending institutions as infants industries. This theory stems from the fact that the international donor community and governments have devoted substantial financial and non- financial investments in developing and providing subsidized financial services for the poor on the premise that they have limited access to the formal mainstream financial institutions (United Nations, 2009). However, instead of seeking subsidized financial services for their life time, group lending should transform into self sustainability through cost control, efficient operations, and adopting modern commercial

practices. Economic theory builds on the institutional theory of self sustainability advocating the case for the development of strong viable group lending institutions.

2.2.2. Theory of Capitalism

Capitalism theory is based on the assumption that continued prosperity (sustainability) critically depends upon the progressive creation of private wealth. In Smiths' view, the prime mover behind the creation of private wealth is human self interest. This maxim is best summarized in Smiths own words. In his classic '*an inquiry into the Nature and causes of the Wealth of a Nation*', published in 1776, Smith states that "it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but to their regard to their self interests; we address ourselves not to their humanity but to their self love and never talk to them of our own necessities but of their advantages" (Smith 1939, pp.26-27).

The emerging thinking in group lending adds a new chapter in the theory of capitalism. As noted above, this thinking is founded upon economic ideas. The economic idea is the orthodox infant industry argument that justifies protectionist measures within the framework of the classical theory of free trade. Yunus (1998) is one of the ardent advocates of this theory, in which he argues that it is possible to attain a balance in a capitalist society in which enterprises that maximize private profits do so having in mind fair interest of their customers. The overriding principle is that these enterprises are not exploitative, as they consider customers interests.

2.3 Empirical Review

In this section the study reviews literature based on the work of other scholars on the subject of group lending model and its effectiveness in spurring growth of women groups. The empirical review is guided by three key areas; characteristics of women groups, the motivation for joining a women group and effectiveness of group lending model in influencing the growth of women groups.

2.3.1 Motivation for joining a Women group

Women are considered efficient agents for the welfare of the household and as low-risk borrowers; they present a less credit risk profile, with default rates of only 3% compared to 10% for men. (FSD survey 2009). This has made most financial institutions design and develop products specifically for women and have incentives that support to their enrichment. An ILO (2008) study in Kenya supported these findings and showed that 82% of Women enterprises are in trade and services, while 0.8percent are in manufacturing and 6percent in Agribusiness. As debtors, women are seen as more passive, submissive, and vulnerable, making them more liable to make repayments.

Repayments and debt collection can put significant pressure on women because they do not necessarily directly control household resources. While the burden of repayments is borne by women, the loan itself and income from microenterprise are often passed onto husbands or sons. (McCormick, 2001). Women groups thus makes an important contribution to the economy and thus to development. Some argue that Women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. Whereas, others believe that investing in women capabilities empowers them to make choices which is a valuable goal in itself but it also contributes to greater economic growth and development. It has been well documented that an increase in women's resources, results in the well being of the family, especially children (Mayoux, 1997; Kabeer, 2001; Hulme & Mosley, 1997). Some of the recommendations of the East African Community conference on the role of women in social – Economic Development held in 2011, it was noted that women were not actively participating in the growth oriented areas of manufacturing and technological innovation. It was recommended that partner's states, regional organizations and the private sector should mobilize resources for training and also invest in programmes focused on enhancing the role of women in these areas. This would be through first, establishing a regional legal instrument on financial infrastructure to enhance access to financing by women such as establishing a Guarantee Fund for Women Entrepreneurs 'and secondly ,setting up a Business Incubation center for Women Entrepreneurs to support and develop innovative business ideas (EAC 2011).

This means that the ability of group lending to effectively empower women cannot be measured through client lists or timely repayments. Kabeer (2001) instead, suggests that the measurement of empowerment needs to be within the local context, taking into account the perceptions of the beneficiaries themselves of course, impact is unlikely to be even. Women are not a homogenous group, and their contexts differ. Different individuals in different situations are likely to take advantage of different opportunities in different ways, or not at all. To participate in main stream activities, women must negotiate barriers and balance microcredit obligations with childcare, subsistence, and other domestic duties, Compared to entry into the formal labor sector (a job in a flower factory) which is highly demanding and competitive. Today, group lending plays a major role in the development of many African nations. Its impact and contributions are substantial enough to have warranted acknowledgment by the United Nations which declared 2005 "The international year of microcredit," reminding people that millions worldwide benefit from group finance activities and products.

Many group lending schemes have a clear focus on women and women groups. Research shows that women are more reliable and have higher pay-back ratios. Moreover, women use a more substantial part of their income for health and education of their children (Pitt and Khandker, 1998). Thus, women play a very important role in reducing poverty within households. However, the critics argue that often women are forced to hand over the loan to men, who subsequently use the loan for their own purposes. This may lead to an additional burden for women if they are held responsible for the repayment (Goetz and Gupta, 1996). Even though several assessments of the impact of group lending on poverty reduction have been made, there is surprisingly little solid empirical evidence on this issue. One major problem with respect to investigating groups lending effectiveness is how to measure its contribution on women groups as far as poverty alleviation and financial inclusion is concerned.

Several studies measure the impact of group lending by comparing recipients of group lending loans with a control group that has no access to group lending loans. For instance, it is well-known that relatively rich agents are less risk averse than relatively poor agents.

This may induce rich agents to apply for financing, whereas poor agents do not apply, for example, there may be a self-selection bias. In this situation, an ex-post comparison of income of the two groups may lead to the incorrect conclusion that group lending has stimulated income. Second, in order to improve the probability of group's models being successful, group lending may decide to develop their activities in relatively more wealthy regions (non-random program placement). Obviously, this biases any comparison between recipients of microcredit loans and the control group (Karlan, 2001; Armendariz and Morduch, 2005). Evidence has been inconclusive as to whether group lending models fosters investments. This is surprising, given that limited access to finance is frequently stated as a stumbling block to business growth by entrepreneurs in most developing nations. For example, 31% of firm owners in the World Bank enterprise survey, list access to finance as a major constraint to growth. Using regulatory changes in the Indian banking sector as a natural experiment, Bannerman and Duflo (2008) also find evidence that medium sized enterprises are stymied by credit constraints.

Both of the studies include large / small medium sized firms, and this handicap is even more pronounced in small firms. In fact, Beck, Kunt and Maksimovic (2007), found that financing constraints impede growth by 10% for small firms, against 6 % of larger firms. Worse, Sabarwal and Terrell (2009) found evidence from Latin America consistent with the fact that when women own small or medium businesses, they are less likely than men to receive formal credit when they apply to it. It has been described as one of the most powerful changes that will shape women independence in the next decade, in terms of managing and improving the social economical benefits, transformational and evolutionary in the coming years. Also it seeks to Improve and broaden the understanding of group lending from an empowerment perspective and access to credit, this being a practical dissertation and an enriching area of study.

Group lending models have evolved as an economic development approach intended to benefit the low income earners in our society. The term refers to the provision of financial services to low income borrowers, including the self employed. Financial services generally include savings and credit; however, some institutions' also provide insurance and payment

services (Anderson et al., 2004). In addition to financial intermediation, many group lending models provide social intermediation services such as group formations (Chama) and financial literacy trainings for sensitizations for example the Equity Banks FIKA programme which trains women entrepreneurs on financial literacy education, entrepreneurship and management. Thus the motivation of also includes both the social intermediations and transformations. A larger number of microcredit customers are typically self employed or low income entrepreneurs in both Urban and rural settings, whose clients are often traders, street vendors, small farmers, Artisans. Usually their activities provide a stable source of income. Although they are considered poor, they are generally not considered to be the poorest of the poor (Wood, 1997).

Although the positive impact of group lending on women's empowerment is evident, loan facility providers must also be cautious to avoid possible negative outcomes. Studies have shown that women sometimes have little or no control over their loan, with the husband or male family member making all decisions. Moreover, differences in literacy, property rights and social attitudes about women may limit impact outside of the immediate household. Residents of rural areas specifically continue to have difficulties in accessing loans facilities. Women may also struggle with the heavier workload created by the responsibility for loan repayment (Mugenda and Mugenda 2008). Changes in the access to finance influence the distribution of working time between men and women in the same household and between activities yielding different returns. Economic growth has been found to be correlated with a higher degree of economic freedom. Gartner et al. (1996) constructed an index of economic freedoms and shows how it is correlated with stronger economic growth. Microcredit institutions can and indeed need to be self sustaining if they are to achieve their outreach potential providing rapid growth in access to financial services by poor people. Sustainability is now considered a necessary precondition for achieving growth, hence, the greater outreach to the poor. Sustainability is also desirable because it allows financial institutions to access the informal sector as a source of capital. The business and regulatory environment is now considered an important factor in the success of group lending. Armendez and Murdoch (2004) concluded that group lending cannot provide financial inclusion without a "well functioning regulatory framework" in the country. They further

suggest that poor macroeconomic, regulatory and trade policies will undermine the viability of women groups and the financial institution that support them.

2.3.2 Factors influencing the growth of Women Groups

According to World Bank (2011), growth is described as the degree to which objectives are achieved and the extent to which targeted problems are resolved. In contrast to efficiency, growth is determined without reference to costs and, whereas efficiency means ‘doing things right’. Malhotra (2002) constructed a list of the most commonly used dimensions of group growth, drawing from frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that group effectiveness needs to occur along multiple dimensions including: economic, socio-cultural, familial / interpersonal, legal. Growth can theoretically occur at four levels: the enterprise, the individual, the household, and the community. Krishna (2003), defines effectiveness as the process of increasing the capacity of individuals or groups to make choices and transform those into desired actions and outcomes. It has been well documented that an increase in women’s influence results in the well being of the family, especially children (Mayoux, 1997, Kabeer, 2001, Hulme & Mosley, 1997). Women who are in groups are according to (Ghosal and Others 2013) have improved self esteem , agency and happiness among others . They are more likely to choose future oriented savings product to enhance their investments.

A more feminist point of view gives emphasis that an increased access to financial services represents an opening / opportunity for greater growth and empowerment. Such organizations explicitly perceive group lending model as a tool in the fight for the women rights and independence. The Government of Kenya recognizes group lending as a strategic tool for poverty alleviation, owing to its potential of using institutional credit and other financial services for greater access to and sustainable flow of financial services, particularly credit. As a result, they have raised their status, lessened their dependency on their husbands and improved their homes and the nutritional standards of their children.

According to AMFI (2012), over 90 percent of group borrowers are women. The Group lending industry is quickly facing new environmental demands arising from the enactments

of the MFIs Act.2006, which seeks to mainstream the operations of group lending through regulations. What happens though in the group lending model is that, instead of lending directly to individual borrowers, financial institutions either formally or informally, lend to groups, who are jointly liable for the single loan application. While several important contributions have been made, the study of group lending is still in its infancy. For each assertion, a counter-argument is provided in another study. Most of the literature accepts the common wisdom that group dynamics positively affect loan repayment. However, more critical studies have questioned the very foundations of the group lending programs. The mathematical formulations and proofs contribute to our understanding of basic principal/agent processes (Gatune, 2011).

Some of the positives associated and notable with the group lending are outlined below. First, it has minimized administrative and transaction costs for lenders by replacing credit checks and collateral processing with self-selection of groups by borrowers. Second, group lending or “joint liability” also discourages default because group members exercised peer pressure to repay on behalf of their partners, as well as providing a business support network that offered advice, connections, and potential markets. Third, the group lending model also provides avenue for the areas served to build upon the richness in social capital that enhances the trust and peer pressure factor important in the group lending scheme, though this has been found to have little significant effect on the performance of borrowing groups. Fourth, peer monitoring- the ability of borrowers to monitor each other’s investment behavior during the course of the loan. Fifth, peer pressure has shown to be the second most important factor in its success- if borrowers are unable to threaten their borrowers with expulsion from the group; there is a greater chance of misused borrowed capital, for instance.

Additionally, peer pressure becomes an incentive to not default or not having others default, because of knowledge that if one group member defaults, then the other members of the group will have to make up the interest payment of that specific member. Sixth, it increases capacity of individuals or group members to make choices and to transform those choices into desired actions and outcomes (Malhortra, 2002) and Mosley (1997). It has been

demonstrated in the preceding sections, that regulation is desired to mitigate the potentially negative outcomes of un-checked market processes in the informal financial sector. However, the group lending model has evolved largely outside the regulation. As results the impending regulation presents challenges both from the Point of the groups to be regulated and from the policy and regulators side. Financial regulatory policy generally focuses on soundness and sustainable growth in a financial sector run primarily on commercial grounds. The group lending policy will inevitably require careful thinking taking cognizance of the uniqueness of this sector. Further, the most careful conceived regulations could end up being useless, or worse, if they cannot be enforced by effective supervision (Christen & Rosenberg, 1999).

2.3.3 Characteristics of Women groups

Group lending borrowing differs from the conventional borrowing mainly in terms of policies and regulations. Unique characteristics to group lending therefore, could lead to its uptake. Other than products specific characteristics, market perceptions towards group financing and the group lending products from various institutions' and firms competitiveness character are also assessed as determinants of its uptake. Swats and Coater (2010), in a review on group lending noted that there is a big misconception that group lending is only meant for the poor. The authors observe that in the multi racial Malaysian nation, both the upper, middle and lower clusters all adopted the group lending model in addressing their needs. These findings are a potent indicator that characteristics of women groups can affect the growth of the group.

2.4.1 Financial characteristics and growth of Women groups

Several researchers have shown that perception or growth in financial institutions is a key factor in determining the uptake and growth of group lending products (Mitchell, 1984; Fishoff, 1996, Tobin & Montz, 1997). If the Commercial banks perform well and there is steady growth in the financial sector, then borrowing in the micro sectors is minimized. This is mainly due to reduction in cost of borrowing and risks attached to a facility. According to Kitindi, Magembe and Sethibe (2007) creditors, banks and other lenders use financial information provided by borrowers to analyze their present performance and predict future

performance. Information obtained from financial statements acts as indicator of borrowers future prospects and the ability to service a loan. Bass and Schrooten (2005) concluded that lack of reliable information leads to comparability high interest rates even if a long term relationship between borrowers and financial institutions exists.

Ahlin and Townsend (2003) tested a wide range of the predictions of group lending with joint liability, such as the impact of interest rates, loan size, the degree of joint liability, group homogeneity, and the level of group monitoring and social sanctions on repayment rates. Although much of their evidence confirms the predictions of theory, they also find evidence that contradicts some of the predictions of group lending, such as strong social ties, monitoring, and group cooperation, which are negatively related to repayment. The authors suggest that, the widely held notion that groups succeed because of their ability to access and make use of social capital is more nuanced in practice, based on the fact that in some situations strong social cohesion within groups may lead to weak incentives to repay. In the end, they conclude that the idea that social ties are positive for group lending must be qualified, given that social structures that enable penalties can be helpful for repayment, while those which discourage them can lower repayment. Karlan (2003) in this vein shows that higher levels of social capital in groups are positively correlated with repayment, particularly when enabled by the appropriate environment. Wydick (1999) suggested greater levels of social cohesion, like knowing group members prior to group formation or living in the same neighborhood as other borrowers, can lead to lower levels of individual default. Werner (1995) offers similar evidence that socially cohesive groups have higher repayment rates. Specifically, his work indicates that repayment performance of groups improves when groups have formally stated rules prescribing how members should behave. This variable captures the many screening, monitoring and enforcement activities that take place within the groups.

2.4.2 Firm's Size and Access to Credit

The nature of a firm or a business affects the uptake of group lending loans as a product (Ansari & Farooq, 2012; Hamid et al., 2009). For example Hamid et al. (2009) employed firm size, gearing level and tax liability to assess how the aspects of group lending uptake

for most Malaysian firms. Firms characteristic affect group borrower's ability to access financing. Firm size, age, ownership type, industry sector and location are identified as important variables under this category (Levy, 1993). Numerous studies have shown that small and medium enterprises are financially more constrained than large firms, for example, Calomiris and Hubbard (1990) noted that when the company is smaller, the restrictions on credit are greater. Another variable that is found to positively affect repayment is the location of groups (for example, if groups are located in remote areas this reduces their possibilities for access to alternative sources of credit, especially the groups in the deep rural settlement areas, which stimulates them to ensure group repayment as much as possible in order to have future access to loans according to Gine and Karlan (2006, p.3).

2.4.3 Socioeconomic Factors

Women's access to savings and credit gives them a greater economic role in decision-making through their decision about savings and credit. Women have been wrongly perceived as a marginal economic group, rather than as a positive socioeconomic force. Mugenda, 2008. As a group, women have a significant untapped potential as wealth creators (Stevenson & St-Onge, 2005b). Overall, scholars and policy makers have expressed concerns over the gap between the rich and poor countries in the diffusion to financial inclusion and deepening. The essence of their concern is that, while low incomes cause a low penetration, a low penetration may also perpetuate low incomes. Kota (2007 and Harpa (2007). This belief has led some to conclude that developing countries require donations of facilities and training in order to spark faster Economic and financial growth (Wellston, 2005). Robinson and Yunus 2005, agreed with this opinion when he observed that compared to other dimensions of social inequality that might be linked to financial literacy, income inequality has several distinctive qualities. He reckoned that in contrast to fully exogenous variable such as age, race and to a lesser extent education and citizenship status, income has the strongest potential for reciprocal causation, low income leads to a less appetite for investments, which in turn can lead to lower income in a mutually reinforcing pattern of economic isolation. When women control decisions regarding credit and savings, they will optimize their own and the household's 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 growth paradigms emphasize women’s low 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 (Harvard et al., 2005).

The IFAD (2004) report indicates that the group lending model has drawn millions of women groups into commercial economic activities consequently enabling them to take advantage of opportunities that are emerging. Group lending has enabled women to invest in the real estate sectors, financial securities and in agribusiness sectors, hence enhancing their entrepreneurial skills to eventually become self independent.

Another unique characteristic of group lending is the flexibility of product (Anwar, 2008). Anwar points out that group lending pull funds together as opposed to purchasing policies. Pooled funds enable borrowers to cover varied types of liability, for example negotiating for lower rates, making borrowing more attractive and flexible and with lesser risks profiles.

2.5. Success Factors in Group Lending Model

Group Lending reduces cost due to client selection is narrowed and also debt collection related costs is reduced. It is also an opportunity for group borrowing to distribute information about productivity and social messages through the groups of community members. For group lending methodology to be successful, the following factors have to be taken into consideration: First, performance is likely to improve by imposing group penalties or incentives for example member will receive another loan if other group members default). Second, repeated loans that increase gradually according to the borrower’s performance allow screening of bad risks. Third, disbursing schedules to group members that are based on the repayment performance of other members is likely to improve repayment rates (Mutua & Oyugi, 2007).

2.5.2 The Social and Political Empowerment

It is believed to be a combination of women’s increased economic activity and control over income resulting from access to micro credit with improved women’s skills, mobility,

access to knowledge and support networks Status within the community is also enhanced. These changes are reinforced by group formation, leading to wider movements for social and political change (FSD, 2010).

The financial self-sustainability paradigm and the poverty alleviation paradigm assume that social and political empowerment will occur without specific interventions to change gender relations at the household, community or macro-levels. The study cited multiple borrowing, a trend also observed in Andhra Pradesh, as another key factor contributing to widespread defaults. Indebted borrowers are often forced to sell their possessions to pay back loans. In one extreme case in Kenya's Makueni district, a group of indebted parents surrendered their children to the lending group as a form of blackmail to bring in relatives to help repay the loan. The study argues that while group lending model can be effective among low-income households, it can be precarious for those living in destitute poverty (Thakur, Thukral, Sahu and Gupta, 2011).

2.6 Conceptual framework

Miles and Huber (1994) defined a conceptual framework as a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied- the key factors, concepts or variables – and the presumed relationships among them.

Based on the literature surveyed, a conceptual framework in figure 2.1 was generated. It shows how the relationship between the dependent variables, moderating variables and the independent variables. The independent variable is effectiveness of group lending models comprising of: having a constitution, having a savings Account, holding an Annual General meetings (AGMs), regular elections for its members and having the group registered.

The dependent variable is the growth of women groups, measured by loans disbursed overtime, loan applications, total assets, loans repayments history among others. The moderating variables are group's characteristics.

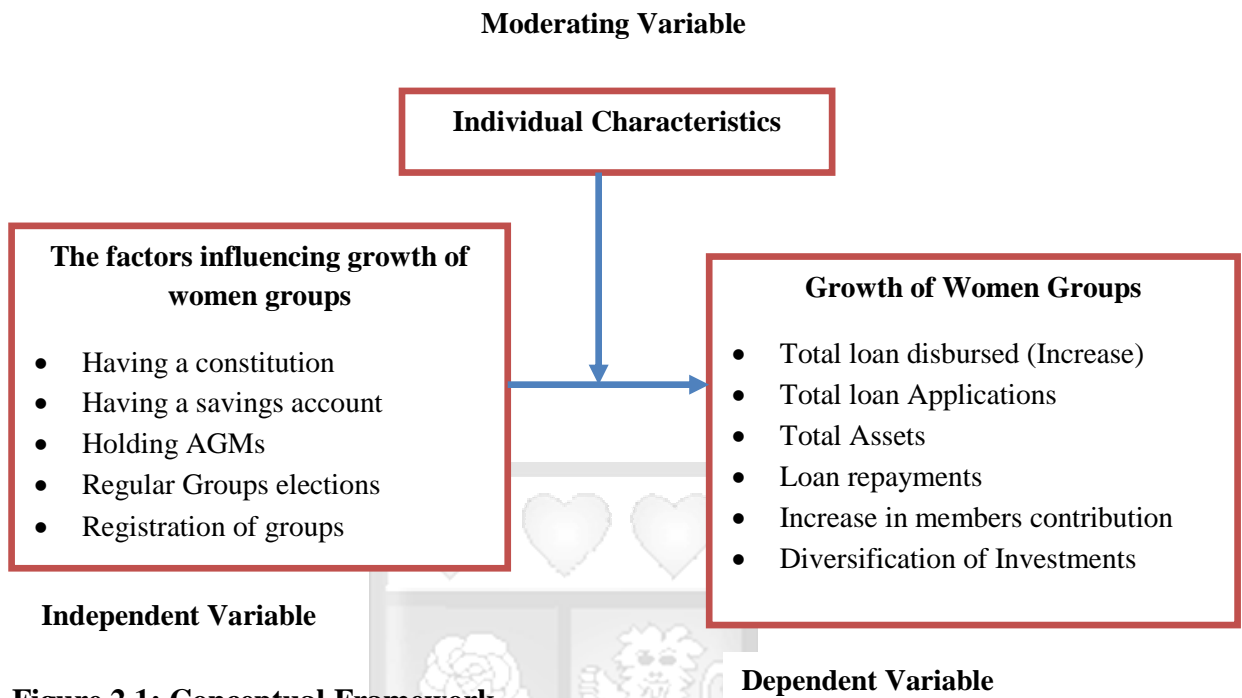


Figure 2.1: Conceptual Framework

Source: Researcher, (2015)

2.8. Research Hypothesis

Following the reviewed literature and the conceptual framework in Figure 2.1, the following hypothesis was proposed;

H₀₁: Group lending has no significant effect on the growth of women groups in Kibera slums.

H₁: Group lending has a significant effect on the growth of women groups in Kibera slums.

2.1 Operationalization of Study Variables

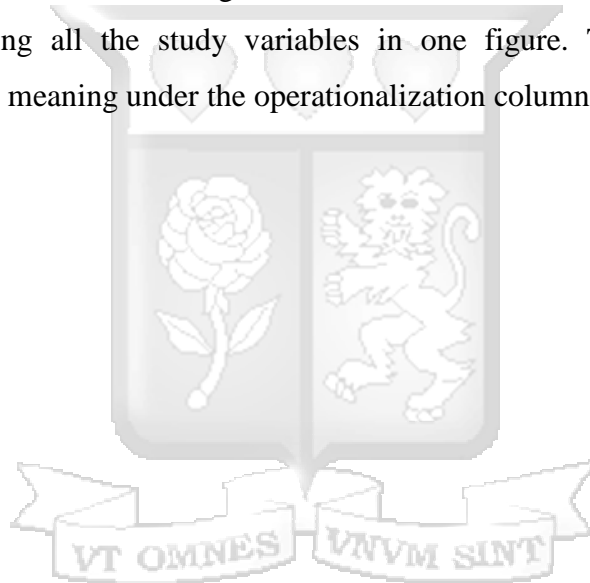
The three key variables were operationalized as shown in Table 2.1 below.

ITEM NO.	VARIABLE	VARIABLE NAME	OPERATIONALISATION
1	INDEPENDENT VARIABLE	Factors influencing the growth of Women groups	<ul style="list-style-type: none"> ▪ Having a Constitution that guides the group objectives. ▪ Operating a savings Account to encourage a savings culture and be able to apply for loans. ▪ A registered group ▪ Conducting group elections for Officials has enhanced efficiency and accountability. This has increased good governance in the groups.
2	DEPENDENT VARIABLES	Growth of Women of Groups	<ul style="list-style-type: none"> ▪ Increased in Assets ▪ Increase in loans Applications ▪ Increase in loans disbursed ▪ Diversification of Investments ▪ Increased in Membership and their Contributions
3	MODERATING VARIABLES	Individual Characteristics	<ul style="list-style-type: none"> ▪ Age of the Group ▪ Expertise and Skills sets from individual members ▪ Employment history ▪ Leadership and financial knowledge from members

2.9 Chapter Summary

This chapter reviewed literature on prior research undertaken on assessing the effectiveness of Group lending model on the growth of women groups in Kenya. The study presented the economic theory and theory of capitalism and linked it to the topic under review. Assessing the factors influencing the growth of women groups in Kenya is the research gap of the study and the considerations why women are motivated in joining groups and the institutional setting in being in group when making decisions.

The empirical review presented a review of literature on the three specific research objectives and on the credit lending models. The researcher then presented a conceptual framework capturing all the study variables in one figure. The study variables were subsequently given meaning under the operationalization column.



CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

In this chapter a detailed description of the methodology used in the study is presented. It includes the research design, description of the study area, target population, sample size, sampling techniques and procedure, data collection methods and data analysis techniques.

3.2 Research Design

The Research design is the blueprint for fulfilling the research objectives. Research design expresses both the structure of the research and the plan of investigations so as to address the research questions. Yin (2009), defines research design as the logic that links the data to be collected, and the conclusions to be drawn, to the initial questions of the study. The research design for this study was descriptive research design. Descriptive research involves field survey where the researcher goes to the population of interest to ask certain issues about the problem under the study.

This design was preferred for the following reasons; it allowed the researcher to employ a quantitative analysis approach. A quantitative approach is strongly linked to deductive testing of theories through hypotheses, while a qualitative approach to research generally is concerned with inductive testing (Saunders et al., 2009). The main focus of this study is quantitative. This study has used field surveys as a data development technique as supported by Diaz and Hanz (1997) who contend that three data development techniques, the field survey, the process tracing protocol and the controlled experiment supports the study. Neumann (2006) contends that the field survey is the most widely used data gathering tool. One Important aspect of the survey is the aspect that it reveals attitudes and opinions yielding relations that server as a guiding hypothesis for follow up research thus its relevance in this study (Gallimore, 1994).

3.3 Study Population

The Population is the total collection of elements about which we wish to make some inferences (Cooper & Schindler, 2007). Breakwell (1998) defines population as the set of all units of analysis in ones problem area. Kibera slums, forms the research site for this study because most of the people in Kibera are impoverished and group lending plays a key role in their livelihood (Morawczyezynski, 2008). A sampling frame was obtained from the ministry of Devolution and Social services, showing a total of 1,317 registered women groups in Kibera as evidenced in Appendix 2. The target population was 126 members of 21 women groups which were most proximate to the researcher.

3.4 Sample and Sampling Technique

According to Nesbary (2000), a sample is a subset of a population that has been selected to reflect or represent characteristics of a population. Group lending in Kenya is relatively a broad practice that is wide spread across the country. Studying the entire population would be cumbersome and for this reason, the researcher chose women groups which are formally registered and specifically practice group lending as part of their lending model. The Researcher selected a subset of women groups from within the population to estimate characteristic of the whole population (Levy & Lameshow, 1999). This enabled the researcher to collect the data at a lower cost, within the indicated time, at a faster rate (Wonnacott & Wonnacott, 1999).

Compared to gathering information from all the women groups in the area, the data set was smaller and narrowed down women groups that are registered and have been practising group lending model, making it possible to ensure homogeneity and to improve the accuracy and quality of data (Joint Commission Resource Mission, 2008). The study employed clustered random sampling procedure. The researcher clustered Kibera into 6 locations. This was synonymous to the Kenya population census of 2009 and then conducted a simple random sampling of women groups from each area. The researcher used random sampling approach to ensure every member of the population had an equal opportunity of being chosen for the sample (Stern, 2004). Black (2009) observed that scientific research has shown that random sampling always produces the smallest sampling

error. From the 21 groups, the researcher ensured the chairperson; treasurer and the secretary were included in the sample. The other members of the sample were then randomly picked to comprise a final sample size was 106 as shown in Table 3.1below. According to Kothari (2003), 30% of the target population is a representative sample. Therefore this sample size was considered representative.

Table 3.1: Sample Size

Cluster No.	Cluster Name	Name of Women Groups	Population	Sample Size
1	SIRANGA	Abakam Self help Group	6	5
		Mwangaza women Group	7	6
		G-Mids Self help group	6	5
		Gem Ugolwe Self help group	7	6
2	LAINI SABA	Nairobi Waldorf	7	6
		Dawa Youth Group	9	8
		Gem Ugolwe self help group	7	6
		Southlands Tharaka Self help	5	4
		Olympic big Tree group	5	4
		Joma Oknyal women group	6	5
3	LINDI	Tothaya self help group	4	3
		New sokoni self help	6	5
		Keroka womens groups	6	5
4	MAKINA	Jamhuri Kianda "42" self help group	7	6
		Toi Market Self help Group	5	4
5	KIBERA	Asembo Rarieda self help Group	7	6
		Kibera Deaf women Development	4	3
		Mushroom self help Group	4	3
6	NYAYO HIGHRISE	Super Ten Sisters Group	6	5
		Opanga Welfare self help group	6	5
		Kongoni women's Youth Centre	6	5
			126	106

Source: Sample Frame Appendix 2

3.5 Data Collection Method

The study used both primary and secondary data. Primary data was collected using a structured questionnaire. The questionnaires were issued to respondents upfront and a telephone conversation was done to ensure receipt to every group. Meetings were held with the respondents / women group's officials on separate dates to ensure more details are captured and quality of responses. Primary data was collected using self-administered questionnaires, which was the main tool of data collection (Vicario, 2010). The researcher recognized the likely limitation of low educational levels and at some point adopted the national language (Kiswahili) in the process of data collection. This was mainly to avoid misinterpretations concerning questions among the respondents and as such questionnaires were designed to be easy to comprehend, basic and generally demographic in nature as well, the questions were designed in a way to earn more receptiveness from the respondents. Introductory questions were simple and clear to enable the researcher to gather the vital information that is being sought diluting quality of response. Secondary data used in the study was obtained from journals, books and census report.

Once the pretests were done, the research assistants were selected, trained, briefed and provided with tools and resources to undertake the survey. Using the obtained list of all the registered women groups in Kibera slums, secondary data from the Ministry of Devolution and social affairs and Kenya Population census 2009 was used. A list of contacts was drawn indicating location of the groups, group official's names and email addresses. The research site was divided into 6 regions namely Lindi, Kibera, Makina, Siranga, Laini Saba and Nyayo high-rise as demarcated by the KNBS 2009 population census.

3.6 Instrumentation

The Questionnaire presented in Appendix 3A was used in data collection. The questions were both structured and unstructured. A pretest was exhaustively carried out by the researcher in Kibera area in Nairobi. This helped refine the tool. A qualitative preliminary survey was also carried out and aimed at interviewing other group members who are not elected officials. This was to appreciate their personal life experiences and motives, and generally to obtain the natural behavior of the group and even verify the truth of statements

made by the informants in the context of a questionnaire or a schedule. A preliminary test of data collection tools and procedures to identify, eliminate problems and allow corrective changes and adjustments was conducted. Closed and open – ended questions were used. Closed ended questions ensured that the respondents were restricted on the issues in question. Open – ended questions on the other hand provided the respondents with the flexibility to air their personal underlying feelings or motivations or with different life and personal experiences. However, the space provided for response restricted the respondents to offer a more focused response.

The Questionnaires used consisted of three sections (Appendix 2). Section A had questions that sought information on demographic profile of the officials, the ability to fully comply and incorporate the legal, regulatory and supervisory regime to the Group. Section B had questions that examined group profile and there characteristics. Section C was on the group lending effectiveness and measure of growth to the group overtime. Section D looked at the factors that determined group lending effectiveness, the challenges that are faced in the groups and the ways of resolving and coping with these challenges.

3.7 Data Analysis

The questionnaires were checked for the consistency and competences. The data captured from the complete questionnaires were coded and entered into an MS-Excel spreadsheet. The study then employed the use of Statistical Package for Social Sciences (SPSS) in analysis. The study undertook two statistical tests; descriptive statistical analysis and regression analysis. The main types of descriptive statistics used were means and standard deviations. Regression analysis was used to determine the factors that influence growth of group lending model on the growth of women groups. Assuming a linear relationship existed between the factors that influence the growth of group lending model (independent variable) and growth of women groups (dependent variable), the following linear regression model was estimated:

$$G = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where: G = Growth of women groups
 β_0 = Constant associated with the regression model

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$	=	Coefficients of the independent variables ($X_1, X_2, X_3, X_4, X_5, X_6$)
X_1	=	having a constitution
X_2	=	having a savings account
X_3	=	Holding AGMs
X_4	=	Regular elections
X_5	=	Registration of groups
ε	=	Error term associated with the regression equation

3.8 Quality of Research

The credibility of the research was enhanced by ensuring the research is reliable, valid and objective. Reliability refers to the consistency of the scores obtained from one administration of an instrument to another, while validity refers to the appropriateness and usefulness of the inferences a researcher makes (Scarborough et al., 1998). Reliability was assessed throughout the research by ensuring the measures used yielded the same results. On different occasions, different observers had similar observations when they followed the same design. Further, participant bias was minimized by assuring participants anonymity through coded questionnaires. To achieve reliability each respondent shall be asked the same set of questions (Fowler, 2002). The study used Crouback's alpha scale in testing the reliability of the study instrument and in examining the consistency of the responses. The overall Crouback's alpha scale resulting the questionnaire was $\alpha = 0.796$. Saunders, Lewis and Thorn hill (2012) identify alpha coefficient equal to or above 0.7 as reliable. The study questionnaire was therefore reliable.

Validity is the degree to which correct inferences can be made based on results from an instrument (Fraenkel & Wallen, 2003, Johnson & Christensen, 2000). Content and construct validity was used to judge the inferences based on the results from the instruments. Construct validity is the degree to which an instrument measures an intended hypothetical psychological construct, or non observable trait while content validity is the degree to which an instrument logically appears to measure intended variable. It is determined to expert judgment (Fraenkel & Wallen, 2003). A pilot study assisted in detecting possible flaws in measuring procedures and helped identify unclear formulae items. Review of the instrument

by using subject matter experts and a field test helped to achieve construct, face and content validity.

The research instrument was reviewed and revised by the academic supervisor and peers. Objectivity of the research was ensured through the triangulation method and any form of bias that the researcher may have in interpretation and conclusion of the study was clearly stated, if any (Saunders, et al. 2009). To enable Analysis and clarity of the information sourced; the likert scale values used on the questionnaires were converted into percentages with equal assumptions (Trochim, 2006) respondent views. This was done in order to clearly show the level of influence.

3.9 Ethical Considerations

The researcher observed ethical standards and confidentiality while conducting this research. All the questionnaires were coded and we did not use any names of the women groups interviewed in this report. Further, the purpose of this research was open to all respondents and sought their consent to voluntarily give information that assisted the research. The respondents were not obliged to complete the section of the questionnaires containing identifications details. They also reassured that the questionnaire would be used specifically for this research only and that their names and women groups would highly not be disclosed.

3.10 Chapter Summary

This chapter presented the research design and the methodology followed. The chapter identified the population of interest, explained the sampling procedure employed and the data collection approach was explained. The data collection instruments and procedures, including ethical considerations were described. The parameters of interest in the data analysis were presented. The quality of the research was equally explained.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents data analysis, interpretation and presentation of the findings. The purpose of the study is to analyze effectiveness of group lending on the growth of women group borrowers. The researcher made use of frequency tables and figures to present data. The finding was intended on answering the study's research questions. Data composed was collated and reports were produced in form of tables and figures and qualitative analysis done in prose.

4.2 Response Rate

The study targeted 106 respondents' from organized groups in Kibera region. However, out of 106 questionnaires distributed 81 respondents completely filled in and returned the questionnaires resulting in a 76.42% response rate. This was considered adequate for data analysis, based on the Mugenda and Mugenda (2003) rule that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. The response rate demonstrates enthusiasm of the respondents' to partake in the survey that the study sought.

4.3 Profile of the Respondents

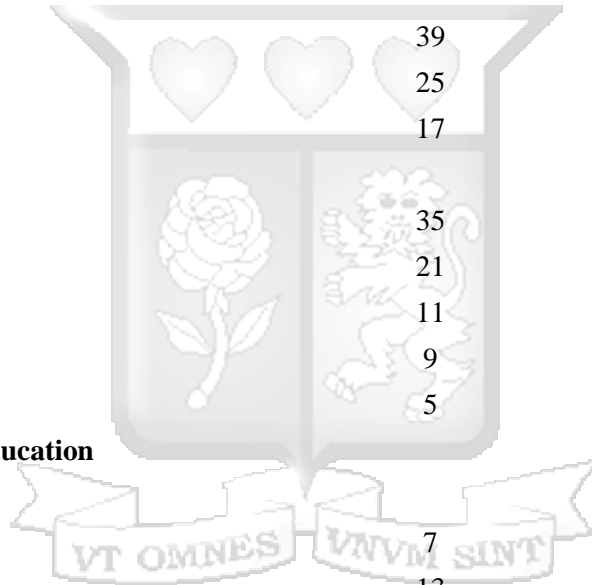
As part of the general information, the research requested the respondents to indicate their age, marital status, source of income, academic qualification, position held by respondents and leadership skill acquired by office bearers. This was vital as it would reflect on the reliability of information based on the responses and information given by the respondents.

The study requested respondents to indicate the age category that respondents were. Table 4.1 shows that 33% of the respondents were aged between 35-45 years, 26% aged between 25-35 years, and 23% aged between 45-55 years while the rest 17% were above 55 years. This meant that most of the group comprised of energetic young people who could effectively utilize the funds borrowed or were eligible to benefit with funds set by

the government to support the youth and other vulnerable groups in the society.

Table 4.1: Profile of Respondents

Profile	Frequency	Percentage (%)
Age		
25-35 years	21	26
35-45 years	27	33
45-55years	19	23
Above 55 years	14	17
Marital Status		
Married	39	48
Single	25	31
Others	17	21
Source of Funding		
NGOs	35	43
Government	21	26
CBOs	11	14
FBO	9	11
Individuals	5	6
Highest Level of Education		
Post graduate level	7	9
Undergraduate level	13	16
Diploma level	19	23
Certificate level	32	40
Secondary	10	12
Membership status		
Chairperson	14	17
Secretary	16	20
Treasurer	12	15
Members	39	48
Total	81	100



From the Table 4.1, most of the respondents (48%) were married, 31% of the respondents were single while 21% were either divorced, separated or their partners died. This implied that the group comprises various categories of the members regardless of their marital status in the community. From the findings in Table 4.1 most (43%) of the respondents indicated that their groups were funded by NGOs, 26% pointed that their group was funded by local government, 14% by Community Based Organization, 11% by Faith Based Organizations (FBOs) while the rest (6%) were funded by the individual incomes either in self employment or in formal employment.

4.4 Profile of the Groups

The officials were asked the highest level of education attained. From Table 4.1, most (40%, 32) of the respondents had attained up to secondary level of education, 23 % (19) had acquired certificate in various courses, 16 % (13) had attained diploma level, 12 % (10) had attained primary certificate while the rest (9%, 7) of the respondents had a degree as their highest academic qualification. This illustrates that most of the group in rural and slum members consisted of member who were literate and had basic education knowledge.

Table 4.1 shows that 48% (39) of the respondents were members in the interviewed group, 20% (16) were secretaries, 17% held positions of the chairpersons while 15% (12) were treasures. This implies that the information given by the respondents is reliable since the official targeted by the study participated in the study. The study also established that 15% of the respondents were elected as the treasurers, 11% were secretaries, 10% were chairpersons and organizing secretaries as shown in each case, 9% were assistant secretaries while 7% were vice chairpersons. This depicts that most of the respondents held various positions in various group with the region. The researcher requested respondents to indicate extent to which some skills enhance their leadership judgment in the group. Mean scores and standard deviation for each statement were computed and presented in Table 4.2.

Table 4.2: Leadership Judgments

Leadership Judgment	Mean	STDev
Decision Making skills	3.52	0.168
Ethical and high Moral standards	3.77	0.297
Effective Communication skills	3.70	0.198
Team Work	4.01	0.196
Marketing & Selling skills	3.64	0.284
Problem solving skills	4.20	0.147
Conflict Management skills	4.00	0.388

Table 4.2 shows that problem solving skills to a great extent influenced the groups leadership judgment (M=4.20, SD=0.147). This was followed by team work skills as depicted by the mean of 4.01 and SD 0.196, conflict management skills (M=4.00, SD=0.388), ethical and high moral standards (M=3.77, SD=0.297), effective communication skills (M=3.70, SD=0.198), marketing and selling skills (M=3.64, SD=0.284) and decision making skills (M=3.52, SD=0.168). The results meant that the judgment of the group leadership could affect the extent to which the group experienced growth.

This section presents the groups and characteristics of the groups. From the findings in Tale 4.3, 43% (35) of the group have been operating for 5-10 years, 31%(25) have been operating for over 10 years while the rest 26% (21) of the group have been operating for 1-5 years. This implies that the respondents of the study were conversant with the information that the study sought. It was observed that 60% of the groups had more than 30 members while 40% had between 20-30% above. This implies that most of the groups have met the set rules by the government on benefit of available funds such as the Uwezo fund and the women enterprise funds.

Table 4.3: Characteristics of the Women Groups

	Frequency	Percentage (%)
Age of the Group		
Between 1-5 years	21	26
Between 5-10 years	35	43
Above 10 years	25	31
Group Membership Number		
Between	33	40
More than 30	48	60
Have a Group Constitution		
Yes	62	77
No	19	23
Frequency of Elections and Annual General Meetings		
Quarterly	16	20
After Six Months	24	30
Annually	32	40
On Members request	9	11
Frequency of Holding a Meeting		
Monthly	38	47
Quarterly	27	33
Twice annually	4	5
Annually	2	2
Once a Week	10	12
Operating a Savings Account		
Yes	58	72
No	23	28

The group members were asked as to whether their group has constitution that guides their group operations. From the Table 4.3, 77% of the respondents pointed out that they have a constitution while the rest (23%) indicated that the group had not developed any

comprehensive constitution. Most of the adopted (73%) of the constitutions have stipulated methods of election of officials to the office while 27% of the constitution does not stipulate the date of election.

The study sought to investigate how often the group conducts elections and AGM. From the Table 4.3, most (40%) of the respondents conduct elections and AGM annually, 30% after six months, 20% quarterly while 11% conduct on members request. This implies that most of the groups have a well structured constitution that give right for the members to exercise their right through voting and accessing their financial and performance positions. The findings indicate that (78%) of the respondents consider voting as an important practice within a group since it creates confidence among the members on their contributions and that the goals of the group are safeguarded by the officials elected.

The study requested respondents to indicate duration in which they prefer holding group meetings group meeting. Table 4.3 indicates that most of the respondents indicated that they hold group meeting monthly, 33% quarterly, 12% once a week, 5% twice annually, 2% annually. This implies that most of the groups are active and that they prefer having group meetings monthly.

Table 4.3 shows the study findings on whether the groups operate saving accounts. From the finding, majority (72%) of the respondents indicated that they operate saving accounts. The study established that 68% of the groups have borrowed some amount from the financial institutions such as Commercial banks and DTMs while 32% have not borrowed any amount due to lack of meeting the requirements demanded by the financial institution such as Collaterals , groups Audited Accounts and a proper repayment schedule .

The study established that procedural resolution by reconciliation and/or compromise is generally the method most appropriate in most groups. Some groups come up with a possible strategy for reducing conflict over how to reach an agreed-upon goal might be to redefine the situation in terms of new means toward the acceptable goals - a new bond issue rather than depleting existing funds. Likewise most of the groups have set rule on conflicts resolution where they discuss the issues arising and make final decision based on the information and situations. Some groups form a conflict resolution team that engage in

other preemptive conflict management strategies to help avoid conflict. Preemptive conflict management strategies includes the development of cooperation and trust-building among members, team contracts that identify how to handle difficult situations and develop norms for managing communication within a group. These actions help the group effectively to address conflicts and reduce destructive impact of conflict when they occur. Many conflict reduction approaches are adopted and designed to build trust among the members in conflict. For example bargaining through telephone calls before the bargaining session increases the chances of reaching an agreement by 50%.

Table 4.4 shows (38%) of the chairpersons have served in their group for a period of 1 year, 27% for only 6 months, and 19% for less than 4 months while 16% have been in office for more than 1 year. The study established that 41% of the organizing secretaries have served in their positions for at least a year.

Table 4.4: Duration Served by Elected Group Officials

Official	Less than 4 months		Up to 6 months		1 year only		More than 1 year	
	F	%	F	%	F	%	F	%
Chairperson	15	19	22	27	31	38	13	16
Secretary	13	16	24	30	33	41	11	14
Treasurer	12	15	25	31	34	42	10	12

4.5 Effectiveness of Group Lending

The respondents were asked to indicate whether their group was registered or not and their perception in having their group registered. From the findings in Table 4.5 most of the respondents (22%) pointed that registration requirements are difficult to meet with no flexibility as agreed, also shown by mean score of 4.15. Table 4.5 shows that 20% of the respondents agreed that they did not meet the minimum number of members required for registration as a government requirement and that statements of group accounts for at least 1 year showing group contribution was a critical requirement for the group to be registered which most groups didn't have as depicted by mean score of 3.74 and 3.73 respectively.

The results in Table 4.5 show that 19% of the respondents did not find it important to have their groups registered at the time being and that the group must have held at least 3 AGMs before registration as illustrated by mean score of 3.47 and 3.44 respectively.

Table 4.5: Group Registration Requirements

Requirements	Frequency	Percentage	Mean	STDEV
We did not meet the Minimum number of members required for registration as a Government requirement	21	20%	3.74	1.041
We did not find it important to have it registered at the time being.	20	19%	3.47	0.899
The Registration requirements are difficult to meet with no flexibility.	24	22%	4.15	1.009
Groups Financial Statements for at least 1 year showing overall contribution was a requirement for registration.	21	20%	3.73	0.87
The Group MUST have held at least 3 AGMs before registration.	20	19%	3.44	0.943
Total	106	100%		

The study sought to determine the reasons for not seeking borrowing from financial institutions. From the study, (22%) of the respondents indicated that they did not understand the loan application process and its requirements as shown by a mean score of 4.76. The respondents (18%) further agreed that as a group they still felt that they did not meet the requirements from the banks as shown by a mean score of 4.18. Lack of collaterals to secure loan accounted for 17% of the response, while the terms and minimum conditions were stringent hence hindering the loan application process explained 17% of the response with a mean of 3.88.

Table 4.6: Reasons for Not Seeking Borrowing from the Financial Institutions

Reasons	Frequency	Percentage	Mean	STDEV
The fear that we still do not qualify for a loan facility	14	13%	3.06	0.144
As a group we still felt that we did not meet the requirements from the banks	19	18%	4.18	0.846
We did not have collaterals to secure a loan facility	18	17%	3.88	0.781
We did not understand the loan application process and its requirements	22	21%	4.76	0.152
High Interest rates was a factor to be considered.	15	14%	3.15	0.503
In general, the terms and conditions were stringent and unattractive.	18	17%	3.88	0.746
Total	106	100%		

4.5.1 Motivation for Joining a Women's Group

Table 4.7 shows the findings of the study on the reasons behind members starting a women group. From the findings, (22%) of the respondents agreed that they needed a place where they can save and network with their fellow women and address the social issues that affect them in general as indicated by a mean of 4.27. The respondents (21%) agreed that they wanted to collectively save their incomes from informal businesses for example the Micro and Small Enterprises (SME) as depicted by mean of 4.20. It was noted that 21% of the respondents had started a group to engage in activities and offer services that are identifiable and bring positive impacts on the growth of the women life as illustrated by mean of 4.03. Most of the existing group members (21%) were making visible progress and transformation towards financial self sufficiency and that motivated them in joining the group as shown by mean score of 4.03. Last, 16% of the respondents agreed that they formed a group to nurture a savings culture and self empowerment as it is one of the most important aspects for the group as depicted by mean score of 3.091.

Table 4.7: Reasons for Joining a Women Group

Reasons/ Motivation	Frequency	Percentage	Mean	STDEV
The activities and services offered have identifiable positive impacts on the growth of my life.	22	21%	4.03	0.287
To nurture a savings culture and self-empowerment is one of the most important aspects for the group	17	16%	3.091	1.646
Existing group members were making visible progress and transformation towards financial independence and that contributed to my joining the group.	22	21%	4.03	0.336
I needed a place I can save and network with fellow women, and address the social issues that affect women in general.	23	22%	4.27	0.391
My savings are coming from the informal businesses for example the Micro and Small Enterprises (SMEs).	23	21%	4.20	0.391
Total	106	100%		

4.5.2 Financial Training and Its Influence on Savings Culture

The study also sought to investigate whether basic financial training offered by the financial institution encourages a saving culture among the group members. From the findings, a majority (63%) of the respondents indicated that training offered by financial institution encourage saving culture while 37% were of the contrary opinion of the majority. This meant training on financial matters had a role to play in enhancing group's effectiveness.

4.7 The Relationship between Group Lending and Growth of Women Groups

To determine the effect of group lending on growth of women groups, the study adopted the use of correlation analysis, chi-square test and regression analysis.

4.7.1 Correlation between Group Lending and Growth of Women Groups

A Correlation analysis between the group lending and growth of women groups was performed using the Karl Pearson's coefficient of correlation (r) and p-value analysis, where a correlation was considered significant when the probability value was below 0.05 (p-value

≤ 0.05). Correlation values (r) close to zero meant a weak relationship and r close to one meant a strong correlation existed. From Table 4.8 below, having a constitution had a significant positive relationship (r=0.5120, p=0.0023) with growth of women borrowers at 0.05 level in a two tailed test. Having a savings account had a significant positive relationship (r=0.6090, p=0.0031) with growth of women borrowers at 0.05 level in a two tailed test. It is also evident from Table 4.10 that Holding AGMs had a significantly strong positive relationship (r=0.7320, p=0.0027) with growth of women borrowers at 0.05 level in a two tailed test. Last, registration of groups had a significant positive relationship (r=0.5180, p=0.0168) with growth of women borrowers at 0.05 level in a two tailed test. These results meant that there was a positive correlation between group lending and growth of Women groups.

Table 4.8: Coefficient of Correlation

		Growth of women groups	Having a constitution	Having a savings account	Holding AGMs	Registration of groups
Growth of women groups	Pearson Correlation	1				
	Sig. (2-tailed)					
Having a constitution	Pearson Correlation	.5120	1			
	Sig. (2-tailed)	.0023				
Having a savings account	Pearson Correlation	.6090	.3381	1		
	Sig. (2-tailed)	.0031	.0012			
Holding AGMs	Pearson Correlation	.7320	.1210	.0608	1	
	Sig. (2-tailed)	.0027	.0150	.0042		
Registration of groups	Pearson Correlation	.5180	.3370	.0000	.1580	1
	Sig. (2-tailed)	.0168	.0031	1.000	.0028	

The study sought to examine the strength of this association and used the Chi-Square test for independence of association resulting in Table 4.11 below. The study sought to establish the strength of association between holding AGMs and growth of women groups using the Chi-Square test for independence of association The resulting Pearson Chi-Square indicates Chi-Square value (χ^2) = 36.190, p = 0.000. This meant there was a statistically significant

association between holding AGMs and growth of women groups. Groups that hold regular AGMs are more likely to experience growth.

Table 4.9: Chi-Square Test of Increased Investment and Growth of Women Groups

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.190 ^a	4	.000
Likelihood Ratio	47.411	4	.000
Linear-by-Linear Association	7.245	1	.007
No. of Valid Cases	40		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is .15.

The study sought to establish the strength of association between registration and growth of women groups using the Chi-Square test for independence of association. Table 4.12 shows Chi-Square value = 23.324, $p = 0.025$. This meant there is a statistically significant association between registration of groups and growth of women groups in Kibera. This indicates that registered groups have a higher growth potential.

Table 4.10: Chi-Square Test of Loan Disbursed and Growth of Women Groups

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.324 ^a	12	.025
Likelihood Ratio	12.975	12	.371
Linear-by-Linear Association	6.648	1	.010
No. of Valid Cases	19		

a. 0 cells (.0%) have expected counts less than 5. The minimum expected count is .05.

4.7.2 Test of the Research Hypotheses

The study sought to test the relationship between the influencing factors and the growth of women groups. To do this, regression analysis was adopted in testing of the research hypotheses. Assuming a linear relationship between group lending and growth, the study used the Ordinary Least Square (OLS) method of estimation. Using OLS, a regression line

of best fit was sought.

As a pretest, the data was subjected to assumptions of regression analysis. First the data set was tested for normality using graphical method. The resulting distribution table was normally distributed. Second, the independent variables were correlated, resulting in a weak significant relationship with Pearson ($r = 0.261$). The weak relationship meant the data did not suffer from multicollinearity. Third the data was tested for linearity. The test for linearity using scatter plot revealed that the independent variables had linear relationship with the dependent variable. The fourth assumption tested was that of equal variance (homoscedasticity). The residual plots showed that the error term (ε_i) was normally and identically independently distributed with mean zero and constant variance. This meant the error variance in growth of women enterprises was constant along the group lending. Hence the data did not suffer from heteroscedasticity and instead was homoscedastic. Group lending was operationalized to include; loan disbursement, loan applications, total investments and members' contributions. The study proceeded to test the hypothesized model below.

$$G = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

From this equation, G was the growth of women groups, β_0 was a constant associated with the regression model, $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ and β_5 were the coefficients of the independent variables (X_1, X_2, X_3, X_4, X_5) respectively, X_1 was having a constitution, X_2 was having a savings account, X_3 was holding AGMs, X_4 was regular elections, X_5 was registration of groups and ε was an error term associated with the regression equation. The effect of group lending on growth of women groups was examined by testing the research hypothesis which stated that:

- H_{01} : Group lending has no significant effect on the growth of women groups in Kibera slums.
- H_{11} : Group lending has a significant effect on the growth of women groups in Kibera slums.

The results of a multiple linear regression analysis show the model summary, Analysis of Variance (ANOVA) output and a table of coefficients. The model summary presented in Table 4.9 shows the coefficient of determination (R^2). The coefficient of determination measures how well the statistical model was likely to predict future outcomes. The coefficient of determination, R^2 is the square of the sample correlation coefficient between outcomes and predicted values. As such it explains the contribution of the five independent variables that were studied (having a constitution, operating a savings account, holding AGMs, conducting regular elections and registration of the groups). In Table 4.13, model one had coefficient of determination (R^2) = 0.834, indicating that 83.4% of the variations in growth of women groups was explained by the model leaving out only 16.6% of the variations unexplained. Model one therefore provided a strong fit.

Table 4.11: Model Summary of Group Lending and Growth of Women Groups

Model	R	R Square	Adjusted R	Std. Error of
			Square	the Estimate
1	0.913	0.834	0.751	0.4538

The ANOVA Table 4.14 was used to test the significance of the model. Table 4.10 shows that model one was significant (p-value = 0.001) at 0.05 level in explaining the linear relationship between group lending and growth of women groups. The p-value of 0.001 was less than 0.05 thus the model was statistically significant in predicting on (how having a constitution, operating a savings account, holding AGMs, conducting regular elections and registration of the groups) determine growth on women groups.

Table 4.12: ANOVA of Group Lending and Growth of Women Groups

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.342	4	0.086	5.52	.001
	Residual	0.636	76	0.016		
	Total	0.978	80			

Model one was then used in interpreting the coefficients in Table 4.15. From the coefficients table, increased investments had a significant coefficient with p-value = 0.0267. This output shows the indicators of group lending (having a constitution, having a savings account, holding AGMs, regular elections and registration of groups) were all significant in predicting changes in growth of women groups. Given this outcome, the study fails to accept the null hypothesis (H_{01}) at $\alpha = 0.05$ level and adopts the alternative hypothesis (H_1), that group lending has a significant effect on the growth of women groups in Kibera slums.

Table 4.13: Coefficients of Group lending effectiveness

Model 1	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.217	0.342		1.528	.0342
Having a constitution	0.546	0.310	0.162	3.228	.0267
Having a savings account	0.728	0.156	0.209	3.441	.0278
Holding AGMs	0.765	0.322	0.059	3.536	.0201
Regular elections	0.612	0.245	0.132	3.427	.0241
Registration of groups	0.245	0.118	0.273	2.069	.0442

Having establishing that group lending had a significant effect on the growth of women group borrowers, the study sought a model that would provide the best fit in explaining the resulting relationship. The fitted regression model was presented as:

$$G = 1.217 + 0.546X_1 + 0.728X_2 + 0.765X_3 + 0.612X_4 + 0.245X_5$$

$$R^2 = 0.834$$

Where:

- G = Growth
- X_1 = having a constitution
- X_2 = having a savings account
- X_3 = Holding AGMs
- X_4 = Regular elections
- X_5 = Registration of groups

From the fitted regression model, the $R^2 = 0.834$ was interpreted to mean that model one provided a very good fit. The $R^2 = 0.834$, further meant that 83.4% of the variations in the growth of women group borrowers were explained by five variables: having a constitution, having a savings account, holding AGMs, regular elections and registration of groups. Having a constitution had a beta value ($\beta_1 = 0.546$). This meant that a unit change in a decision of having a group constitution would lead to 54.6% increase in growth of women borrowers. Having a savings account had a beta value ($\beta_2 = 0.728$). This meant that a unit change in the decision to have group savings would lead to 72.8% increase in growth of women groups.

Holding AGMs had a beta value ($\beta_3 = 0.765$). This implies that a unit change in the decisions of holding AGMs would lead to 76.5% increase in growth of women groups. Regular elections had a beta value ($\beta_4 = 0.612$). This meant that a unit change in the decision on regular elections in the groups would result in a 61.2% increase in growth of women borrowers. Registration of groups had a beta value ($\beta_5 = 0.245$). This meant that a unit change in the decision on registration of groups would lead to 24.5% increase in growth of women groups. These results provide empirical evidence that group lending has a positive effect on growth of women groups.

4.6 Growth of the Groups

The study sought to establish the extent to which some aspects of the group had registered growth. Table 4.8 shows that most of the respondents (16%) pointed that repeated loans applications and profit and investments opportunities (15%) influenced growth of the group to a great extent as depicted by mean score of 4.01 and 3.84 respectively. A further 14% of the respondents pointed out that total loans applications, accumulated collaterals / security documents and loans repayments performance influence growth of the group to a great extent as shown by 14% with mean scores of 3.67, 3.64 and 3.63 respectively. It was observed that 14% of the respondents indicated that there was an increase on overall loans disbursed that influenced growth of the group to a great extent as illustrated by mean score of 3.56. Only 12% respondents opined that total volumes of loans disbursed influence growth of the group to a moderate extent as shown by mean score of 3.18.

Table 4.14: Perceived Growth on the Groups Overtime

Perceived Growth	Frequency	Percentage	Mean	STDEV
Increased total loans applications	15	14%	3.67	0.131
Increase in overall loans disbursed	15	14%	3.56	0.913
Increased total volumes of loans disbursed	13	12%	3.18	0.948
Profit and investments opportunities	16	15%	3.84	0.746
Improved loans repayments performance	15	14%	3.63	0.808
Increased repeated loans applications	17	16%	4.01	0.196
Accumulated collaterals and share ownership	15	14%	3.64	0.284
Total	106	100%		

4.6.1 Diversification of Investments Approach

The study sought to establish whether there is need to diversify the investment approach in the groups. A higher majority (15%, 3.84) of the respondents indicated that there was need to diversify investment into other emerging investments opportunities

4.7. Perceived Growth on Women Groups Overtime

The researcher requested the respondent to indicate the performance of their group for the last 5 years. Figure 4.1 shows that during year 2010, the study established that repeated loan applications improved rapidly as shown by mean score of 4.59, the volumes of loans disbursed, amount of loans repaid, Total Loans that are currently in Arrears and the Number of New Products and initiatives highly improved as shown by mean score of 4.52, 4.50, 4.21 and 4.11 respectively.

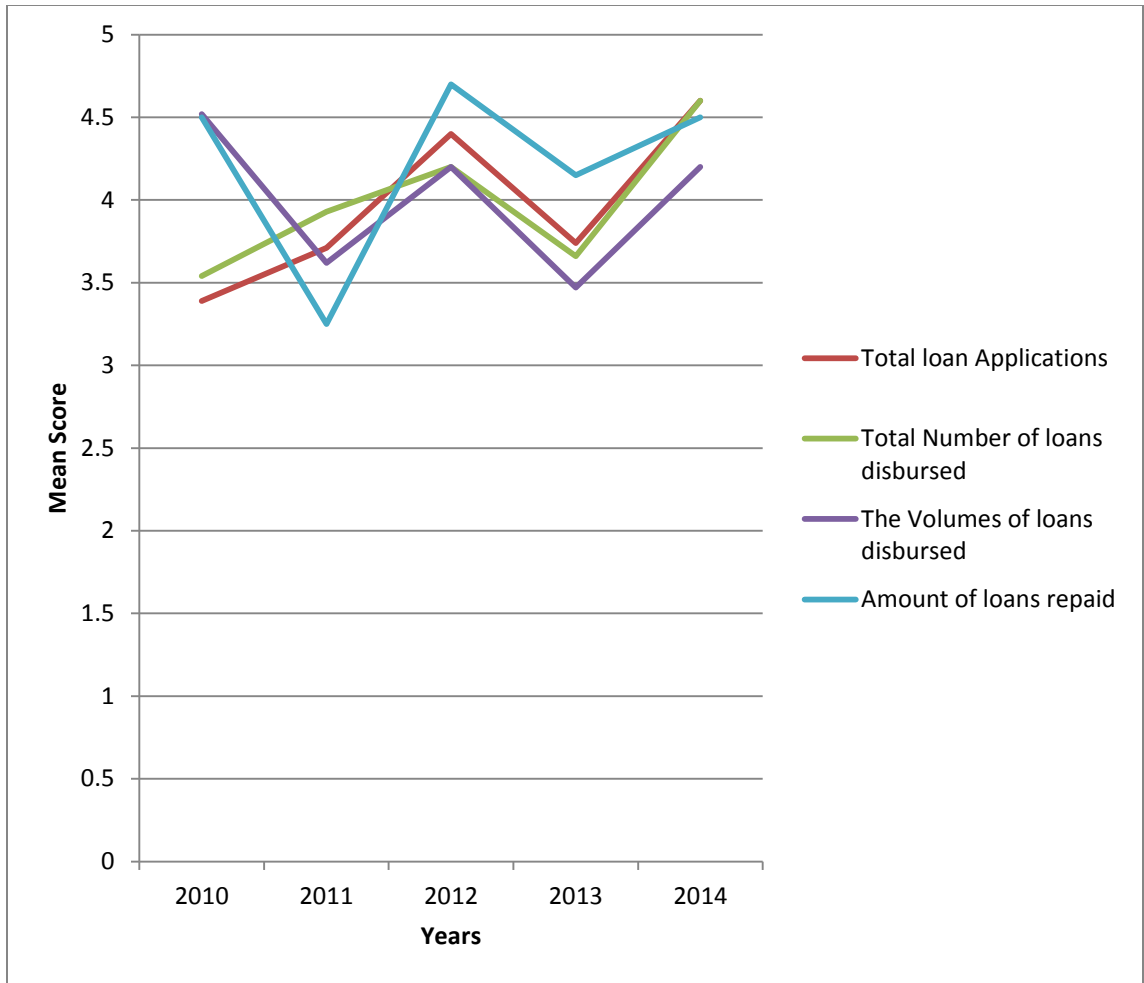


Figure 4.1: Trend analysis of perceived growth on the women groups overtime

Table 4.9 shows that in 2011, the total number of loans disbursed, total loan applications, number of new products and initiatives, repeated loan applications, the volumes of loans disbursed and total loans that are currently in arrears or none performing highly improved as depicted by mean score of 3.93, 3.71, 3.67, 3.66, 3.62 and 3.54 respectively. In year 2012, growth of member's overtime, amount of loans repaid and total loans that are currently in arrears highly improved as illustrated by mean score of 4.73, 4.70 and 4.47 respectively. In 2013, growth of member's overtime, amount of loans repaid the number of new products and initiatives highly improved as depicted by mean score of 4.33, 4.15 and 3.75 respectively. In year 2014, total number of loans disbursed and total loan applications improved highly as shown by mean score of 4.60 in each case. Further the

study established that amount of loans repaid, repeated loan applications and number of new products and initiatives highly improved 4.50, 4.40 and 4.02 respectively.

Table 4.15: Perceived Growth on the Women Groups Overtime

	2010	2011	2012	2013	2014
Total loan Applications	3.39	3.71	4.40	3.74	4.60
Total Number of loans disbursed	3.54	3.93	4.20	3.66	4.60
The Volumes of loans disbursed	4.52	3.62	4.20	3.47	4.20
Amount of loans repaid	4.5	3.25	4.70	4.15	4.50
Repeated loan Applications	4.59	3.66	4.30	3.73	4.40
Total Loans that are currently in Arrears (non performing)	4.21	3.54	4.47	3.44	3.80
Amount of Collaterals that have been charged to secure loans	3.87	3.03	4.4	3.93	3.70
Growth of Members overtime	3.02	3.14	4.73	4.33	3.91
The Number of New Products and Initiatives	4.11	3.67	4.33	3.75	4.02

4.8 Chapter Summary

This chapter presented results of data analysis. Descriptive analysis was used to profile the respondents and to examine the characteristics of the women groups. Correlation analysis and chi-square test were used as pretest to examine the existence of a significant relationship between the variables. Regression analysis was then used to establish the effectiveness of group lending on growth of women groups.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion of the data findings on the factors influencing the growth of women groups. This discussion on the conclusions and recommendations are drawn. The discussion presents a summary of the key study findings and compares the results with other studies.

5.2 Discussions on the Challenges of Women Groups in Kibera

The first research objective was to establish the challenges of the women groups in Kibera that affects their growth. The study established that the group characteristics have a significant effect on the growth of women groups. One key characteristic that has contributed to its growth is the fact that the groups are now registered. It was observed that most women groups have complied with the government call in having them registered to enjoy funding either directly from the government or from other sectors. This is seen to corroborate the overall loans applications, profitable investments ventures that have influenced a significant growth to the groups as depicted by mean score of 4.01 and 3.84 respectively.

A study by Mugenda and Mugenda (2008) corroborates the position that ability to service loans affects access to subsequent loans. Loans repayments performances significantly influence growth of groups to a great extent as shown by mean score of 3.67, 3.64 and 3.63 respectively. This can be attributed to increased members contribution in offsetting the outstanding loan balances, hence increasing member's equity. A majority of the groups in Kibera had been in existence for 5-10 years. The many years of services enhanced the credibility of these business making it possible for them to attract group funding and hence growth. Most of the groups had over 30 members and hence were large groups. The large group sizes were desirable in attracting group funding as noted by Calomiris and Hubbard (1990), who alluded that if the company is smaller, the restrictions on credit are greater.

5.3 Discussions on the Motivation for joining a Women Group

The second research objective was to establish the motivation for joining a women group in regard to group lending. From the findings, most of the respondent (22%) agreed that they needed a place where they can save and network with their fellow women and address the social issues that affect them in general as indicated by a mean of 4.27. The respondents (21%) agreed that they wanted to collectively save their incomes from informal businesses for example the Micro and Small Enterprises (SME) as depicted by mean of 4.20. It was noted that 21% of the respondents had started a group to engage in activities and offer services that are identifiable and bring positive impacts on the growth of the women life as illustrated by mean of 4.03. Most of the existing group members (21%) were making visible progress and transformation towards financial self sufficiency and that motivated them in joining the group as shown by mean score of 4.03. lastly, 16% of the respondents agreed that they formed a group to nurture a savings culture and self empowerment as it is one of the most important aspects for the group as depicted by mean score of 3.091.

5.4 Factors influencing the growth on Growth of Women Groups in Kenya

The third research objective was to determine the factors influencing the growth of women groups in Kibera. The study established that the indicators of group lending (having a constitution, having a savings account, holding AGMs, regular elections and registration of groups) were all significant in predicting changes on growth of women groups.

The respondents were asked to indicate whether their group was registered or not and their perception in having their group registered. From the findings in Table 4.5 most of the respondents (22%) pointed that registration requirements are difficult to meet with no flexibility as agreed, also shown by mean score of 4.15. Table 4.5 shows that 20% of the respondents agreed that they did not meet the minimum number of members required for registration as a government requirement and that statements of group accounts for at least 1 year showing group contribution was a critical requirement for the group to be registered which most groups didn't have as depicted by mean score of 3.74 and 3.73 respectively. The results in Table 4.5 show that 19% of the respondents did not find it important to have their groups registered at the time being and that the group must have held at least 3 AGMs before registration as illustrated by mean score of 3.47 and 3.44 respectively.

The study established that 77% of the women groups had a constitution that guided them on groups mandate and ensures cohesiveness amongst its members as indicated on Table.4.3. This is an indicator that women groups in Kibera are now formally managed by members, they can now manage their group affairs with high expectations for leadership and accountability being vested on elected officials. The constitution clearly stipulates out when the Annual general elections are held, with most groups indicating that they hold annual elections regardless. The existences of a constitution further meant that, most groups have procedural strategies in resolving conflict resolution amongst its members, terms in office and codes of conduct. While many women groups in the world exist without the constitutional document hence inhibiting their cohesion, this study discovered that the constitution enhanced the stability and continuity of women groups in Kibera.

A majority of women groups in Kibera (72%) operate a savings account. This translates to the group's ability to have a documented financial history. Keeping proper financial records provides evidence for determination of the creditworthiness of the group. For this reason, while other women groups in the world struggle to access credit, the Kibera women groups are able to access financing and grow. It was observed that groups use their accumulated savings and investments to borrow from financial institutions such as in commercial Banks, diversify on other financial instruments for example shares ownership and Bonds for long terms investments, (FSD ,2010). This is also supported by Dupas and Robinson (2009), where after six months of accessing and operating there group savings account, there was a 39% increase in productive investments.

There was a significant drop on loans that are on arrears, and this shows various groups are prudent in their borrowing, which is in tandem with their ability to pay. Various groups also have started developing new product lines and having initiatives' that is towards making them self independent for example poultry farming and property acquisition. There was also a relationship on the total loans disbursed corresponds with growth of group members. This was attributed to increased members contribution. Training offered by the financial institutions has led to the growth of most women group to a great extent, hence the rise and appetite for investments.

On effectiveness of the group lending, the study established that most of the most of the groups are not registered with the social services Ministry due to difficulties in registration requirements which are considered strict. Likewise, most of the group did not meet the minimum number of

members required for registration as a government requirement, and financial Audited accounts showing overall group contribution was a critical requirement for the group to be registered which most groups didn't qualify. However, most of the groups have benefited from the financial training offered by the financial institutions which has led to the growth of the groups to a great extent.

The study found that repeated loans applications, profit and investments opportunities, total loans applications, accumulated collaterals documents and increased loans performance influence growth of the groups to a great extent. These research findings are consistent with arguments of financial stakeholder who asserts that group lending has played a fundamental role for financial intermediation to women groups seeking financing (FSD 2010, CBK, 2011). As well it supports Rutherford (1999), argument that women groups, given the support and the right environment and relevant information they are likely to thrive and increase investments. However, this findings are contrary to (Banerjee et al., 2009), Karlan and Murdoch (2010) and Joseph and Stegman (2001), who maintain that financial access maybe a powerful tool for some, but it does not yield high returns for all , in support .

5.4 Conclusion

The study concludes that group lending model has a significant effect on the growth of women groups. This relationship is significantly moderated by group characteristics. The relationship between group lending and growth of women groups is marked to a great extent by indicators of group lending which encompass: having a constitution, having a savings account, holding AGMs, regular group elections and having registered women groups. The group study concludes that group characteristics equally have a significant effect on the growth of women groups. The characteristics likely to affect growth to a great extent are group size, status of group registration and number of years of existence of a group. The main challenge faced by women groups include inability to access finances due to strict terms and condition and high interest rate set by the financial institutions. Women groups overcome this challenge by maintaining a savings financial account with elected officials as signatories as custodians. The study concluded that, increased repeated loans applications, profit and investments opportunities, increased total loans applications, accumulated collaterals and increased loans repayments performance influence growth of the group to a great extent.

5.5. Recommendation

The study recommends that financial institutions and policies makers should review the requirement needed for the vulnerable groups in accessing funding set aside by the government and also loans from the financial institutions. The Government should encourage integrating the financial needs of the poor women into the country's system; the job of government is to enable financial services and its access in ways that are to be considered affordable (World Bank, 2011).

The Government should encourage micro finance institutions not to increase group-lending costs, which choke off the supply of credit. Access to finance may contribute to a long-lasting increase in income by means of a rise in investments in income generating activities and to a possible diversification of sources of income; it may contribute to an accumulation of assets; it may smooth consumption; it may reduce the vulnerability due to illness, drought and crop failures, and it may contribute to a better education, health and housing of the borrower. In addition, access to finance may contribute to an improvement of the social and economic situation of women.

The study further recommends that women groups should continue pooling themselves together in groups. As a group, women are able muscle enough strength to overcome economic challenges arising from social discrimination based on gender. It is also a way of promoting economic development, employment and growth. The poor stay poor, not because they are lazy, but because they have no access to capital (Mugenda and Mugenda 2009).

The role of group lending is to reach this set of the population that remains unbanked and make financial services accessible to them. Funds should be made available to women by financial institutions and the government. Instead of lending directly to individual borrowers money should be lend to groups. Resulting from this study, it is recommended that borrowers constitute women groups as a mechanism that can be used to overcome the administrative hurdles, transaction costs, credit controls and collateral requirements by lenders. It is proven that borrowers who are jointly liable for the loans of their group have a vested interest in choosing trustworthy partners. Joint liability also discourages default because group members' exercises peer pressure to repay on behalf their partners, as well as providing a business support network that offer financial advisory sessions , investments forums and potential markets.

The study finally recommends that women groups should have ideals, norms and policies that are upheld by all its members. Breach of these ideals by any member will be matched by severe consequences. These norms should be in the form of customs, folk ways, ethics and morals, traditions and laws. They may be written or silent. Adherence to these regulations instills discipline amongst group members necessary for the group to access funding and hence growth.

5.6 Recommendations for Further Studies

The study explored the factors influencing the growth of women groups in Kenya. Future studies should focus on multiple locations to in Kenya to enhance generalization of the study findings. The study therefore recommends another study be done with an aim to investigate the impact of relationship lending on credit availability to groups in Kenya. Because of the implied significant role of groups in economic development, it is recommended that future studies focus on the effect of women group activities on economic performance.

