

**THE INFLUENCE OF ACCESS TO BANKING SERVICES ON THE
PERFORMANCE OF BUSINESS OWNED BY WOMEN: THE CASE OF
MERU MUNICIPALITY**

BY

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**Research project submitted in partial fulfillment of the requirement for the award of
Master of Arts degree in Project Planning and Management of the University Of
Nairobi.**

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DECLARATION

This research project is my original work and has not been submitted to any other university for a degree or any other reward.

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The research project has been presented for examination my approval as the university supervisor.

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DEDICATION

This work is dedicated to my wife Loise, our children Cynthia and Sandra for their enduring support.

ACKNOWLEDGEMENT

I thank God the Almighty for giving me good health while undertaking this project report.

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ABBREVIATIONS AND ACRONYMS

- AfDB**- African Development Bank.
- AFI**- Alliance for Financial Inclusion
- ATM**-Automatic teller machine
- CBD**-Central business district
- CBK**-Central Bank Of Kenya
- DFIs**- Development Finance Institutions
- EAC**- East African Community
- GOK**- Government of Kenya.
- ICEG**-International Centre for Economic Growth
- ICT**- Information Communication Technology.
- LDCs**- Least Developed Countries
- NGO**-Non Governmental Organization
- MFIS**-Micro Finance institutions.
- MSEs**-Micro and Small enterprises.
- SACCOs**-Savings and Credit Co-operatives
- SMEs**-Small and Medium enterprises
- SMMEs**- Small, Micro and Medium Enterprises

ABSTRACT

The goal of banks is to promote economic development by supporting businesses through provision of credit facilities and a culture of savings amongst individuals and businesses. By international standards, the level of penetration of banking services in Kenya is very low. The purpose of this study was to investigate the influence of banking services on business performance of women enterprises in Meru Municipality. This study employed descriptive survey design by use of questionnaires. According to the Ministry of Trade Imenti North District there are approximately 360 women owned businesses within Meru municipality Central Business District (CBD). This research used probability sampling design. Stratified simple random sampling was used to take a sample from the target population. This research used self administered drop and pick questionnaires with closed and open ended questions to ensure consistency and getting the independent respondents view. The researcher edited, coded, classified and tabulated the data. The researcher also used statistical tools in data analysis such as measures of central tendency to reduce the large volume of raw data to an extent to which it can be read easily and used for further analysis. Data collected was analyzed using descriptive statistics. The study found that majority of the women entrepreneurs had borrowed a loan from a commercial bank but also majority of them got capital from loans from micro finance institutions. The study found that majority of the women entrepreneurs used an agent for banking services to get services such as cash withdrawal, mini statements and cash deposits. Also, majority of the women entrepreneurs used mobile banking services weekly. Moreover, majority of the women entrepreneurs used bank account weekly. The study concludes that only a few women had borrowed a loan from a commercial bank. They preferred banking with the agent than in the banking hall due to flexible hours of operation. Agency banking improved the performance of the business to a fair extent. The quality of service offered by mobile banking was high. They were hindered to operate a bank account by lack of information on accounts. Banking had improved the performance of the business to a great extent. The study recommends that financial institutions should encourage women to take loans. This can be done by ensuring there is no discrimination between women and men while giving loans. Mobile banking should be encouraged among women. They need to be told of the benefits and how it eases transactions.

CHAPTER ONE

INTRODUCTION

1.1. Background to the study

The Kenyan banking industry is one of the broadest and most developed in sub-Saharan Africa comprising 43 commercial banks, 1 mortgage finance company, 6 deposit-taking microfinance institutions, 5 representative offices of foreign banks, 111 foreign exchange bureaus and 2 credit reference bureaus (CBK 2012). These institutions, along with the Kenya Post Office Savings Bank, make up Kenya's formal banking sector and serve 22.6 percent of Kenya's adult population, according to FinAccess household survey (Beck et al., 2010).

Non-bank financial institutions, including microfinance institutions (MFIs), savings and credit cooperatives, and mobile phone service providers serve another 17.9 percent of the population, bringing the total served by formal financial services to 40.5 percent. Another 26.8 percent of Kenyans rely on the informal financial sector, including NGOs, self-help groups, and individual unlicensed money lenders, and 32.7 percent of the population does not use any form of financial services.

The Kenyan Banking Sector continues to register improved performance with the size of assets standing at Ksh. 2.3 trillion, loans & advances worth Ksh. 1.32 trillion, while the deposit base was Ksh. 1.72 trillion and profit before tax of Ksh. 80.8 billion as at 30th September 2012. During the same period, the number of bank customer deposit and loan accounts stood at 15,072,922 and 2,055,574 respectively (CBK, 2012). As at 30th September 2012, ten Kenyan banks had established subsidiaries within the East African Community (EAC) Partner States and South Sudan. The subsidiaries had opened a total of 269 branches compared to 240 branches in June 2012. The subsidiaries posted a profit before tax of Ksh. 3.8 billion for the nine months to September 2012 up from Ksh. 2.5 billion for the six months to June 2012. Growth in profit was mainly supported by the increase in gross loans and advances from Ksh. 101.2 billion in June 2012 to Ksh. 118.9 billion in September 2012 (CBK, 2012).

In Meru municipality seventeen banks and one mortgage finance company have branches. There is also a cash centre for CBK. Other banks have indicated their intention to set branches in the municipality. This is mainly advised by business potential in the region, the coming up of county

government and the setting up of the Isiolo resort city which is a flagship project under Vision 2030.

Vision 2030, our country's development blue print, requires that for it to be achieved every Kenyan must be in a position to have banking services provided to him or her. According to the Ministry of Planning National Development and Vision 2030, provision of banking services is core as Kenyans will be in a position to access credit facilities. This means that government will do everything possible to make sure that all Kenyans are banked.

The Vision stipulates the central policy objectives of the long-term strategy for the financial sector to include improved access and deepening of financial services and products for a much larger number of Kenyan households and small businesses and mobilising additional savings to support higher investment rates.

As employment shrinks in the formal sector, there is a corresponding increase in growth and employment creation in the Micro and Small enterprises (MSE) sector. MSEs are reputed to be behind most of the socioeconomic transformation in South East Asia, and play a significant role in Kenya's development process. This is because during the early stages of economic development, these enterprises embodied unique opportunities for creating employment and wealth. According to the Department of Micro and Small Enterprise Development in the Ministry of Labour and Human Resource Development, there were about 2.8 million MSEs in Kenya in 2002, employing about 5.1 million people. In 2003 there were 5.5 million people in MSEs and, in 2004, there were about 6 million (5.97) employed in MSEs in Kenya (GOK Economic Survey, 2005).

As with many developing countries, there is limited research and scholarly studies about the MSE sector in Kenya. The 1999 National Baseline Survey conducted by Central Bureau of Statistics, ICEG and K-Rep Holdings provides the most recent comprehensive picture of MSEs in Kenya. Mead (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of micro and small enterprise sector. When the state of the macro economy is less favourable, by contrast, the opportunities for profitable employment expansion in MSEs are limited.

The 1999 Micro and Small enterprises baseline survey revealed that there were 1.3 million micro and small scale enterprises employing 2.3 million people (GOK,1999).On the contrary,

large organizations (both public and private) employed approximately only 1.6 million people. Kenya Economic Report (2009) reveals that in Kenya, MSEs produced 77 percent of the total jobs while Kenya Association of Manufacturers (KAM, 2009) observes that in Kenya the Small, Micro and Medium Enterprises (SMMEs) contributed about 85 percent level of employment. Presenting the case of Europe, Lukacs (2005) observes that SMMEs are essential since they have the capability to provide what large companies or large business ventures are unable to offer.

According to the 1999 National MSEs Baseline Survey, there were 612,848 women in MSEs in Kenya, accounting for 47.4 per cent of all those in MSEs. The results showed that women tended to operate enterprises associated with traditional women's roles, such as hairstyling, restaurants, hotels, retail shops and wholesale outlets.

In general, women tended to operate smaller enterprises than men, with the average number of employees in a women-owner/managed MSE being 1.54 versus 2.1 in men-owner/managed MSEs.

In women-owner/managed MSEs, about 86 per cent of the workers were women owner/managers themselves, 4 per cent were hired workers, with the remainder made up of unpaid family members and/or apprentices. Whereas, in men-owner/managed MSEs, only 68 per cent of the workers were men owner/managers themselves, 17 per cent hired workers and the remainder made up of unpaid family members and/or apprentices.

The survey also indicated that women tended to operate smaller MSEs than men and made less income than them, with women making an average gross income of KES 4,344 per month compared to KES 7,627 for men. As noted earlier, the 1999 Baseline Survey indicated that about half (52.6 per cent) of all employees are men and 47.4 per cent are women. This compared to the national employment statistics of 2003 and 2004 which indicated that only 30 per cent of the total workforce was made up of women. The MSEs sector, therefore, holds more promise for women in providing and accessing employment opportunities.

Other studies have shown that the sector is very dynamic, as evidenced by the rapid rate of investment and enterprise growth (Kimuyu, 1999). The development of the sector is therefore critical in reducing poverty in Kenya. Consequently, there has been a quest in the Least

Developed Countries (LDC'S) to support growth of the MSE sector as a source of employment and economic growth.

Gakure (2003) found that women's productive activities were concentrated in micro-enterprises that conformed to the traditional gender roles, such as food processing, garment making and personal services in beauty industry. The Kenya Central Bureau of Statistics (GOK, 1999) baseline survey reveals that while the number of women and men owned enterprises are almost equal women outnumbered men in the service industry (55.7% women) while men outnumbered women in manufacturing and construction.

MSEs are generally under-capitalised, suggesting major operational difficulties in accessing credit and pursuing corporate goals. The recent MSE Baseline Survey showed that only six percent of MSEs successfully applied for and used credit. It is unclear how the rest, who form the majority, meet their working capital and investment needs. Enterprises that successfully sought out credit received very modest amounts.

1.2. Statement of the problem

The goal of banks is to promote economic development by supporting businesses through provision of credit facilities and a culture of savings amongst individuals and businesses. By international standards, the level of penetration of banking services in Kenya is very low. Despite remarkable progress in the few years, access to financial services outside the main cities still remains limited (Vision 2030). Expansion of saving services alone also appears to have the potential to be beneficial. In an earlier experimental study in Kenya, Dupas and Robinson (2009) provided small-scale entrepreneurs access to accounts in a local Village Bank, and found large effects on business investment and income among a subsample of the study population (market vendors, who are mostly female).

The greatest barrier facing women entrepreneurs in Kenya is access to finance because of requirements of collateral. . In Kenya only 1% of women own property and that makes it very difficult for women to provide collateral for banks. Most women who venture into businesses in the rural areas and need financing lack the needed collateral to enable them secure bank loans. Responsibility of entrepreneurs for dependants has limited opportunities to make savings or undertake business expansion and diversification (Athanne, 2011). The financial aspects of setting up a business are without doubt the biggest obstacles to women (Zororo, 2011, Brush,

2007). Women entrepreneurs often lack information about how to get a loan, lack the necessary collateral to obtain one and /or face discriminatory laws or practices related to finance and credit. Finding the finance to get a new business going, or to grow an existing one is a difficult challenge.

A number of studies have been done on women entrepreneurship (ILO, 2008, Kimuyu, 2001, Bowen et al., 2009, Kinyanjui, 2006). However the studies have been focusing on women entrepreneurship and MFIs. Other studies have been done on financing of MSEs (Kasali, 2006, Kuzilwa, 2005, and Kibas, 2001). However no study has been done on the role of banking on women entrepreneurship in Meru municipality.

Despite many women owned enterprises within Meru municipality having access to banking services for a number of years their growth seems to have stagnated. The study will therefore embark on finding how banking services influence performance of businesses and especially those owned by women entrepreneurs.

1.3. Purpose of the study

The purpose of this study was to investigate the influence of banking services on business performance of women enterprises in Meru Municipality.

1.4. Objectives

The objectives of the research study were;

1. To establish the influence of access to credit facilities on the performance of women owned enterprises within Meru municipality.
2. To determine how agency banking services influences the performance of women owned enterprises within Meru municipality.
3. To determine how mobile banking services influences the performance of women owned enterprises within Meru municipality.
4. To establish how the type of accounts influence the performance of women enterprises within Meru municipality.

1.5. Research Questions

The questions to the research study were;

1. To what extent does credit facilities influence the performance of women owned enterprises within Meru municipality?
2. How does agency banking services influence performance of women owned enterprises within Meru municipality?
3. How does mobile banking services influence the performance of women owned enterprises within Meru municipality?
4. To what extent does the type of accounts influence the performance of women owned enterprises within Meru municipality.

1.6. Significance of the study

This study would be significant in the following ways;

It would provide a set of practical recommendations aimed at helping banks to improve on provision of their services to women entrepreneurs. The banks would be able to address the emerging needs of women entrepreneurs as a clear distinct market segment. They would be able to come up with women friendly products that would address these needs. The results of the study would also add to the bank of knowledge useful in the institutions of higher learning.

1.7. Delimitations of the study

The research study was restricted to women enterprises operating within Meru municipality and specifically in the central business district. The study took a period of four months (April-July).

1.8. Limitations of the study

The study faced limitations due to time constraints since the researcher is engaged in full time employment. The study also was limited by financial resources to finance all the research activities and engage enough research assistants.

1.9. Assumptions of the study

A number of assumptions were made while carrying out the study. It was assumed that the

respondents answered the questions correctly and truthfully. It also assumed that there were no unexpected events that affected the speed of the study.

1.10. Definition of significant terms.

Banking services-In this study included credit services, mobile banking, agency banking and type of accounts offered by commercial banks.

Credit services-Money lent to businesses in form of loans, overdrafts and trade finance.

Mobile banking- This is the provision of banking services through the use of a mobile phone.

Agency banking-It is the provision of banking services through bank appointed agents.

Enterprise. A company or business firm organized for commercial purposes; buying and selling goods and services for a profit.

Business performance. It is the assessment of the present state of the business as measured by such indicators as profits, sales turnover among others

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literary work that exists concerning the influence of banking services on enterprises. The chapter also discussed access to credit and business finance services, agency banking, mobile banking, types of accounts in Kenyan banks and business performance. The conceptual framework was also developed in this chapter.

2.2 Access to credit and business financing services.

For business enterprises to perform efficiently they require capital. Generally there are two main sources of capital for businesses namely equity and debt financing. Small, medium and large businesses utilize debt financing for a range of reasons from securing working capital to making long-term investments. For micro and small enterprises, this is no less true. Yet due to a combination of factors including the small scale of operations, the product and demographic markets that they serve, their often semiformal nature, their lower capital borrowing needs and the reluctance of formal lenders and financial institutions to work in these markets, micro businesses do not have access to traditional sources of business financing.

The greatest barrier facing women entrepreneurs in Kenya is access to finance is an issue because of requirements of collateral. In Kenya only 1% of women own property and that makes it very difficult for women to provide collateral for banks. Most women who venture into businesses in the rural areas and need financing lack the needed collateral to enable them secure bank loans. Responsibility of entrepreneurs for dependants has limited opportunities to make savings or undertake business expansion and diversification (Athanne, 2011). The financial aspects of setting up a business are without doubt the biggest obstacles to women (Zororo, 2011, Brush, 1992). Women entrepreneurs often lack information about how to get a loan, lack the necessary collateral to obtain one and /or face discriminatory laws or practices related to finance and credit. Finding the finance to get a new business going, or to grow an existing one is a difficult challenge.

Though commercial banks and Development Finance Institutions (DFIs) have vast financial

resources, their impact is yet to be felt among the SMEs, and particularly by women entrepreneurs, most of whom have no collateral. Consequently, most banks have created special facilities to support SMEs as a result of government encouragement and their own need to expand. However many entrepreneurs and in particular women, tend to steer clear because of lack of information and conditions such as high transaction costs and interest rates.

According to a survey conducted by the African Development Bank Group in East Africa Fifty percent of Kenyan banks reported that they were motivated to participate in the SME market in view of its profitability. They also reported that the need to seek out SME relationships from existing large corporate clients (reverse factoring) was also an important factor (50 percent of banks). This is probably because of the existence of a well-developed corporate sector in Kenya based on value chains, when compared to the other countries in the region. A quarter of Kenyan banks also reported that intense competition for retail clients drove them to the SME sector (AfDB, 2012).

Despite their critical role, women-owned SMEs continue to experience a myriad of challenges of financing and non-financing nature. Financing challenges have been a subject of empirical investigations, as well as policy debate and action for a while. According to Robichaud et al. (2010), the assumption that addressing financing challenges can place SMEs on the fast lane for growth may be fallacious because such growth is also influenced by various non-financing factors. Better still, inadequate access to financing is not the only factor impeding the growth of women-owned SMEs; non-financing issues emanating from within and without SMEs also have serious effects on the growth of SMEs (Robichaud et al., 2010; Jahanshahi et al., 2010; ILO, 2007).

MSEs are generally undercapitalized, suggesting major operational difficulties in accessing credit and pursuing corporate goals. Kimuyu and Omiti (2000) observe that 18.4% of the MSEs in Kenya cite access to credit as their second most severe constraint after market access. Further the 1999 National Baseline survey (International Centre for Economic Growth *et al.* 1999) indicates that 70% of the MSEs in Kenya require loans that do not exceed Kshs. 20 000 (US\$ 285) while 96.3% do not require loans exceeding Kshs.100 000 (US\$ 1428). Ondiege (1996) demonstrated that access to credit is associated with improved performance of MSEs in Kenya.

Moreover, Lundvall *et al.* (1998) show that manufacturing enterprises in Kenya that have limited access to credit also tend to be less productive and cannot always move to points of best practice. This indicates that since the MSE sector does not have adequate access to credit, its potential role in transforming the country is unlikely to be realized.

Bank credit is among the most useful sources of finance for business in Kenya (GOK, 2005). Bank credit refers to loans and overdrafts extended to enterprises by formal banking institutions. Only 1.5 percent of MSEs receive loans from commercial banks in Kenya (International Centre for Economic Growth 1999). It is unclear, how the rest, who form the majority, meet their working and investment needs (Kimuyu and Omiti 2000). Perhaps this is not surprising in light of the magnitude of barriers that they face in accessing credit. Lack of tangible security by MSEs, the limited capacity, outreach and linkages by financial intermediaries and a hostile legal and regulatory framework for financial services are the main constraints (GOK, 2005). Yet there is little information as to how the few MSEs that access formal credit manage to do so in light of this very difficult environment.

There have been a number of attempts to explain the limited access to credit by MSEs in Kenya. These attempts have broadly taken two arguably complimentary, perspectives. The first highlights the prevalence of factors external to MSEs including the limited capacity, outreach and linkages by financial intermediaries as the main constraints to MSEs access to credit (Atieno, 2001). A hostile legal and regulatory framework for financial services underlies such constraints (GOK, 2005). The second perspective also acknowledges the problem of macro level constraints, but emphasizes the greater explanatory powers of the relatively weak MSEs capacities including lack of tangible security and limited human capital (Kimuyu and Omiti, 2000). Arguably, both perspectives have enhanced our understanding of the factors that affect the likelihood of MSEs to access bank credit.

2.3 Agency banking and financial inclusion

The agent banking model is one in which banks provide financial services through nonbank agents, such as grocery stores, retail outlets, post offices, pharmacies, or lottery outlets. This model allows banks to expand services into areas where they do not have sufficient incentive or capacity to establish a formal branch, which is particularly true in rural and poor areas where as a result a high percentage of people are, unbanked (AFI, 2012).

According to Atieno (2001) a banking agent is a retail or postal outlet contracted by a financial institution or a bank network operator to process clients' transactions. The transactions are conducted by the owner or an employee and include deposits, withdrawals, funds transfer, bill payments and balance enquiries among other transactions.

Agent banking is quickly becoming recognized as a viable strategy in many countries for extending formal financial services into poor and rural areas. In recent years, agent banking has been adopted and implemented with varying degrees of success by a number of developing countries, particularly in Latin America. Brazil is often recognized as a global pioneer in this area since it was an early adopter of the model and over the years has developed a mature network of agent banks covering more than 99% of the country's municipalities. Other countries in Latin America have followed suit, including Mexico (2009), Peru (2005), Colombia (2006), Ecuador (2008), Venezuela (2009), Argentina (2010), and Bolivia (2006). Other countries around the world have also utilized the agent banking model to expand financial services, including Pakistan, Philippines, Kenya, South Africa, Uganda, and India (AFI, 2012).

In Kenya agency banking was initiated when in June 2009, the Minister for Finance proposed amendments to the Banking Act to allow commercial banks to use agents to offer branchless banking. As at 30th September 2012, there were 10 commercial banks that had contracted 14,168 active agents facilitating over 24.7 million transactions valued at Ksh. 144.2 billion. This was an increase from 9 banks that had contracted 12,054 active agents facilitating over 18.7 million transactions valued at Ksh. 93.1 billion in June 2012 (CBK, 2012).

Agency banking has helped to reach more rural poor people since it is prohibitively expensive for banks and other financial institutions to set branches since the transaction numbers and volumes do not cover the cost of establishing a branch. Low-income clients often feel more comfortable banking at their local store than walking into a marble branch (Christopher, 2002).

2.4 Mobile banking and its usage

The terms Mobile Phone banking and mobile banking (M-Banking) are used interchangeably. The term M-Banking is used to denote the access to banking services and facilities offered by financial institutions such as account-based savings, payment transactions and other products by use of an electronic mobile device. Mobile banking has yielded a multiple effect on the number of solutions available to clients. This is in addition to more efficient transactional environment and the high substitution of banking points (Njenga, 2010).

Porteous (2006) distinguishes two aspects of mobile banking: Additive and transformational characteristics. *Additive aspects* are those in which the mobile phone is merely another channel to an existing bank account. Mobile banking is additive when it merely adds to the range of choices or enhances the convenience of existing customers of mainstream financial institutions. *Transformational characteristics* arise when the financial product linked to the use of the phone is targeted at persons who do not hold formal bank accounts with the conventional banking institutions.

Sarker and Wells (2003) assert that the only single access requirement or barrier to the resultant mobile banking will be the mobile phone. However, worldwide market penetration of affordable cellular devices and growing network service diffusion makes this intricacy almost fully resolved hence setting a firm pedestal for mobile banking escalation.

Mobile banking started with the creation of services by banks which could be accessed through the mobile phone. These facilities aimed to enable customers' access information relating to their accounts. Subsequent innovations have seen the mobile banking phenomena continue to grow steadily. Mobile banking takes several dimensions of execution all representing a new

distribution channel that allows financial institutions and other commercial actors to offer financial services outside traditional bank premise (Njenga, 2010).

Mobile telephony adoption is on the rise and the related technological innovations have dramatically enhanced the capabilities of the mobile phones (Salzaman et al 2001). About two billion people worldwide are using a mobile phone. As the number of mobile phone increases there has been a pervasive impact on people's lives (ITU, 2006). Mobile phones adoption and use has a positive and significant impact on economic growth, and this impact may be twice as large in developing countries as in developed countries (ITU, 2005, Salzaman et al 2001). In Africa particularly it has been said "people in Africa use mobile phones very differently. Most strikingly is the accessibility of mobile as the overall impact of mobile extends well beyond what might be suggested by the number of subscriptions alone."(ITU, 2005).

According to Donner (2005), there have been relatively few studies focusing directly on the way mobile phones are used in enhancing productivity among the users in the developing world. Some business also lacks the awareness regarding the potentials that exist in the use of mobile phones and ICTs (Adeya, 2003).

Mobile phones provide technological services that reduce costs; increase income and increases reach ability and mobility. They can help to extend social and business networks and they clearly substitute for journeys and, for brokers, traders and other business intermediaries (Donner 2005, Hughes & Lonie, 2007).

Mobile banking is a powerful way to deliver savings services to the billion people worldwide who have a cell phone but no bank account. It has a number of advantages over traditional banking methods as it breaks down geographical constraints; it also offers other advantages such as immediacy, security and efficiency (Ondiege, 2010).

According to (CCK 2012) in the mobile telephony market segment, there were 29.2 million mobile subscriptions as at 31st March 2012 compared to 28.08 million as at 31st December 2011. Mobile penetration was posted as 74.0 per cent.

A clear majority of regular M-banking users are low and average income earners. These categories also happen to hold the higher percentage of people without possession of traditional bank accounts. On this account users perceive the M-banking service as a complete substitute to bank accounts as previously held. This negates the argument of mobile service providers, who in an effort to circumvent certain regulatory requirements front these facilities as “Money transfer services” rather than “Mobile banking services (Njenga, 2010).

CBK (2007) statistics put the average monthly cost of operating a current account with a Kenyan commercial bank at over Ksh 900 (\$13). M-banking reduces the cost of basic banking services to customers with over 60 percent from what it would cost through traditional channels. The electronically managed transactions result in huge cost savings, the benefits of which are transferred to the users.

M-Banking resolves the issues of access to finance. This is due to the lower costs of roll-out and the economies of handling low-value transactions realized by leveraging networks of existing third-party agents. Cash transactions, account opening and other transactions can be conducted online. This makes it easy to subscribe and accounts for the high customer concurrence of 91%. Ultimately transformational banking boosts access to formal finance particularly, in rural areas where many poor people live. Of the total 876 branches operated by financial institutions in Kenya 314 are in Nairobi. M-banking has opened a different access door for the unbanked (Njenga, 2010).

The biggest challenge with mobile banking pertains to efficiency and customer convenience. Agents sometimes lack enough float and also there is network breakdown and down times which occasion failure. Appropriate consumer protection against risks of fraud, loss of privacy and even loss of service is extremely critical for growth of m-banking.

2.5 Type of accounts in Kenyan banks and their features

Hundreds of millions of people in developing countries earn their living through small-scale business (World Bank, 2004; de Soto, 1989). Many of these entrepreneurs do not have access to even the most basic of financial services, such as a simple bank account in which they can save money (Chaia et al., 2009; Kendall et al., 2010).

CBK has identified three types of accounts in the banking industry in Kenya namely current accounts, transaction accounts and savings accounts. Current accounts allow immediate access to funds through a variety of channels including cheque book and over the counter transactions, offers an ATM and/or debit card, may or may not offer interest, generally charges fees for transactions, aims to provide a day-to-day account for both retail and corporate markets offering a means to conveniently undertake transactions. Transaction accounts are similar in most respects to a current account but focused on market segment for which a cheque book is not required or appropriate. They are especially suited to the lower income market for which a simple, low cost means to handle daily transactions is important and generally charges fees for transactions (CBK, 2008)

Savings accounts on the other hand aims to provide a store of value allowing the accumulation of funds. Charges/Fees are no longer permitted on this type of account in accordance with the Banking Act. The bank pays interest as long as the minimum balance is maintained. May have restrictions on access which will often be an important distinction from a current or transactions account. Generally offers interest which may be tiered according to average balances. There are different methods of calculating interest. The more frequently interest is calculated the more money you will accumulate. If two accounts with the same interest rate but one is calculated on a daily basis and the other on the monthly basis you will earn more interest on the daily calculation. Likewise if the interest is calculated using your average balance or minimum balance the later will result in less interest being credited to your account (CBK, 2008).

Increased competition in the banking industry and especially on the low end market has made it easy for individuals and businesses to open accounts. However despite this there are quite a

number of people who have fear of banks and would prefer other financial institutions especially MFIs and SACCOs. They are considered more open and less bureaucratic.

2.6 Business performance

Performance is the accomplishment of a given task measured against preset standards of accuracy, completeness, cost and speed (Muthuri, 2010). Measurement of performance can be done through performance indicators. Such measures are commonly used to help an organization define and evaluate how successful it is, typically in terms of making progress towards its long term organizational goals. Business performance can be used to assess the present state of the business and to assist in prescribing the course of action.

According to Muthuri (2010) business organization could measure its performance using the financial and non-financial measures. The financial measures include profit before tax and turnover while non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employee's turnover. Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern SMEs have adopted a hybrid approach of using both financial and non-financial measures. These measures serve as precursors for course of actions.

Some of the key indicator areas of performance include; customer-related numbers, new customers acquired, status of existing customers, attrition of customers, turnover generated by segments of the customers-possibly using demographic filters, outstanding balances held by segments of customers and terms of payment- possibly using demographic filters, collection of bad debts within customer relationships, demographic analysis of individuals (potential customers) applying to become customers, and the levels of approval, rejections and pending numbers, delinquency analysis of customers behind on payments, profitability of customers by demographic segments and segmentation of customers by profitability and sales analysis by product segments.

2.7 Conceptual framework

According to Kombo and Tromp (2006), conceptual framework can be defined as a set of broad principals taken from the relevant fields of enquiry and used to structure a subsequent presentation. It is an identification and description of the elements, variables or factors to be measured or addressed by the research. It is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate it.

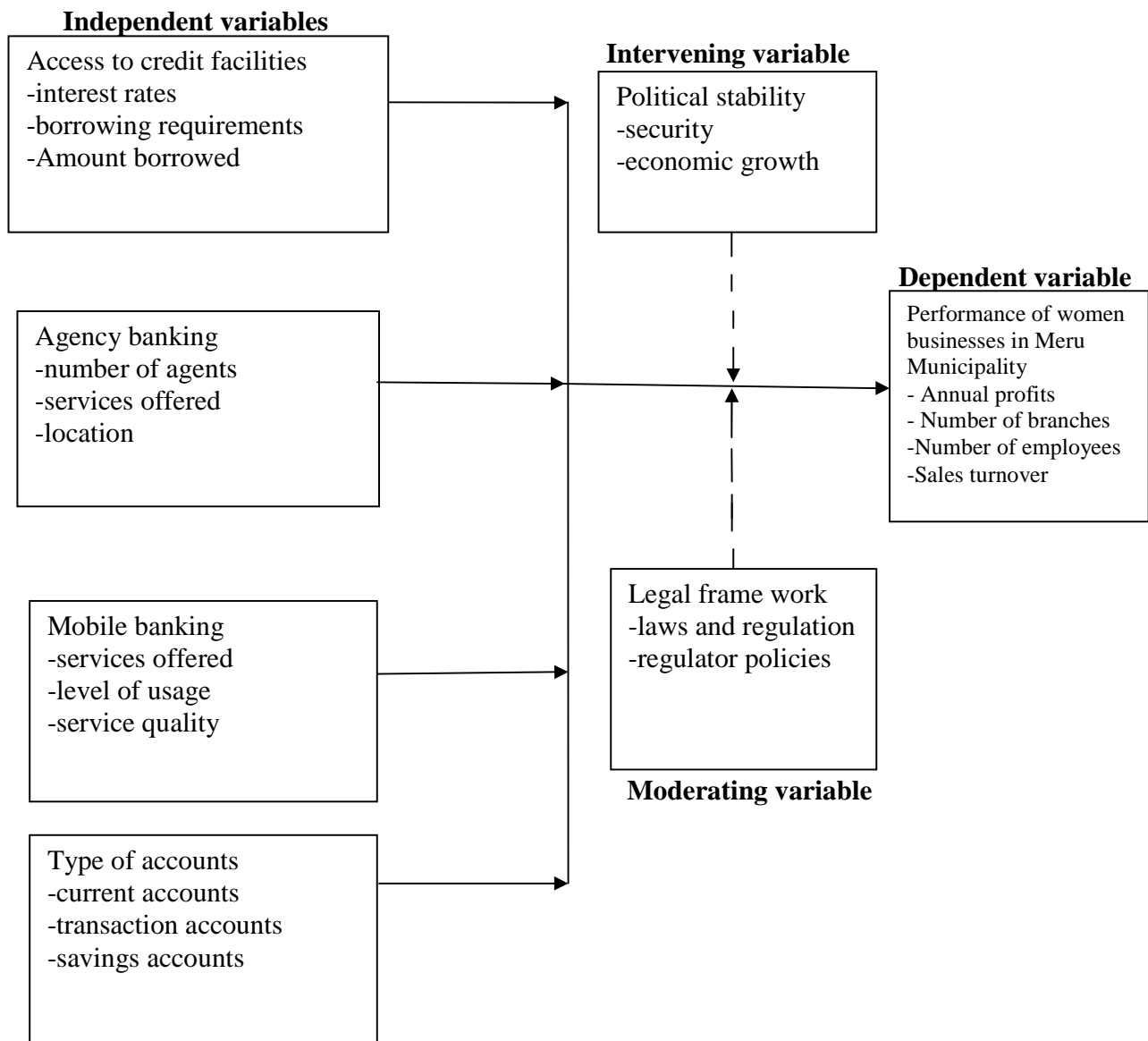


Figure 1: Conceptual framework

In the study the independent variables are the elements of banking that influence business performance. The dependent variable is business performance.

Access to credit facilities determines the performance of business by availing needed capital for expansion, stocking and purchase of inventories and raw materials.

Mobile banking services facilitates banking of business proceeds with convenience thus saving time and ensuring up to date information on the status on the customer's account.

Agency banking facilitates access to banking services especially where there are no bank branches and thus reduces cost especially for travel for the businesses.

The availability of various types of accounts ensures that there is a wide choice for the business on what is cost friendly and suits the need of the business.

2.8 Summary

This chapter dealt with literary work that exists concerning the influence of banking services on enterprises. The chapter discussed the independent variables which are; access to credit and business finance services, agency banking and financial inclusion, mobile banking and its usage and types of accounts in Kenyan banks and their features. Literature review on the dependent variable which is business performance was also discussed. The conceptual framework was also developed in this chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter therefore introduces and describes the methodology used in carrying out the study. The chapter focuses on the research design, the target population and sampling procedure. Methods and instruments of data collection and procedures for administering them in the field are highlighted. This chapter discusses how validity and reliability was established .It also gives a brief description of the data analysis techniques and methods.

3.2 Research design

Research design is a plan showing how the problem under investigation is to be studied. This study employed descriptive survey design by use of questionnaires. The purpose of descriptive research is to report the way things are (Mugenda and Mugenda 1999).According to Kothari (2005) the major purpose of descriptive research is description of the state of affairs as it exists at present.

According to Kothari (2004) a questionnaire is the most popular method of data collection since it can be posted to the targeted people no matter how far they are and has minimal or no cases of interviewer bias as the respondents use their own words. Kothari (2004) also gives out the limitations of this method as being too slow since the respondents might take too long to give answers, is difficult to know whether the respondents are true representatives of the information given and can only be used where the respondents are literate and co-operative.

3.3 Target population

According to Mutai (2000) a target population refers to a group of individuals, objects or items from which a sample is drawn. According to the Ministry of Trade Imenti North District there are approximately 360 women owned businesses within Meru municipality Central Business District (CBD).About fifty five percent (55%) are in trade business which include boutiques, spare part shops, hardware shops the rest forty five percent (45%) are in service industry which include salons, m-pesa services among others. This population has been chosen due to its accessibility and proximity to the researcher.

3.4 Sample size and sampling procedure

According to Kombo and Tromp (2006) sampling design refers to how cases are selected for observation. The sample size of the respondents was determined by use of a table designed by Krejcie and Morgan (1970). According to Krejcie and Morgan (1970) a sample size of 186 should be selected from a population of 360 people. This research used probability sampling design. Stratified simple random sampling was used to take a sample from the target population. This was done to ensure a good representation of the population in the sample.

Table 3. 1: Sample Size

Type of business activity	population	sample size	percentage of sample
Trade	198	102	52
Service	162	84	52
Total	360	186	52

3.5 Methods of data collection

This research used self administered drop and pick questionnaires with closed and open ended questions to ensure consistency and getting the independent respondents view.

According to Mbwesa (2006), self administered drop and pick questionnaire encourages high response rates because the respondents can complete the questionnaire in their own time. The researcher also used analysis of existing documents.

3.6 Validity of instruments

Validity is the accuracy and meaningfulness of inferences which was based on the research results. It is the degree to which results obtained from the analysis actually represent the phenomenon under study; Mugenda and Mugenda (1999).

Validation of the data was done using content validity. This measures the degree to which data collected using a particular instrument represents a specific domain of indicators or content of a particular concept; Mugenda and Mugenda (1991). In this case a pilot study was carried out by administering the data collection instruments twice but to different groups of the subjects. The pilot study was done at Makutano on a few women entrepreneurs to ensure the desired data or results are obtained when the real study is conducted in Meru CBD. An analysis of the findings was done to ensure amendments are done. Ambiguities were amended and improvement done as required for the success of this study.

3.7 Reliability of Instruments

According to Orodho (2003), reliability of the instrument concerns the degree to which a particular measuring procedure gives similar results over a number of repeated trials. This refers to the consistency of the scores obtained for each individual. To increase reliability of the data collected the researcher employed test retest technique in which the instruments was administered twice to the same subjects

3.8 Methods of data analysis

Data analysis refers to examining what has been collected and making deductions and inferences. It involves uncovering the underlying structures, extracting important variables, detecting any anomalies and testing any underlying assumptions. Data obtained from the field in raw material is difficult to interpret. The researcher has to analyse that data to make sense. The researcher edited, coded, classified and tabulated the data. The researcher also used statistical tools in data analysis such as measures of central tendency to reduce the large volume of raw data to an extent to which it could be read easily and used for further analysis.

The researcher used three levels of measurement scale; nominal, ordinal, and interval.

Data collected was analyzed using descriptive statistics. This helped to measure the various variables of the study. These findings were presented in form of tables, frequencies and percentages so as to bring out the relative differences of values. The researcher also used correlation analysis. The multivariate regression model for this study was;

$$Y=A+B_1X_1+B_2X_2+B_3X_3+B_4X_4$$

Where Y was business performance

X_1 was access to credit facilities

X_2 was agency banking services

X_3 was mobile banking services and

X_4 was types of accounts

3.8 Operational definitions of variables

Operational definition of variables is operationalizing or operationally defining a concept to render it measurable.

It is done by looking at the behavioral dimensions, indicators, facets or properties denoted by the concept, translated into observable and measurable elements to develop an index of the concepts.

Measures can be objective or subjective. It is not possible to construct a meaningful data collection instrument without first operationalizing all your variables.

3.8 Ethical Issues

Due to the sensitivity of some information collected, the researcher holds a moral obligation to treat the information with utmost propriety. Since the respondents might be reluctant to disclose some information, the researcher assured them of the confidentiality of the information given. The aim of the study was explained to all potential participants and permission to include them sought and the participants were informed that they were free to withdraw any time without giving reasons. A decision not to participate was strictly observed.

3.9 Summary

This chapter dealt with the research design used. The researcher applied descriptive survey design. The target population was women entrepreneurs within Meru Municipality CBD. The sampling procedure used was stratified simple random sampling and the methods of data collection were self administered questionnaires. Records were also analyzed. This research also employed descriptive statistics and use correlation analysis for the analysis of the data.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. This chapter presents analysis of the data on the influence of access to banking services on the performance of business owned by women in Meru Municipality. The chapter also provides the major findings and results of the case study and discusses those findings and results against the literature review chapter.

4.1.1 Response Rate

The study targeted a total of 186 respondents. However, only 127 respondents responded and returned their questionnaires contributing to 68.28% response rate. According to Mugenda and Mugenda (1999) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and therefore this response rate is adequate for analysis and reporting. The researcher made use of frequency tables, graphs and charts to present data.

4.1.2 Reliability Analysis

Prior to the actual study, the researcher carried out a pilot study to pretest the validity and reliability of data collected using the questionnaire. The pilot study allowed for pre-testing of the research instrument.

Table 4. 1: Reliability Coefficients

Scale	Cronbach's Alpha	Number of Items
Access to credit facilities	0.894	17
Agency banking services	0.909	7
Mobile banking services	0.725	5
Type of accounts	0.613	5

The reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. The Alpha measures internal consistency by establishing if certain item measures the same construct. Cronbach's Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. The findings of the pilot study shows that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda and Mugenda, 2003).

4.2 General Information

Table 4. 2: Age bracket

	Frequency	Percentage
Below 25 years	10	7.87
26-35 years	38	29.92
36-45 years	45	35.43
above 45 years	34	26.77
Total	127	100.00

The study sought to find out the age bracket. From the findings, 35.43% of the respondents were aged 36-45 years, 29.92% of the respondents were aged 26-35 years, 26.77% of the respondents were aged above 45 years and 7.87% of the respondents were aged below 25 years.

Table 4. 3: Marital status

	Frequency	Percentage
Married	57	44.88
Separated	14	11.02
Widow	12	9.45
Single	44	34.65
Total	127	100.00

The study sought to find out the marital status of the respondents. According to the findings, 44.88% of the respondents were married, 34.65% were single, 11.02% of the respondents were separated and 9.45% were widows.

Table 4. 4: Number of Dependants depending on the women entrepreneurs for livelihood

	Frequency	Percentage
None	6	4.72
1-2	52	40.94
3-4	43	33.86
Above 5	26	20.47
Total	127	100.00

The study sought to find out the number of dependants. From the findings, 40.94% of the respondents had 1-2 dependants, 33.86% of the respondents had 3-4 dependants, 20.47% of the respondents had above 5 dependants and 4.72% of the respondents had no dependants.

Table 4. 5: Level of Education

	Frequency	Percentage
Up to primary level	31	24.41
Secondary level	76	59.84
College/University level	20	15.75
Total	127	100.00

The study sought to find out the level of Education. According to the findings, 59.84% of the respondents had reached secondary level, 24.41% of the respondents had reached primary level and 15.75% of the respondents had reached college/University level.

The study sought to find out the kind of business respondents operate. According to the findings, the respondents operated shops, salons, grocery shops and boutiques.

4.3 Credit Facilities

Generally there are two main sources of capital for businesses namely equity and debt financing. Small, medium and large businesses utilize debt financing for a range of reasons from securing working capital to making long-term investments. Access to credit facilities determines the performance of business by availing needed capital for expansion, stocking and purchase of inventories and raw materials.

Table 4. 6: If the women entrepreneurs in Meru had ever borrowed a loan from a commercial bank

	Frequency	Percentage
Yes	54	42.52
No	73	57.48
Total	127	100.00

The study sought to find out if the respondents had ever borrowed a loan from a commercial bank. According to the findings, 57.48% of the respondents had borrowed a loan from a commercial bank while 42.52% of the respondents had not borrowed a loan from a commercial bank. Responsibility of entrepreneurs for dependants has limited opportunities to make savings or undertake business expansion and diversification (Athanne, 2011). Kimuyu and Omiti, (2000) observe that 18.4% of the MSEs in Kenya cite access to credit as their second most severe constraint after market access.

Table 4. 7: Other sources of capital the women entrepreneurs in Meru had used in the business

	Frequency	Percentage
Loans from micro finance institutions	82	64.57
Personal savings	27	21.26
Shylocks	3	2.36
Profits	15	11.81
Total	127	100.00

The study sought to find out the other sources of capital the respondents had used in the business. From the findings, 64.57% of the respondents got capital from loans from micro finance institutions, 21.26% of the respondents got capital from personal savings,

11.81% of the respondents got capital from profits and 2.36% of the respondents got capital from shylocks. Women entrepreneurs often lack information about how to get a loan, lack the necessary collateral to obtain one and /or face discriminatory laws or practices related to finance and credit. Bank credit is among the most useful sources of finance for business in Kenya (GOK, 2005). Only 1.5 percent of MSEs receive loans from commercial banks in Kenya (International Centre for Economic Growth 1999). It is unclear, how the rest, who form the majority, meet their working and investment needs (Kimuyu and Omiti, 2000).

Table 4. 8: Amount of loan the women entrepreneurs in Meru had borrowed from a bank

	Frequency	Percentage
10,000-50,000	52	40.94
50,001-100,000	47	37.01
100,001-500,000	24	18.90
500,001-3,000,000	4	3.15
Total	127	100.00

The study sought to find out the amount of loan respondents had borrowed from a bank. According to the findings, 40.94% of the respondents had borrowed from a bank 10,000-50,000 Kshs, 37.01% of the respondents had borrowed from a bank 50,001-100,000 Kshs, 18.90% of the respondents had borrowed from a bank 100,001-500,000 Kshs and 3.15% of the respondents had borrowed from a bank 500,001-3,000,000. The financial aspects of setting up a business are without doubt the biggest obstacles to women (Zororo, 2011, Brush, 1992).

The study sought to find out the interest rate of the loan given by the bank. From the findings, the respondents indicated that the interest rate of the loan given by the bank was 24% to 25% per annum.

The study sought to find out how respondents considered the interest charged by the bank. According to the findings, the respondents considered the interest charged by the bank as high.

The study sought to find out ways that interest rate affected the performance of the business. From the findings, the respondents indicated that the interest rate lowered the growth of the business thus lowering performance.

Table 4. 9: If the women entrepreneurs in Meru had invested the entire loan amount to the business

	Frequency	Percentage
Yes	60	47.24
No	67	52.76
Total	127	100.00

The study sought to find out if the respondents had invested the entire loan amount to the business. According to the findings, 52.76% of the respondents had not invested the entire loan

amount to the business and 47.24% of the respondents had invested the entire loan amount to the business.

The study sought to find out how respondents utilized the loan. From the findings, the respondents indicated that they used the loan to pay school fees and for personal development.

Table 4. 10: The biggest constraint while obtaining a loan from a bank

	Frequency	Percentage
Lack of collateral	60	47.24
Many requirements	17	13.39
Lengthy procedures	42	33.07
Inflexible repayment period	8	6.30
Total	127	100.00

The study sought to find out the biggest constraint while obtaining a loan from a bank. According to the findings, 47.24% of the respondents cite lack of collateral while obtaining a loan from a bank, 33.07% of the respondents faced lengthy procedures while obtaining a loan from a bank, 13.39% of the respondents faced challenge of many requirements while obtaining a loan from a bank and 6.30% of the respondents faced inflexible repayment period while obtaining a loan from a bank. The greatest barrier facing women entrepreneurs in Kenya is access to finance is an issue because of requirements of collateral (Athanne, 2011). The first highlights the prevalence of factors external to MSEs including the limited capacity, outreach and linkages by financial intermediaries as the main constraints to MSEs access to credit (Atieno, 2001). A hostile legal and regulatory framework for financial services underlies such constraints (GOK, 2005). The second perspective also acknowledges the problem of macro level constraints, but emphasizes the greater explanatory powers of the relatively weak MSEs capacities including lack of tangible security and limited human capital (Kimuyu and Omiti, 2000). Arguably, both perspectives have enhanced our understanding of the factors that affect the likelihood of MSEs to access bank credit.

Table 4. 11: Extent that bank credit facilities influenced the performance of the business

	Frequency	Percentage
very great extent	20	15.75
great extent	65	51.18
fair extent	34	26.77
little extent	8	6.30
Total	127	100.00

The study sought to find out the extent that bank credit facilities influenced the performance of the business. From the findings, 51.18% of the respondents indicated that bank credit facilities influenced the performance of the business to a great extent, 26.77% of the respondents indicated that bank credit facilities influenced the performance of the business to fair extent, 15.75% of the respondents indicated that bank credit facilities influenced the performance of the business to a very great extent and 6.30% of the respondents indicated that bank credit facilities influenced the performance of the business to little extent. Ondiege (1996) demonstrated that access to credit is associated with improved performance of MSEs in Kenya. Moreover, Lundvall *et al.* (1998) show that manufacturing enterprises in Kenya that have limited access to credit also tend to be less productive and cannot always move to points of best practice.

4.4 Agency Banking

A banking agent is a retail or postal outlet contracted by a financial institution or a bank network operator to process clients' transactions. The transactions are conducted by the owner or an employee and include deposits, withdrawals, funds transfer, bill payments and balance enquiries among other transactions.

Table 4. 12: If women entrepreneurs in Meru used an agent for banking services

	Frequency	Percentage
Yes	91	71.65
No	36	28.35
Total	127	100.00

The study sought to find out if respondents used an agent for banking services. According to the findings, 71.65% of the respondents used an agent for banking services while 28.35% of the respondents did not use an agent for banking services. Low-income clients often feel more comfortable banking at their local store than walking into a marble branch (Christopher, 2002).

The study sought to find out the kind of service respondents' got from the agent. From the findings, the respondents indicated that the kind of service they got from the agent was cash withdrawal, mini statements and cash deposits.

Table 4.13: If agents are strategically located to women entrepreneurs in Meru convenience

	Frequency	Percentage
Yes	84	66.14
No	43	33.86
Total	127	100.00

The study sought to find out if agents are strategically located to respondents' convenience. According to the findings, 66.14% of the respondents indicated that agents were strategically located to respondents' convenience while 33.86% of the respondents indicated that agents were not strategically located to respondents' convenience.

Table 4.14: Why the women entrepreneurs in Meru preferred banking with the agent than in the banking hall

	Frequency	Percentage
Less queues	37	29.13
Flexible hours of operation	42	33.07
Fast service	26	20.47
Strategic location	22	17.32
Total	127	100.00

The study sought to find out why respondents preferred banking with the agent than in the banking hall. From the findings, 33.07% of the respondents indicated that they preferred banking with the agent than in the banking hall due to flexible hours of operation, 29.13% of the

respondents indicated that they preferred banking with the agent than in the banking hall due to less queues, 20.47% of the respondents indicated that they preferred banking with the agent than in the banking hall due to fast service and 17.32% of the respondents indicated that they preferred banking with the agent than in the banking hall due to strategic location.

Table 4. 15: Extent that agency banking improved the performance of the business

	Frequency	Percentage
very great extent	15	11.81
great extent	47	37.01
fair extent	61	48.03
little extent	4	3.15
Total	127	100.00

The study sought to find out the extent that agency banking improved the performance of the business. According to the findings, 48.03% of the respondents indicated that agency banking improved the performance of the business to a fair extent, 37.01% of the respondents indicated that agency banking improved the performance of the business to a great extent, 11.81% of the respondents indicated that agency banking improved the performance of the business to a very great extent and 3.15% of the respondents indicated that agency banking improved the performance of the business to a little extent. Agency banking has helped to reach more rural poor people since it is prohibitively expensive for banks and other financial institutions to set branches since the transaction numbers and volumes do not cover the cost of establishing a branch (Christopher, 2002).

4.5 Mobile Banking

The term M-Banking is used to denote the access to banking services and facilities offered by financial institutions such as account-based savings, payment transactions and other products by use of an electronic mobile device.

Table 4. 16: If the women entrepreneurs in Meru were registered for mobile banking

	Frequency	Percentage
Yes	82	64.57
No	45	35.43
Total	127	100.00

The study sought to find out if respondents were registered for mobile banking. According to the findings, 64.57% of the respondents were registered for mobile banking while 35.43 % of the respondents were not registered for mobile banking. Sarker and Wells (2003) assert that the only single access requirement or barrier to the resultant mobile banking will be the mobile phone. However, worldwide market penetration of affordable cellular devices and growing network service diffusion makes this intricacy almost fully resolved hence setting a firm pedestal for mobile banking escalation.

Table 4. 17: Mobile banking service used most by the women entrepreneurs in Meru

	Frequency	Percentage
Enquiry	27	21.26
Bill payment	37	29.13
Withdrawals	10	7.87
Deposits	53	41.73
Total	127	100.00

The study sought to find out the service used most by respondents in mobile banking. From the findings, 41.73% of the respondents used deposits mobile banking service, 29.13% of the respondents used bill payment mobile banking service, 21.26% of the respondents used enquiry mobile banking service and 7.87% of the respondents used withdrawals mobile banking service.

Table 4. 18: Quality of service offered by mobile banking

	Frequency	Percentage
High	71	55.91
Fair	53	41.73
Poor	3	2.36
Total	127	100.00

The study sought to find out the quality of service offered by mobile banking. According to the findings, 55.91% of the respondents indicated that the quality of service offered by mobile banking was high, 41.73% of the respondents indicated that the quality of service offered by mobile banking was fair and 2.36% of the respondents indicated that the quality of service offered by mobile banking was poor.

Table 4. 19: Extent that mobile banking improved the performance of the business

	Frequency	Percentage
very great extent	16	12.60
great extent	42	33.07
fair extent	53	41.73
little extent	16	12.60
Total	127	100.00

The study sought to find out the extent that mobile banking improved the performance of the business. From the findings, 41.73% of the respondents indicated that mobile banking improved the performance of the business to a fair extent, 33.07% of the respondents indicated that mobile banking improved the performance of the business to a great extent, 12.60% of the respondents indicated that mobile banking improved the performance of the business to a very great extent and 12.60% of the respondents indicated that mobile banking improved the performance of the business to a little extent. Mobile phones provide technological services that reduce costs; increase income and increases reach ability and mobility. They can help to extend social and business networks and they clearly substitute for journeys and, for brokers, traders and other business intermediaries (Donner 2005, Hughes & Lonie, 2007).

Table 4. 20: How frequently the women entrepreneurs in Meru use mobile banking services

	Frequency	Percentage
Daily	32	25.20
Weekly	73	57.48
Monthly	22	17.32
Total	127	100.00

The study sought to find out how frequently respondents use mobile banking services. According to the findings, 57.48% of the respondents used mobile banking services weekly, 25.20% of the respondents used mobile banking services daily and 17.32% of the respondents used mobile banking services monthly.

4.6 Type of Accounts

Table 4. 21: If the women entrepreneurs in Meru had a bank account

	Frequency	Percentage
Yes	125	98.43
No	2	1.57
Total	127	100.00

The study sought to find out if the respondents had a bank account. From the findings, 98.43% of the respondents had a bank account while 1.57% of the respondents did not have a bank account. This disagreed with World Bank (2004) who stated that hundreds of millions of people in developing countries earn their living through small-scale business (World Bank, 2004; de Soto, 1989). Many of these entrepreneurs do not have access to even the most basic of financial services, such as a simple bank account in which they can save money (Chaia et al., 2009; Kendall et al.,2010).

Table 4. 22: Kind of bank account the women entrepreneurs in Meru operated

	Frequency	Percentage
Current account	31	24.41
Transaction account	82	64.57
Savings account	14	11.02
Total	127	100.00

The study sought to find out the kind of bank account respondents operated. According to the findings, 64.57% of the respondents operated a transaction account, 24.41% of the respondents operated a current account and 11.02% of the respondents operated a savings account.

Table 4. 23: The biggest hindrance to operating a bank account

	Frequency	Percentage
High bank charges	12	9.45
Strict opening requirements	15	11.81
Lack of information on accounts	100	78.74
Total	127	100.00

The study sought to find out the biggest hindrance to operating a bank account. From the findings, 78.74% of the respondents were hindered to operate a bank account by lack of information on accounts, 11.81% of the respondents were hindered to operate a bank account by strict opening requirements and 9.45% of the respondents were hindered to operate a bank account by high bank charges. Increased competition in the banking industry and especially on the low end market has made it easy for individuals and businesses to open accounts (CBK 2008).

Table 4. 24: How often the women entrepreneurs in Meru used bank account

	Frequency	Percentage
Daily	32	25.20
Weekly	58	45.67
Monthly	37	29.13
Total	127	100.00

The study sought to find out how often respondents used bank account. According to the findings, 45.67% of the respondents used bank account weekly, 29.13% of the respondents used bank account monthly and 25.20% of the respondents used bank account daily.

Table 4. 25: How the bank account affected the performance of the business

	Frequency	Percentage
very great extent	23	18.11
great extent	84	66.14
fair extent	20	15.75
Total	127	100.00

The study sought to find out how the bank account affected the performance of the business. From the findings, 66.14% of the respondents indicated that the bank account affected the performance of the business to a great extent, 18.11% of the respondents indicated that the bank account affected the performance of the business to a very great extent and 15.75% of the respondents indicated that the bank account affected the performance of the business to a fair extent.

4.7 Business Performance

Measurement of performance can be done through performance indicators. Such measures are commonly used to help an organization define and evaluate how successful it is, typically in terms of making progress towards its long term organizational goals. Business performance can be used to assess the present state of the business and to assist in prescribing the course of action.

The study sought to find out how much was the respondents' startup capital. According to the findings, the respondents indicated that the startup capital ranged from 50, 000 to 300, 000 Kshs.

The study sought to find out how much was the respondents' current capital. From the findings, the respondents indicated that the current capital ranged from 100, 000 to 700, 000 Kshs.

The study sought to find out how much was the respondents' sales turnover at the start of the business. According to the findings, the respondents indicated that the sales turnover at the start of the business ranged from 35,000 to 100,000 Kshs.

The study sought to find out how much was the respondents' current sales turnover. From the findings, the respondents indicated that the current sales turnover ranged from 100, 000 to 1, 000, 000 Kshs.

Table 4.26: Annual net profit in Kshs

	Frequency	Percentage
100,000-200,000	68	53.54
200,000-300,000	35	27.56
300,000-400,000	18	14.17
Above 400,000	6	4.72
Total	127	100.00

The study sought to find out the annual net profit in Kshs. According to the findings, 53.54% of the respondents indicated that the annual net profit in Kshs was 100,000-200,000, 27.56% of the respondents indicated that the annual net profit in Kshs was 200,000-300,000, 14.17% of the respondents indicated that the annual net profit in Kshs was 300,000-400,000 and 4.72% of the respondents indicated that the annual net profit in Kshs was above 400,000.

According to Muthuri (2010) business organization could measure its performance using the financial and non-financial measures. The financial measures include profit before tax and turnover while non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employee's turnover.

Table 4. 27: Number of employees' the women entrepreneurs in Meru had in the business

	Frequency	Percentage
1-3	94	74.02
4-6	25	19.69
Above 6	8	6.30
Total	127	100.00

The study sought to find out the number of employees' respondents had in the business. From the findings, 74.02% of the respondents indicated they had 1-3 employees, 19.69% of the respondents indicated they had 4-6 employees and 6.30% of the respondents indicated they had above 6 employees.

Table 4. 28: Number of branches the business had

	Frequency	Percentage
None	112	88.19
2-5	12	9.45
Above 5	3	2.36
Total	127	100.00

The study sought to find out the number of branches the business had. According to the findings, 88.19% of the respondents indicated that the business had no branches, 9.45% of the respondents indicated that the business had 2-5 branches and 2.36% of the respondents indicated that the business had above 5 branches.

Table 4. 29: Extent that banking improved the performance of the business

	Frequency	Percentage
very great extent	12	9.45
great extent	84	66.14
fair extent	28	22.05
little extent	3	2.36
Total	127	100.00

The study sought to find out the extent that banking had improved the performance of the business. From the findings, 66.14% of the respondents indicated that banking had improved the performance of the business to a great extent, 22.05% of the respondents indicated that banking had improved the performance of the business to a fair extent, 9.45% of the respondents indicated that banking had improved the performance of the business to a very great extent and 2.36% of the respondents indicated that banking had improved the performance of the business to a little extent.

4.8 Regression analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 17.0) to code, enter and compute the measurements of the multiple regressions.

Table 4. 30: Results of multiple regression between performance of women enterprises in Meru Municipality (dependent variable) and the combined effect of the selected predictors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797	.635	.626	.0614

a. Predictors: (Constant), Access to credit facilities, Agency banking services, mobile banking services, Type of accounts.

R-Square (coefficient of determination) is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R^2 , also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 62.6% of the changes in the performance of women enterprises in Meru Municipality variables could be attributed to the combined effect of the predictor variables.

Table 4. 31: ANOVA results of the regression analysis between performance of women enterprises in Meru Municipality and predictor variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.236	7	3.132	2.958	.0001
	Residual	92.936	120	.668		
	Total	115.081	127			

a. Predictors: Access to credit facilities, Agency banking services, mobile banking services, Type of accounts.

b. Dependent Variable: Performances of businesses run by women.

The probability value of 0.0001 indicates that the regression relationship was highly significant in predicting how access to credit facilities, agency banking services, mobile banking services, type of accounts influenced performance of women enterprises in Meru Municipality. The F critical at 5% level of significance was 2.958 since F calculated is greater than the F critical (value = 2.830), this shows that the overall model was significant.

Table 4. 32: Regression coefficients of the relationship between performance of women enterprises in Meru Municipality and the four predictive variables

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	4.835	0.521		4.312	0.000
	Type of accounts	+0.471	0.231	0.241	3.346	0.025
	Access to credit facilities	+0.657	0.159	0.632	3.256	0.005
	Agency banking services	+0.349	0.193	0.154	3.381	0.032
	Mobile banking services	+0.265	0.203	0.142	3.492	0.056

a. Dependent Variable: performance of women enterprises in Meru Municipality

The regression equation above has established that taking all factors into account (access to credit facilities, agency banking services, mobile banking services, and type of accounts) constant at zero performance of women enterprises in Meru Municipality will be 4.835. The findings presented also show that taking all other independent variables at zero, a unit increase in access to credit facilities would lead to a 0.657 increase in the performance of women enterprises

in Meru Municipality. Further, the findings shows that a unit increases in type of accounts would lead to a 0.471 increase in performance of women enterprises in Meru Municipality. In addition, the findings show that a unit increase in agency banking services would lead to a 0.349 increase in performance of women enterprises in Meru Municipality. The study also found that a unit increase in the scores of mobile banking services would lead to a 0.265 increase in performance of women enterprises in Meru Municipality. Overall, mobile banking services had the least effect on performance of women enterprises in Meru Municipality and access to credit facilities had the highest effect.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The general objective of this study was to investigate the influence of access to banking services on the performance of women enterprises in Meru Municipality.

5.2 Summary of the Findings

The study aimed at establishing the influence of access to credit facilities on the performance of women owned enterprises within Meru municipality. To determine how agency banking services influences the performance of women owned enterprises within Meru municipality. To determine how mobile banking services influences the performance of women owned enterprises within Meru municipality. To establish how the type of accounts influence the performance of women enterprises within Meru municipality.

The study found that 57.48% of the respondents had borrowed a loan from a commercial bank though 64.57% of the respondents got capital from loans from micro finance institutions. In addition, 40.94% of the respondents had borrowed from a bank 10,000-50,000 Kshs. The interest rate of the loan given by the bank was 24% to 25% per annum and they considered it as high. It lowered the growth of the business thus lowering performance. Moreover, 52.76% of the respondents had not invested the entire loan amount to the business but had used the loan to pay school fees and for personal development. Women lack of collateral while obtaining a loan from a bank. Also 51.18% of the respondents indicated that bank credit facilities influenced the performance of the business to a great extent.

The study found that 71.65% of the respondents used an agent for banking services to get services such as cash withdrawal, mini statements and cash deposits. In addition, 66.14% of the respondents indicated that agents were strategically located to respondents' convenience. Only

33.07% of the respondents indicated that they preferred banking with the agent than in the banking hall due to flexible hours of operation. Moreover, 48.03% of the respondents indicated that agency banking improved the performance of the business to a fair extent.

The study found that 64.57% of the respondents were registered for mobile banking and used deposits mobile banking service. In addition, 55.91% of the respondents indicated that the quality of service offered by mobile banking was high. Moreover, 41.73% of the respondents indicated that mobile banking improved the performance of the business to a fair extent. Also, 57.48% of the respondents used mobile banking services weekly.

The study found that 98.43% of the respondents had a bank account and operated a transaction account. In addition, 78.74% of the respondents were hindered to operate a bank account by lack of information on accounts. Moreover, 45.67% of the respondents used bank account weekly. Also, 66.14% of the respondents indicated that the bank account affected the performance of the business to a great extent.

The study found that the startup capital ranged from 50, 000 to 300, 000 Kshs. The current capital ranged from 100, 000 to 700, 000 Kshs. The sales turnover at the start of the business ranged from 35,000 to 100,000 Kshs. The current sales turnover ranged from 100, 000 to 1, 000, 000 Kshs. In addition, 53.54% of the respondents indicated that the annual net profit in Kshs was 100,000-200,000. Moreover, 74.02% of the respondents indicated they had 1-3 employees and the business had no branches. Also, 66.14% of the respondents indicated that banking had improved the performance of the business to a great extent.

5.3 Discussion of the findings

5.3.1 Credit Facilities

The study found that only a few women entrepreneurs had taken a loan from a bank. The greatest barrier facing women entrepreneurs in Kenya is access to finance is an issue because of requirements of collateral. In Kenya only 1% of women own property and that makes it very difficult for women to provide collateral for banks. Most women who venture into businesses in the rural areas and need financing lack the needed collateral to enable them secure bank loans.

Responsibility of entrepreneurs for dependants has limited opportunities to make savings or undertake business expansion and diversification (Athanne, 2011). Women entrepreneurs often lack information about how to get a loan, lack the necessary collateral to obtain one and /or face discriminatory laws or practices related to finance and credit. Most banks have created special facilities to support SMEs as a result of government encouragement and their own need to expand. However many entrepreneurs and in particular women, tend to steer clear because of lack of information and conditions such as high transaction costs and interest rates. The study found that bank credit facilities influenced the performance of the business to a great extent. Inadequate access to financing is not the only factor impeding the growth of women-owned SMEs; non-financing issues emanating from within and without SMEs also have serious effects on the growth of SMEs (Robichaud et al., 2010).

Bank credit is among the most useful sources of finance for business in Kenya (GOK, 2005). Only 1.5 percent of MSEs receive loans from commercial banks in Kenya (International Centre for Economic Growth 1999). It is unclear, how the rest, who form the majority, meet their working and investment needs (Kimuyu and Omiti, 2000). Lack of tangible security by MSEs, the limited capacity, outreach and linkages by financial intermediaries and a hostile legal and regulatory framework for financial services are the main constraints.

5.3.2 Agency Banking

The study found that most women used an agent for banking services. Agent banking is quickly becoming recognized as a viable strategy in many countries for extending formal financial services into poor and rural areas. In recent years, agent banking has been adopted and implemented with varying degrees of success by a number of developing countries. Agents were strategically located to customers' convenience. Agency banking has helped to reach more rural poor people since it is prohibitively expensive for banks and other financial institutions to set branches since the transaction numbers and volumes do not cover the cost of establishing a branch. Agency banking improved the performance of the business to a fair extent. Low-income clients often feel more comfortable banking at their local store than walking into a marble branch (Christopher, 2002).

5.3.3 Mobile Banking

The study found that women entrepreneurs were registered for mobile banking and used deposits mobile banking service. Mobile banking has yielded a multiple effect on the number of solutions available to clients. This is in addition to more efficient transactional environment and the high substitution of banking points (Njenga, 2010). The only single access requirement or barrier to the resultant mobile banking will be the mobile phone. However, worldwide market penetration of affordable cellular devices and growing network service diffusion makes this intricacy almost fully resolved hence setting a firm pedestal for mobile banking escalation. Mobile banking improved the performance of the business to a fair extent. Mobile phones adoption and use has a positive and significant impact on economic growth, and this impact may be twice as large in developing countries as in developed countries (ITU, 2005, Salzman et al 2001). Some business also lacks the awareness regarding the potentials that exist in the use of mobile phones and ICTs. Mobile phones provide technological services that reduce costs; increase income and increases reach ability and mobility. They can help to extend social and business networks and they clearly substitute for journeys and, for brokers, traders and other business intermediaries (Donner 2005, Hughes & Lonie, 2007).

M-Banking resolves the issues of access to finance. This is due to the lower costs of roll-out and the economies of handling low-value transactions realized by leveraging networks of existing third-party agents. Cash transactions, account opening and other transactions can be conducted online. The biggest challenge with mobile banking pertains to efficiency and customer convenience. Agents sometimes lack enough float and also there is network breakdown and down times which occasion failure. Appropriate consumer protection against risks of fraud, loss of privacy and even loss of service is extremely critical for growth of m-banking.

5.3.4 Type of Accounts

The study found that women entrepreneurs had a bank account and majority operated a transaction account. CBK has identified three types of accounts in the banking industry in Kenya namely current accounts, transaction accounts and savings accounts. Increased competition in the banking industry and especially on the low end market has made it easy for individuals and businesses to open accounts. Bank account affected the performance of the business to a great extent. However despite this there are quite a number of people who have fear of banks and

would prefer other financial institutions especially MFIs and SACCOs. They are considered more open and less bureaucratic

5.3.5 Business Performance

Business performance can be used to assess the present state of the business and to assist in prescribing the course of action. The study found that the annual net profit in Kshs was 100,000-200,000. Moreover, they had 1-3 employees and the business had no branches. According to Muthuri (2010) business organization could measure its performance using the financial and non-financial measures. Banking had improved the performance of the business to a great extent. The financial measures include profit before tax and turnover while non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employee's turnover.

5.4 Conclusion

The study concludes that only a few women had borrowed a loan from a commercial bank. The remaining got capital from loans from micro finance institutions. Most had borrowed from a bank 10,000-50,000 Kshs. The interest rate of the loan given by the banks was considered as high thus lowering the growth of the business and hence lowering performance. Most women had diverted their loans to other things other than business. Most women lacked collateral while obtaining a loan from a bank. Bank credit facilities influenced the performance of the business to a great extent.

The study concludes that women entrepreneurs used an agent for banking services to get services such as cash withdrawal, mini statements and cash deposits. Agents were strategically located to respondents' convenience. They preferred banking with the agent than in the banking hall due to flexible hours of operation. Agency banking improved the performance of the business to a fair extent.

The study concludes that women entrepreneurs were registered for mobile banking and used deposits mobile banking service. The quality of service offered by mobile banking was high. Mobile banking improved the performance of the business to a fair extent. Most used mobile banking services weekly.

The study concludes that women entrepreneurs had a bank account and operated a transaction account. They were hindered to operate a bank account by lack of information on accounts. They used bank account weekly. The bank account affected the performance of the business to a great extent.

The study concludes that the startup capital was low but the capital was increased with years. The sales turnover increased with years. They had 1-3 employees and the business had no branches. Banking had improved the performance of the business to a great extent.

5.5 Recommendations

From the study findings and conclusions the study recommends;

- 1) Women should be encouraged to open accounts. The banks need to reduce the charges on accounts to encourage women to open more accounts. They need to educate women on different types of accounts and their benefits.
- 2) Financial institutions should encourage women to take loans. This can be done by ensuring there is no discrimination between women and men while giving loans. The government should ensure that they fund women SMEs by giving them cheap loans not only in groups but also individually.
- 3) Mobile banking should be encouraged among women. They need to be told of the benefits and how it eases transactions.
- 4) Agency banking should be encouraged among women. Bank agents need to be located in strategic points. Women should be well represented in all ICT decision-making structures, including policy and regulatory institutions, ministries responsible for ICTs, and boards and senior management of private ICT companies.

5.6 Recommendations for further research

A similar study could be carried out in other counties to find out whether the same results will be obtained. The study focused on women entrepreneurs thus a comparative study should be carried out comparing the performance of women and men entrepreneurs.

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APPENDICES

APPENDIX 1: LETTER OF TRANSMITTAL

**Samson Njenga Muigu
P.O.BOX 12970-00100
NAIROBI**

Dear Madam,

Re: Letter of transmittal of data collection instruments.

I am Samson Muigu from University Of Nairobi carrying out a study on the influence of access to banking services on performance of business owned by women. The research will be submitted for partial fulfillment for the degree of Master of Arts in project planning and management.

I humbly request you to answer the following questions honestly as possible. This information will be kept completely confidential and anonymous and will not be used for any other purpose apart from the stated research.

Thank you so much for your time and cooperation.

Yours truly,

Samson Muigu.

APPENDIX 2: QUESTIONNAIRE

This questionnaire attempts to investigate the influence of access to banking services on the performance of business owned by women. The information obtained will be treated with total confidentiality and used for research purposes only. Please respond as honestly as possible.

Participation in the exercise is voluntary. You are however encouraged to answer all questions.

Please note that there is no right or wrong answers to the following questions and your honest opinion will be highly appreciated.

Do not write your name anywhere on this questionnaire .Tick the correct answer or fill in your response as applicable.

Thank you.

SECTION A: BASIC INFORMATION.

1. Please indicate your age bracket

- a) Below 25 years (b) 26-35 years (c) 36-45 years (d) above 45 years

2. Marital status

- a) Married (b) Separated (c) Widow (d) Single

3. Number of Dependants

- a) None (b) 1-2 (c) 3-4 (d) Above 5

4. Level of Education

- a) Up to primary level (b) Secondary level (c) College/University level

c) Others specify-----

5. What kind of business do you operate?

- a) Service (salon, hotel, m-pesa services)
b) Trade (boutique, retail shop, cereals, hardware)

6. When did you start the business? Indicate the year----

SECTION B: CREDIT FACILITIES

7. Have you ever borrowed a loan from a commercial bank?

a) Yes b) No

8. Which other sources of capital have you used in your business?

a) Loans from micro finance institutions

b) Personal savings

c) Shylocks

d) Profits

e) Others specify-----

9. Kindly indicate the amount of loan you have ever borrowed from a bank?

a) 10,000-50,000

b) 50,001-100,000

c) 100,001-500,000

d) 500,001-3,000,000

10. At what interest rate was the loan given by the bank?

11. How do you consider the interest charged by the bank?

12. In what way did the interest rate affect the performance of your business?

13. Did you invest the entire loan amount to the business?

a) Yes b) No

14. If the answer to above is No, how did you utilize the loan?

a)

b)

c)

15. Which of the following is the biggest constraint while obtaining a loan from a bank?

- a) Lack of collateral
- b) Many requirements
- c) Lengthy procedures
- d) Inflexible repayment period
- e) Others (Specify)

16. To what extent has bank credit facilities influenced the performance of your business?

- a) To a very great extent
- b) To a great extent
- c) To a fair extent
- d) To a little extent

SECTION C: AGENCY BANKING

17. Have you ever used an agent for any banking services?

- a) Yes
- b) No.

18. What kind of service did you seek from the agent?

19. Do you think agents are strategically located to your convenience?

- a) Yes
- b) No

20. Why do you prefer banking with the agent than in the banking hall?

- a) Less queues.
- b) Flexible hours of operation
- c) Fast service
- d) Strategic location.

21. To what extent has agency banking improved the performance of your business?

- a) To a very great extent
- b) To a great extent
- c) To a fair extent
- d) To a little extent.

SECTION D: MOBILE BANKING

22. Are you registered for mobile banking?

- a) Yes
- b) No

23. What service do you use most in mobile banking?

- a) Enquiry
- b) Bill payment
- c) Withdrawals
- d) Deposits
- e) Others (specify)-----

24. How is the quality of service offered by mobile banking?

- a) High
- b) Fair
- c) Poor

25. To what extent has mobile banking improved the performance of your business?

- a) To a very great extent
- b) To a great extent
- c) To a fair extent
- d) To a little extent.

26. How frequently do you use mobile banking services?

- a) Daily
- b) Weekly
- c) Monthly

SECTION E: TYPE OF ACCOUNTS

27. Do you have a bank account?

- a) Yes
- b) No

28. What kind of bank account do you operate?

- a) Current account

- b) Transaction account
- c) Savings account

29. What is the biggest hindrance to operating a bank account?

- a) High bank charges.
- b) Strict opening requirements
- c) Lack of information on accounts

30. How often do you use your bank account?

- a) Daily
- b) Weekly
- c) Monthly

31. How has a bank account affected the performance of your business?

- a)
- b)
- c)

SECTION F: BUSINESS PERFORMANCE

32. How much was your startup capital?

Kshs-----

33. How much is your current capital?

Kshs-----

34. How much was your sales turnover at the start of the business?

Kshs-----

35. How much is your current sales turnover?

Kshs-----

36. What is your annual net profit in Kshs?

- a) 100,000-200,000
- b) 200,000-300,000
- c) 300,000-400,000
- d) Above 400,000

37. How many employees do you have in your business?

- a) 1-3
- b) 4-6
- c) Above 6

38. How many branches does your business have?

- a) None
- b) 2-5
- c) Above 5

39. To what extent has banking improved the performance of your business?

- a) To a very great extent
- b) To a great extent
- c) To a fair extent
- d) To a little extent.