

Assessing What Works for Women's Economic Empowerment (WEE) in the Implementation of Kenya's Credit Guarantee Scheme



Technical Report

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University of Nairobi
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ACRONYMS

AAF	Affirmative Action Funds
AFAWA	Affirmative Finance Action for Women in Africa
AGPO	Access to Government Procurement Opportunities
BKF	Biashara Kenya Fund
CGS	Credit Guarantee Scheme
DTB	Diamond Trust Bank
FGD	Focus Group Discussion
FGM	Female Genital Mutilation
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
MSEA	Micro and Small Enterprises Authority
MSME	Micro, Small and Medium Enterprises
NGAAF	National Government Affirmative Action Fund
NT	National Treasury (Kenya)
PFIs	Participating Financial Institutions
PIN	Personal Identification Number
SACCO	Savings and Credit Co-operative Society
SDG	Sustainable Development Goals
UN	United Nations
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women
WEE	Women's Economic Empowerment
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund

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FOREWORD

This report is a great milestone towards development and deployment of inclusive finance products, and more specifically guaranteed credit to women-owned enterprises. It is the product of an ongoing collaboration between the National Treasury Credit Guarantee Scheme and WEE Hub, which seeks to enhance access to credit by women through generation of evidence-based policy insights and stakeholder engagement. In spite of a statutory reservation of at least 30% of credit guarantees for enterprises owned by women, youth and persons with disabilities, uptake of guarantees for this group remain at 20%.

WEE Hub has continued to organize and invite the National Treasury to forums with businesswomen and women groups to further create awareness on the credit guarantee scheme. Such forums provided important feedback on experiences of women as well as initiatives by participating banks to enhance uptake of guarantees among women. These forums underscored the

importance of navigating informality when designing policy interventions for financial access and inclusion of business enterprises. Some of the banks participating in the credit guarantee scheme also presented their product offerings to women owned enterprises.

In order to assess and document what works for women empowerment in the implementation of the Credit Guarantee Scheme, National Treasury and WEE Hub launched a joint empirical study in 2021. The research was done in Nairobi, Kajiado, Nakuru, Kirinyaga and Kitui counties. The study report reveals that most women owned businesses operate informally and continue to face challenges accessing credit from commercial banks. It makes pertinent policy proposals on how government interventions can circumvent informality in order to enable access to business credit among women owned enterprises in Kenya. As you read through the report, expect a candid systematic analysis of gender and formality dimensions of credit access with a clear way forward.

It is a pleasure to write a foreword for this report. I wish you a fulfilling reading time.

Ronald J. Inyangala, CGW

Ag. Credit Guarantee Scheme Manager

EXECUTIVE SUMMARY

Kenya's Credit Guarantee Scheme (CGS) was established as part of the presidential economic stimulus package in response to the impact of the COVID-19 pandemic on medium, small and micro enterprises. In order to contain the pandemic, the government put in place mitigation measures such as the closure of public spaces and restriction of movement. These measures had long-term and adverse consequences for many businesses. Enterprises such as hotels, restaurants and private schools lost their revenue and had to lay off staff while others had to shut down. The cost of essential services, such as transport also increased significantly, thus affecting enterprises that rely on these services. Thus, even retail businesses that use transport services to move their goods from one point to another were significantly affected. Other measures such as the dusk-to-dawn curfews also affected many businesses, particularly those in the informal sector which tend to operate on flexible working hours.

In order to cushion MSMEs and support their recovery, the CGS was established and anchored in law under the Public Finance Management (Amendment) (No. 2) Act of 2020. This Act amends the principal Act, which is the Public Finance Management Act (2012), to provide for the establishment of the Credit Guarantee Scheme and to vest the National Treasury with the mandate of implementing the scheme. This amendment came into force in August 2020, and thereafter, the National Treasury passed the Public Finance Management (Credit Guarantee Scheme) Regulations, to operationalize the scheme. The National Treasury rolled out the Credit Guarantee Scheme (CGS) by entering into risk-sharing agreements with participating financial

(PFIs) on 8th December 2020, to support MSMEs to access quality and affordable credit. Further, in December 2020, the Cabinet Secretary for the National Treasury announced an allocation of Kshs. 2 billion to this scheme. In the 2021 national budget, a further Kshs. 1 billion was allocated to the scheme. Seven mainstream banks, including Absa, Diamond Trust Bank, Co-operative bank, Credit Bank, Stanbic Bank, NCBA and Kenya Commercial Bank (KCB) were then mandated to roll out loans under the scheme. Thus, in the 2020/21 financial year, the Parliament appropriated KShs. 3 billion as initial capital for purposes of the CGS, at least 30% of which was reserved for enterprises owned by women, youth, and persons with disabilities.

The Credit Guarantee Scheme for MSMEs is currently being delivered through a risk-sharing agreement between the Government of Kenya and seven participating banks. The seven banks are Absa, Cooperative, Credit Bank, DTB, KCB, NCBA, and Stanbic. The banks act as the intermediaries in the provision of credit to qualifying MSMEs borrowers based on pre-agreed Scheme Qualifying Criteria. Lending is done by the banks with due diligence in line with the Central Bank of Kenya Prudential Guidelines. The maximum loan amount under the Scheme is KShs. 5 million with a tenor of 3 years and up to 5 months' grace period and discounted interest rate based on the MSMEs risk profile. The Scheme guarantees to pay the banks 50% of the outstanding principal amount, subject to a maximum of 25% of the principal amount, in case of default on qualifying credit facilities advanced to MSMEs. This provides an incentive for the banks to offer better credit terms for the qualifying MSMEs. The Credit Guarantee Scheme provides an opportunity for MSMEs to access credit at a subsidized collateral percentage. Collateral is one of the main challenges for MSMEs in accessing finance. The shared risks by the governments on a 50-50 basis enables

banks to request a lower percentage of the collateral required as compared to normal loans. This is meant to facilitate increased access to credit facilities by MSMEs.

A total of 2,392 facilities amounting to KShs. 3.75 billion had been issued under CGS as of 30th May 2022. This is a cumulative utilization rate of 35% and the beneficiaries were drawn from 46 out of the 47 different counties, representing 97.87% coverage. The average portfolio size has remained around Kshs. 1.6 million throughout most of the implementation period. The average interest rate was 13.3% while the average loan tenor was 26 months up. The trade sector dominated the CGS-guaranteed facilities with a cumulative share of 77%. Agriculture recorded 1.39% of the beneficiaries. In terms of enterprise size, most beneficiaries were small at 61% followed by micro at 24% and medium at 15%. Enterprises owned by women, youth and persons with disabilities received a cumulative share of 20%, of which women have 13%. This figure is still below the statutory minimum of 30% set under the CGS.

Given the significance of the CGS, the UoN WEE Hub conducted policy advocacy in order to promote the inclusion of gender-specific provisions within the legal and regulatory framework of the CGS. In addition, the UoN WEE Hub conducted this research study to monitor the extent to which the implementation of the CGS was gender inclusive. A mixed methods study, using both quantitative and qualitative methods, was undertaken from September 2021 to December 2021 in the following five counties: Nairobi, Kajiado, Kitui, Kirinyaga, and Nakuru. The study was designed so as not to pose direct questions about the CGS to all study participants, except the key informants from implementing banks. This was in order to avoid exposing the government and implementing banks to

the issue of moral hazard where borrowers who know that their loan is guaranteed by the government deliberately default on repayment.

In partnership with the Kenya National Bureau of Statistics (KNBS), the WEE Hub collected quantitative data using a survey questionnaire. Qualitative data was gathered using the following methods: key informant interviews, focus group discussions, and case narratives. The findings of the study reveal that the CGS currently targets formal enterprises. The government has put in place requirements which MSMEs must comply with in order to be eligible for CGS-backed loans. These requirements include formal registration of the enterprise and tax compliance. Thus, informal enterprises do not benefit from CGS. In terms of formal enterprises, there is little gender variance in how formal enterprises seek and access credit. Thus, formal enterprises that are owned by women are not very different from the formal enterprises owned by men and both prefer to borrow from banks.

Further, in the context of formality, 76% of the male-owned enterprises that were surveyed applied for credit as compared to 71% of the female-owned enterprises. This shows that more male-owned enterprises applied for credit as compared to female-owned ones but this gender variance is not very high. The study also noted a gender variance in terms of the levels of credit approved between male and female borrowers. Female-owned enterprises, had lower levels of credit approved compared to those owned by men. These findings may be attributed to the fact that most women-owned enterprises still lack the levels of collateral that can allow them to access higher levels of credit. Further, while men are more likely to take risks by putting up high-value collateral, women tend to be more cautious and take fewer risks.

This is contrasted with informal enterprises, where women-run enterprises prefer to borrow from women's groups

through table banking. Informal male-run enterprises prefer to borrow from SACCOs and banks, primarily because men do not form collective agency groups and instead prefer to operate as individuals. Because women tend to borrow as groups and then distribute the monies to individuals within the group, they tend to access lower levels of credit as compared to men. However, at the same time, women's rate of repayment is very good, hence increasing the confidence of lenders in providing credit to women's groups. Thus, women tend to access credit with greater ease through their groups as compared to men. Men tend to borrow as individuals, which makes it harder for them to access credit, but they also tend to access higher levels of credit as compared to women.

Gender differences in terms of access to credit are therefore very sharp and acute with regard to informal enterprises. What can be inferred therefore is that formality tends to even out the playing field for men and women. Thus, because the CGS is currently targeting formal enterprises, it may not have a significant impact in responding to gender-specific concerns.

1.0 DEFINITIONS

Key Terms and Phrases

Business/Enterprise

These terms are used inter-changeably in this report to refer to an entity that provides goods and/or services as a means of making a profit.

Formal Business/Enterprise

This refers to businesses or enterprises that are formally registered as per the regulations in Kenya and are officially recognized by the Government as entities that provide specific goods and/or services.

Informal Business/Enterprise

This refers to businesses or enterprises which are not formally registered as the regulations in Kenya, hence operating outside of these regulations and are not necessarily officially recognized by the Government.

Female-run Business/Enterprise

These are businesses or enterprises that are managed and administered on a day-to-day basis by women.

Female-owned Business/Enterprise

These are businesses or enterprises where the main investors, who finance the business and also receive the profits from the business are women. While men can also be investors in such businesses and also receive a share of the profits, the businesses or enterprises will qualify as female-owned if at least 70% of the investors are female and therefore constitute a majority.

Male-run Business/Enterprise

These are businesses or enterprises that are managed and administered on a day-to-day basis by men.

Male-owned Business/Enterprise

These are businesses or enterprises where the main investors, who finance the business and also receive the profits from the business are men.

2.0 BACKGROUND

Micro Small and Medium Enterprises (MSMEs) financing in Kenya is often a function of family finances and informal lending (Central Bank of Kenya, 2021). Studies indicate that less than 30% of MSMEs rely on bank-sourced income for working capital or financing (Central Bank of Kenya, 2021). On the demand side, this low uptake is a factor of incoherent financial statements, poor business projections, and lack of registration of businesses among others. On the supply side, the World Bank Principles on Credit Guarantee Schemes also highlight that in emerging markets, between 55% and 68% of MSMEs are either not served or are served minimally by financial institutions (World Bank, 2015). Lenders, and particularly banks may perceive MSMEs as high-risk borrowers, and this is compounded by the difficulties that lenders may face in assessing and managing such risks (Hansen, et al, 2012). While there are other lenders who target the MSMEs, such as micro-finance institutions and SACCOs, this has still not provided competition to banks to spur them to also target the MSMEs, and this is primarily because banks have more lucrative markets in lending to governments and large corporates, meaning that there is not much impetus to banks to target MSMEs (Hansen, et al, 2012). Thus, there are factors both on the demand and supply side which result in limited financial

inclusion of MSMEs. This has impacts on economies in general because MSMEs are an important source of employment, and this has meant that increasingly, there is a need for governments to intervene and promote the financial inclusion of MSMEs (World Bank, 2015).

With regard to gender, the problem is compounded because women are less likely to borrow as compared to men, making it necessary to understand the gender differences in access to credit by MSMEs (International Finance Corporation, 2011). While women's enterprises make up a substantial proportion of MSMEs, most of them are unable to attain optimum growth. 60% of women-owned businesses fail due to a lack of continuity in stock (Muthathai, 2017). Lack of funds has affected 80% of the expansion of businesses in terms of the number of employees and stock. Women-owned businesses are smaller in size, enjoy lower profits, and take-home pay in comparison to men's-run enterprises (International Finance Corporation, 2011). One of the contributing factors to this is that women's enterprises have low access to credit and other financial services (Muthathai, 2017). This means that there is a causal link between gender inequality and limited access to credit by women (Ongena & Popov, 2015). Gender inequality in this context means that there are cultural and social norms which influence the behaviour of women.

30%

MSMEs relying on bank-sourced income for working capital or financing.

55% - 68%

MSMEs minimally or not served by financial institutions.

60%

Women-owned businesses failing due to lack of stock continuity.

15%

CGS- backed loans issued to women as of September 30, 2021.

5%

CGS- backed loans issued to youths as of September 30, 2021.

30%

Statutory minimum CGS-backed facilities for women.

Such behaviours include the tendency of women entrepreneurs to shy away from applying for credit (Ongena & Popov, 2015). But interestingly, a report (Ongena & Popov, 2015) shows that there is no significant variance in loan denial rates for men and women, hence gender bias tends to be more relevant in the beliefs that women have concerning their ability to apply for credit, meaning that gender bias is more visible in the demand side of credit, rather than on the supply side.

In addition to these general challenges that MSMEs face, pandemics such as COVID-19, which are more likely to wipe out personal savings and income,

destabilize the more often relied upon MSMEs' working capital (Center for Financial Inclusion, 2021). Further, The COVID-19 pandemic has had significant gender impacts (Mbote & Meroka-Mutua, 2020), thus compounding the problems that women-owned MSMEs currently face.

As a response to the impact of the COVID-19 pandemic on MSMEs, President Uhuru Kenyatta unveiled the economic stimulus package of May 2020 (State House, 2020), where the provision was made to set aside funds for the setting up of Kenya's Credit Guarantee Scheme (CGS) to support the recovery of MSMEs. This provision was further anchored in law, following the passing of the Public Finance Management (Amendment) Act (2020). This Act amends the principal Act, which is the Public Finance Management Act (2012), in order to provide for the establishment of the Credit Guarantee Scheme and to vest the National Treasury with the mandate of implementing the scheme. This amendment came into force in August 2020, and thereafter, the National Treasury passed the Public Finance Management (Credit Guarantee Scheme) Regulations, to operationalize the scheme.

The National Treasury rolled out the Credit Guarantee Scheme (CGS) by entering into risk-sharing agreements with participating financial institutions (PFIs) on 8th December 2020, to support MSMEs to access quality and affordable credit. Further, in December 2020, the Cabinet Secretary for the

National Treasury announced an allocation of Kshs. 2 billion to this scheme. In the 2021 national budget, a further Kshs. 1 billion was allocated to the scheme. Seven mainstream banks, including Absa, Diamond Trust Bank, Co-operative bank, Credit Bank, Stanbic Bank, NCBA, and Kenya Commercial Bank were then mandated to roll out loans under the scheme. Thus, in the 2020/21 financial year, Parliament appropriated KShs. 3 billion as initial capital for purposes of the CGS, at least 30% of which was reserved for enterprises owned by women, youth and persons with disabilities.

The shared 50-50 risks basis by the governments enables banks to request a lower %tage of the collateral required as compared to normal loans.

The Credit Guarantee Scheme for MSMEs is currently being delivered through a risk-sharing agreement between the Government and seven participating banks. The seven banks are Absa, Cooperative, Credit, DTB, KCB, NCBA and Stanbic. The banks act as the intermediaries in the provision of credit to qualifying MSMEs borrowers based on

pre-agreed Scheme Qualifying Criteria. Lending is done by the banks with due diligence in line with the Central Bank of Kenya Prudential Guidelines.

The maximum loan amount under the Scheme is KShs. 5 million with a tenor of 3 years and up to 5 months grace period and discounted interest rate based on the MSMEs risk profile. The Scheme guarantees to pay the banks 50% of the outstanding principal amount, subject to a maximum of 25% of the principal amount, in case of default on qualifying credit facilities advanced to MSMEs. This provides an incentive for the banks to offer better credit terms for the qualifying MSMEs. The Credit Guarantee Scheme provides an opportunity for MSMEs to access credit at a subsidized collateral percentage. Collateral is one of the main challenges for MSMEs in accessing finance. The shared risks by the governments on a 50-50 basis enables banks to request a lower percentage of the collateral required as compared to normal loans. This is meant to enable increased access to credit facilities by MSMEs.

As of 30th September 2021, participating banks had issued CGS-backed credit facilities to 620 MSMEs distributed across 41 counties. 15% and 5% of the CGS-backed loans that had been issued as of 30th September 2021 went to women and youths respectively. The total number of CGS-backed facilities issued by participating banks has been increasing and as of 30th May 2022, a total of 2,392 facilities amounting to KShs. 3.75

billion had been issued. This is a cumulative utilization rate of 35% and the beneficiaries were drawn from 46 out of the 47 different counties, representing 97.87% coverage. The average portfolio size has remained around Kshs. 1.6 million throughout most of the implementation period. The average interest rate was 13.3% while the average tenure was 26 months up. The trade sector dominated the CGS-guaranteed facilities with a cumulative share of 77%. Agriculture recorded 1.39% of the beneficiaries. In terms of enterprise size, most beneficiaries were small at 61% followed by micro at 24% and medium at 15%. Enterprises owned by women, youth and persons with disabilities received a cumulative share of 20%, of which women have 13%. This figure is still below the statutory minimum of 30% set under the CGS.

What we see therefore is that Kenya's CGS generally conforms to the World Bank CGS principles, tailored to the specific country's profile and needs. Thus, Kenya's CGS is established independently under a clear legal and regulatory framework; funds have been allocated to it in the national budget; it has a risk management framework; it has well-defined eligibility criteria; it is subject to a rigorous financial reporting mechanism; and periodically, the scheme is required to provide nonfinancial information, such as gender-disaggregated information on how women are accessing the scheme as compared to men. It also has near countrywide reach.

Thus, Credit Guarantee Schemes, particularly those which are designed in line with the accepted best practice

(World Bank, 2015) are aimed at reducing the financial constraints that MSMEs face (Douette et al, 2012), but because women-owned MSMEs tend to avoid taking out credit due to the operation of gender norms and other structural barriers that result in gender inequality there is a probability that women-owned MSMEs in Kenya may not benefit from the country's CGS. We can see already that so far, only 15% of CGS beneficiaries are women. It is therefore important to understand the extent to which women-owned MSMEs are benefitting from the CGS and whether the scheme is helping women's enterprises to recover from the effects of the pandemic.

A total of 2,392 facilities amounting to KShs. 3.75 billion had been issued as of May 30, 2022.

3.0 RESEARCH OBJECTIVES

The overarching objective of the study was to assess the implementation of the Credit Guarantee Scheme (CGS) and its impact on women-owned businesses. The specific objectives were:

- ✱ To identify the factors which impact women's access to credit;
- To assess the extent to which
- ✱ women-run enterprises access the Credit Guarantee Scheme;
- To identify the challenges and
- ✱ opportunities specific to WEE in the operationalization and implementation of the CGS.

4.0 METHODS

4.1 Conceptual Approach

The grounded theory approach emphasises the importance of using the lived experiences of women to inform theorization and concept building (Hellum & Stewart, 1998). Thus, empirical data gathered in the study and which revealed the lived experiences of women was taken as the starting point for theorization on the question of women's access to credit. In particular, theorisation on the issue of gender and access to credit, where women are seen as less likely to access credit, was subjected to empirical knowledge of women's lived experiences. Thus, women's experiences were used to build up knowledge on how barriers to women's access to credit operate in the lives of women. Thus, barriers such as the binary between formality and informality and the plurality of sources of credit were analysed through the lens of the lived experiences of women.

To provide an example of how the grounded grounded theory was applied and used in this study, it is useful to highlight the issue of formality and informality in the context of access to credit. The starting point was the desk review process, where it was highlighted that there are gender asymmetries in access to credit so that women-owned enterprises are less likely to apply for credit. Through empirical data, our study found that women who operate formal enterprises are just as likely to apply for credit as men and there are fewer differences between male-owned and female-owned formal enterprises in terms of access to credit. Formal female-owned enterprises are better off as compared to informal female-owned enterprises because women who run formal enterprises can access higher levels of credit including facilities that cushion them from business shocks such as the CGS and their businesses are more likely to survive longer. However, more women remain mostly in the informal sector not because this is their preference, but primarily because they face challenges that limit them from formalizing their enterprises. Such challenges include the cost of establishing and maintaining formal enterprises and a lack of training and skilling in running formal enterprises.

These findings about the experiences of women were then used to analyse the binary between formality and informality, where in our analysis we found that women are more likely to be economically empowered through access to credit when they run formal enterprises.

This further informed our recommendations that women should be supported to establish and maintain formal enterprises as a long-term objective toward women's economic empowerment, which is a divergence from the idea that financial products such as the CGS should be designed to accommodate informal enterprises. The study, however, recognizes the importance of taking short-term measures to allow informal enterprises to also benefit from such products as the CGS because presently, most women-owned enterprises are informal and still require to be supported, particularly as they continue to recover from the COVID-19 pandemic.

4.2 Study Design

The WEE Hub's research design for the CGS project was informed by the design of the CGS itself. The CGS is a unique financial product because it seeks to provide partial guarantees for the usual loan products that banks issue. The issue of moral hazard where borrowers deliberately default on payments because they are aware that their loan is guaranteed is thus one that is required to be factored in the research design. Secondly, while the government provided that loans under the CGS should be provided at single-digit interest rates, this has not been possible, given that the CGS backs the usual loan products offered by the banks, and generally these loan products are not offered at single-digit interest rates. Thirdly, it took some time for banks to begin offering CGS-backed loans, particularly because a lot of work had to first be completed in terms of establishing the lending mechanisms under the scheme.

The methodology entailed working with the Kenya National Bureau of Statistics and the National Treasury to develop the sampling frame, identify study sites, and

collect quantitative data. In collaboration with these partners, the WEE Hub designed qualitative and quantitative tools. In order to avoid exposing implementing banks to the issue of moral hazard, data collection instruments were designed to make reference to credit in general terms instead of being specific about the CGS. To ensure the cooperation of the implementing banks, the WEE Hub held consultative meetings with their CGS teams in which the research design was discussed and key issues that they identified as challenges were addressed. In particular, there was a need to ensure that there was legal compliance on issues of data protection in line with the Data Protection Act 2019.

4.3 Study Sites

The study was conducted in the following **five (5) counties**:

- Nairobi,
- Kajiado,
- Kitui,
- Nakuru, and
- Kirinyaga.

Nairobi was selected due to its cosmopolitan nature, and also because it has a high number of women entrepreneurs who meet the CGS criteria. Further, Nairobi also has the highest uptake of CGS in the country as well as a high number of registered MSMEs. Kajiado was selected because it is a rural county where cross-border trade also occurs along the Kenya-Tanzania border. Kajiado also has a relatively high uptake of CGS. Thus, Kajiado provided an important comparison with Nairobi given that it is a rural county; has women entrepreneurs who meet the CGS criteria; and the cross-border trade that takes place in the county. Kirinyaga was selected because it has a mix of both rural and urban settings and it is home to some of the financial institutions which are implementing the CGS programme even though it had not recorded any CGS beneficiaries as of September 2021. Kirinyaga was therefore an important study to help understand the factors that limit the uptake of CGS. Kitui and Nakuru counties were selected based on two factors: first, the uptake of the CGS and second, the number of MSMEs registered in those counties.

Nakuru has a high uptake of CGS, while Kitui has low uptake, but both have a high number of registered MSMEs. From these selected counties, the CGS uptake as of 30th September 2021 was as follows: Nairobi (200), Nakuru (28), Kitui (3), Kajiado (3), and none in Kirinyaga.

Nairobi also has the highest uptake of CGS in the country as well as a high number of registered MSMEs.

4.4 Data Collection Methods and Study Participants

Key informant interviews with the CGS implementing banks

- Key informant interviews were held with CGS teams from the implementing banks. This was the first category of key informants and CGS teams from the following 6 banks were interviewed: KCB (2), Co-operative Bank (2), NCBA (2), Credit Bank (3), Stanbic Bank (8), Absa (1). These interviews were conducted after the pre-arrangement meetings.

Focus Group Discussions with women and men entrepreneurs

- 17 focus group discussions in the five study counties. 3 FGDs were held in each county as follows: 1 FGD of 8-12 established women entrepreneurs; 1 FGD of 8-12 start-up women entrepreneurs, and 1 FGD of 8-12 male entrepreneurs. In Nairobi, the following extra 2 FGD were held: 1 FGD of 8-12 start-up women entrepreneurs and 1 FGD of 8-12 male entrepreneurs.

Case narratives with women entrepreneurs

- 15 case narratives of women entrepreneurs in the five study counties. 3 case narratives were conducted in each county. These were case narratives of women entrepreneurs, where they were interviewed, their businesses observed and their stories of success documented. The case narratives were purposively selected through the dung beetle technique. The inclusion criteria were that the selected women were entrepreneurs who are running enterprises that may be classified as start-ups (thus the age of the business should be below one year); women who are running established micro enterprises (the age of the business should be more than one year, and the business should employ at 1-10 people); and women who are running established small enterprises (the age of the business should be more than one year and it should employ 11-50 people). These enterprises selected for the case narratives were located in the five study counties.

Key informant interviews with local leaders at various levels

- 45 key informant interviews with women leaders, community leaders, women's groups and other lending institutions such as micro-finance institutions.

Quantitative survey

- Using a detailed questionnaire, quantitative data were collected from women and men and entrepreneurs who were purposively sampled based on the KNBS business enterprise survey. It should be noted that while these surveyed enterprises meet the CGS qualification criteria, it is not possible to determine whether any of the surveyed enterprises have benefitted from the CGS. This is because the question as to whether they have benefitted from the CGS was not directly asked the participants, and as explained in the study design, this question was omitted from the questionnaire to avoid the issue of moral hazard.

4.5 Procedures

Research participants who were included in the case narratives and FGDs were selected based on whether they run enterprises that might qualify for CGS-backed loans. Mobilization of the participants was done through the WEE Hub's networks and partners that work with enterprises at the grassroots. In particular, Techno Serve played an instrumental role in mobilizing the participants in these two categories.

Key informants who included community leaders, women leaders, government officials at the county level and women's groups were recruited into the study through the WEE Hub's network and

and database of local mobilizers. The local mobilizers connected the research team with this category of participants and the research team directly organized with the participants to conduct the key informant interviews.

Key informants from the CGS implementing banks were reached following formal introductions of the WEE Hub by the National Treasury. These formal introductions facilitated the WEE Hub to organize pre-arrangement meetings with the banks to explain the study to the CGS bank teams and thereafter to organize the collection of data through key informant interviews.

For the quantitative survey, a multistage sampling strategy was employed. In the first level, counties in Kenya were ranked based on selected social economic indicators and divided into 12 homogenous economic blocks. Five counties were then purposively selected from the 12 blocks based on their level of CGS uptake and whether WEE Hub or its partners were already working there.

In the second level, stratified sampling was developed collaboratively with the Kenya National Bureau of Statistics (KNBS).

I Stratification was based on business size: micro, small and medium enterprises. Micro businesses were allocated 70% of the sample for the survey, 20% to small businesses and medium to 10%.

The sample size determination was adopted from the World Bank's Enterprise Survey Sampling Methodology. This study used a precision of 7.5% and a confidence level of 90%. The World Bank formula for calculating the ideal sample size is as below:

$$n = \left[\frac{1}{N} + \frac{N-1}{N} \frac{1}{PQ} \left(\frac{k}{Z_{1-\frac{\alpha}{2}}} \right)^2 \right]^{-1}$$

K = is the precision
Z = is the z-score for the level of confidence (α)

Where:

- n** = is the sample size
- N** = is the population of businesses
- P** = is the proportion of occurrence/phenomenon in the population e.g. proportion of businesses owned by women
- Q=1-P** = the proportion of non-occurrence/ phenomenon in the population e.g. proportion of businesses owned by men

The **selected indicators** are:

- **Overall Poverty Estimates-Headcount Rate (%)**;
- **Dependency Ratio**;
- **Labour Force Participation Rate**;
- **Unemployment Rate**;
- **Gross County Product**.

Table 1: Applied Sample Sizes with 7.5% Precision and 90% Confidence

Population Size (Number of businesses/ firms in a county)	Sample Size (recommended sample size)	Population Size (Number of businesses/ firms in a county)	Sample Size (recommended sample size)
100	55	1250	110
200	75	1500	111
300	86	1750	113
400	93	2000	113
500	97	2500	115
600	100	3000	116
700	103	5000	117
800	105	10000	119
900	106	50000	120
1000	107	100000	120

For purposes of this study, the same formula was used on the population of businesses in the counties. To minimize biases, "P" and "Q" were assumed to be equal at 0.5. The calculated sample size was then increased by 10% to account for non-response.

Targeted sample size per county

- Kajiado → 243
- Kirinyaga → 303
- Kitui → 310
- Nakuru → 362
- Nairobi → 270

1,488 Total targetted sample size.

KNBS provided a sampling frame/list of businesses in each county which was used to select specific enterprises in line with the stratification scheme to interview. The list of the businesses together with their locations and contact details was provided to the enumerators who then visit the businesses to administer the questionnaire.

4.6 Data Analysis

Audio recordings of the qualitative data were transcribed and a codebook was developed using key themes derived from the KII and FGD guides using the ATLAS software. Quantitative data were analysed using SPSS software and the results were presented in graphs and tables.

4.7 Data Analysis

A research permit was obtained from NACOSTI and was presented to County Commissioners and the County Director of Education in each of the study counties. Research teams were trained on the principles of research ethics and the importance of interacting with research participants in a manner that is sensitive and respectful.

The research participants were briefed about the purpose of the study and their consent to participate in the study was obtained. Participants were assured of the confidentiality of their data and that there were data protection measures to ensure that their personal details are not

exposed to third parties. Research participants were informed of their right to refuse to participate in the study, to refuse to answer any specific survey question(s), or to end their participation at any point during the data collection exercise.

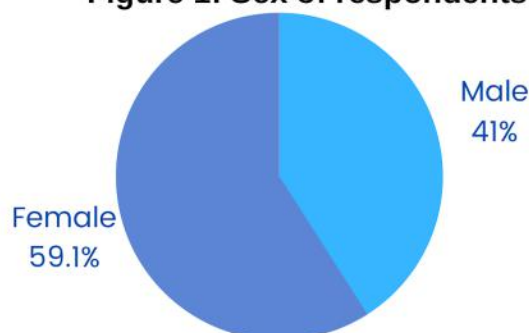
5.0 PRESENTATION OF QUANTITATIVE DATA

5.1 Characteristics of Respondents

Sex distribution of respondents

1,015 businesses were visited but 202 did not give consent mainly because they had since closed or relocated. Therefore, the sample size for subsequent analysis is 1,015 businesses were visited but 202 did not give consent mainly because they had since closed or relocated. Therefore, the sample size for subsequent analysis is 813 respondents: 478 males and 335 females. The share of respondents by sex is shown in Figure 1 below while Table 1 in Appendix 7 shows the distribution by sex and county.

Figure 1: Sex of respondents



From Table 2 below, 51% of the female and 49% of the male respondents interviewed were between 35 and 49 years. There was no significant difference between the education status of males and females. About 59% of the respondents had attained tertiary education.

Table 2: Demographic and business characteristics of the respondents

Frequencies/ Counts					Vertical Percentage		
		Male	Female	Total	Male %	Female %	P-Value
Age in Years	18-24	11	9	20	2	3	0.00
	25-34	63	102	165	13	30	
	35-49	235	170	405	49	51	
	50-60	144	47	191	30	14	
	60 +	25	7	32	5	2	
Marital Status	Single	47	65	112	10	19	0.00
	Married	413	251	664	86	75	
	Separated	9	14	23	2	4	
	Widowed	9	5	14	2	1	
Level of Education	Primary	23	23	46	5	7	0.45
	Secondary	171	115	286	36	34	
	Tertiary	284	197	481	59	59	
	No	11	22	33	2	7	

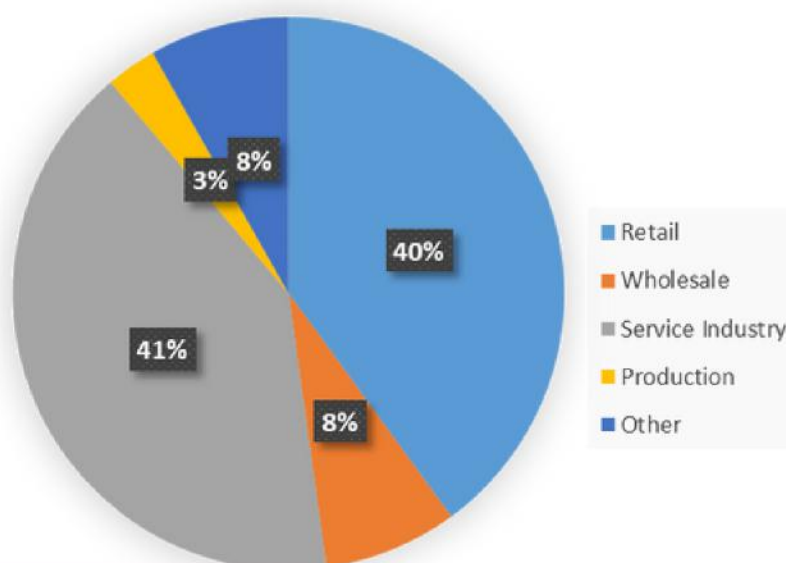
In all five counties, the majority of the businesses were male-owned compared to the female-owned ones. The respondents were drawn from five counties and were fairly distributed in this study. As shown in Table 3, 29% of the respondents were from Kajiado county followed by Nairobi county with 22%, Kitui with 19%, Nakuru with 16% and Kirinyaga with 13% respectively. This is shown in Table 3 by the sex of respondents.

Table 3: Respondents by County

Sex of the respondent				Total
		Male	Female	
Nairobi	Count	102	81	183
	%	20.60%	23.50%	21.80%
Kirinyaga	Count	57	54	111
	%	11.50%	15.70%	13.20%
Kajiado	Count	154	96	250
	%	31.00%	27.90%	29.80%
Nakuru	Count	93	40	133
	%	18.80%	11.60%	15.80%
Kitui	Count	90	73	163
	%	18.10%	21.20%	19.40%
Total	Count	496	344	840
	%	100%	100%	100%

The sector distribution of the respondents is shown in Figure 2. Most of the businesses surveyed were involved in the service industry. This includes businesses such as saloons, hotels, restaurants and cafés and transport services. Retail trade was the second most common type of business among the respondents. The sector distribution of respondents by county and sex is shown in Appendix 7 Tables 2 & 3 respectively.

Figure 2: Sector of Respondents



5.2 Gender Differences in Business Characteristics

Table 4 below shows the key features of the male and female-owned businesses surveyed. Most of the registered businesses surveyed had an operating licence, bank accounts, and kept business records. Over 90% of the businesses surveyed had a Kenya Revenue Authority (KRA) PIN and at least a bank account. Male-owned enterprises were more likely to have KRA PIN, a bank account and keep business records. However, a significant number of businesses (36%) did not have business plans. A business plan is an important tool that can enable entrepreneurs and their employees, to lay out their goals and track their progress as their business begins to grow. This also makes the business attractive to lenders and other investors.

Table 4: Characteristics of Business by Gender

		Frequencies		Total	Vertical percentage		P-Value
		Male	Female		Male	Female	
License	Licensed	486	336	822	98%	98%	0.583
	Not licensed	10	7	17	2%	2%	
Registered	Registered	449	315	764	91%	92%	0.299
	Not registered	47	28	75	9%	8%	
KRA pin	Have KRA Pin	410	267	677	83%	78%	0.59
	No KRA Pin	86	75	161	17%	22%	
Kept records	Kept business records	444	303	747	90%	88%	0.334
	Not kept business records	52	40	92	10%	12%	

Has bank account	Has bank account	399	255	654	80%	74%	0.023
	No bank account	97	88	185	20%	26%	
Has business plan	Has business plan	362	227	589	73%	66%	0.021
	<2	7	4	11	1%	1%	0.532
	02-May	82	66	148	17%	19%	
	06-Oct	206	147	353	42%	43%	
	10+	200	122	322	40%	36%	
Years in operation	<10	367	250	617	74%	73%	0.344
	Oct-49	109	83	192	22%	24%	
	50-99	12	3	15	2%	1%	
	>99	9	5	14	2%	1%	
Number of employees	<500001	85	77	162	19%	25%	0.184
	500001-5M	287	179	466	63%	57%	
	5M-800M	86	58	144	19%	18%	
	>800M	1	0	1	0%	0%	
Turnover Annual Sales	Nairobi	102	81	183	21%	24%	0.02
	<u>Kirinyaga</u>	57	54	111	11%	16%	
	<u>Kajiado</u>	154	96	250	31%	28%	
	<u>Nakuru</u>	93	40	133	19%	12%	
	<u>Kitui</u>	90	73	163	18%	21%	
County							

Most businesses, both male and female-owned had been in operation for 6-10 years and over 10 years. About 73% of the businesses employ between 0-9 employees and 23% employed between 10-49 employees. MSMEs businesses are important drivers of job creation. This is because they operate close to a locality, thus offering employment opportunities to the local people, and this also provides desirable sustainability and innovation in the economy as a whole. A large number of people transact with the MSMEs directly and indirectly. In Kenya, MSMEs account for over 90% of the new jobs created annually.

The features of the business surveyed by county are shown in Appendix 7 and Table 4.

5.3 Loan Application in the last six (6) months and the outcome

Out of 841 businesses, 166 (19.7%) had applied for credit in the last 6 months. More male-owned enterprises (76%) applied for credit than women-owned enterprises (71%). A similar study by Andres et al. (2020) showed similar findings and attributed this disparity to the difficulties in terms of collateral

requirements and the high-risk profile that women enterprises incur in credit application. As a result, many women do not even initiate the credit application process. About 74% (123 businesses) of the applicants had their loans approved, 6% (10 businesses) received a lower amount than applied for approval while 13.3% had not been approved. Loan application by females is more likely not to be approved than by males (18% versus 10%).

Table 5: Loan Applications in the last six (6) months and the outcome

	Male (%)	Female (%)	Total	Percent
Those who applied	71(76%)	52(71%)	123	14.6
Those who applied but the amount approved was lower than what was applied	6(6%)	4(5%)	10	1.2
Those who applied but have loans not yet been approved	9(10%)	13(18%)	22	2.6
Those who applied but waiting for feedback	7(8%)	4(5%)	11	1.3
Total Applied	93(100%)	73(100%)	166	19.7
Not applied	403	272	675	80.3
Total	496	345	841	100

Applications for credit by county are summarized in Tables 5 & 6 in Appendix 7.

There were no differences observed in sex, level of education, number of employees, years in operation, annual turnover, business registration, and business records among those who applied versus those who did not. This means that other structural differences such as collateral requirements could have hindered the businesses from applying for credit. However, there is a significant difference between those who applied for credit and those who did not apply for credit across various age groups. Younger respondents were more likely to have applied for loans, possibly due to higher education attainment which increases awareness and other related competencies. The comparison of applicants and non-applicants is presented in Table 6 below. Credit application by county is shown in Appendix 7 and Table 5.

Table 6: Credit application/not applied by selected demographic and business characteristics

		Number			Percentages		
		<i>Applied</i>	<i>Did not apply</i>	Total	<i>Applied</i>	<i>Did not Apply</i>	<i>P-Value</i>
Sex of the respondent	Male	92	402	494	19%	81%	0.2
	Female	73	271	344	21%	79%	
AGE of respondent IN YEARS	18-24	8	13	21	38%	62%	0.03
	25-34	34	135	169	20%	80%	
	35-49	85	326	411	21%	79%	
	50-60	37	168	205	18%	82%	
	Above 60	1	31	32	3%	97%	
Level of Education of respondent	Primary	8	40	48	17%	83%	0.852
	Secondary	59	235	294	20%	80%	
	Tertiary	98	398	496	20%	80%	
Number of employees	<10	120	494	614	20%	80%	0.994
	Oct-49	39	153	192	20%	80%	

	50-99	3	12	15	20%	80%	
	>99	3	11	14	21%	79%	
Years in operation	<2	0	11	11	0%	100%	0.14
	02-May	32	114	146	22%	78%	
	06-Oct	77	276	353	22%	78%	
	10+	55	266	321	17%	83%	
Turnover Annual Sales	<500001	28	133	161	17%	83%	0.783
	500001-5M	90	375	465	19%	81%	
	5M-800M	31	113	144	22%	78%	
	>800M	0	1	1	0%	100%	
Business registered?	Yes	149	613	762	20%	80%	0.405
	No	16	59	75	21%	79%	
Keep business records	Yes	149	596	745	20%	80%	0.331
	No	16	76	92	17%	83%	

Despite their economic importance, MSMEs face challenges in accessing credit facilities needed for the growth of their businesses. This is mainly due to a lack of adequate collateral and information asymmetry which make them unattractive to lenders. The COVID-19 pandemic has further worsened the situation leading to a reduction in business turnover and market disruptions. With reduced turnover and disruptions in the market and supply chains, many MSMEs, especially those owned by women were – and still are – unlikely to attract affordable and quality credit. As a result, and as shown in the survey findings, many MSMEs did not even initiate the credit application process. For those who applied for credit, some received lower amounts than what they applied for or did not qualify for credit altogether.

5.4 Considerations while Choosing Credit Providers

As shown in Table 7 below, the interest rate was the most important parameter for both male and female business owners in their choice of credit provider. This is because lower interest rates reduce the cost of doing business for the businesses and hence reduce cash flow constraints. Turn-around time was also a key parameter among the respondents as this would enable them to get the credit as and when needed by the business. Collateral requirements were also one of the considerations where businesses prefer lenders with flexible collateral

requirements since most MSMEs lack adequate collateral to secure credit facilities. because lower interest rates reduce the cost of doing business for the businesses and hence reduce cash flow constraints. Turn-around time was also a key parameter among the respondents as this would enable them to get the credit as and when needed by the business. Collateral requirements were also one of the considerations where businesses prefer lenders with flexible collateral requirements since most MSMEs lack adequate collateral to secure credit facilities.

Table 7: Considerations while choosing Credit Providers

	Frequency		Total	Vertical percentage		Total
	Male	Female		Male	Female	
Fast Turnaround Time	32	13	45	32%	20%	28%
Favourable Interest Rates	40	30	70	40%	47%	43%
Low Collateral	14	12	26	14%	19%	16%
Other (Specify)	13	9	22	13%	14%	13%
Total	99	64	163	100%	100%	P-Value= 0.399

5.5 Type of Leader where credit was sought by sex of respondents

Banks and Saccos were the main sources of credit for both male and female-owned businesses. This is because banks are prudentially regulated by the Central Bank of Kenya while Saccos are managed by the Sacco Societies Regulatory Authority. This means that these institutions adhere to market conduct practices including fair interest rates.

In addition, Banks and Saccos allow for restructuring and rescheduling of loans in case a business is in financial distress. This enables the business to stay afloat, especially during this COVID-19 pandemic period, which has disproportionately impacted many MSMEs businesses resulting in reduced turnover and disruptions in the market and supply chains.

Table 8: Type of lender where credit was sought by sex of respondents

	Number of applications			Number approved			Rate of approval		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Bank	55	33	88	46	26	72	84%	79%	82%
Micro-Finance Institution	7	9	16	6	6	12	86%	67%	75%
SACCOs	25	12	37	23	7	30	92%	58%	81%
Women's Groups/Table Banking	1	2	3	0	0	0	0%	0%	0%
Digital Lenders	8	8	16	8	7	15	100%	88%	94%
Relatives	5	1	6	4	0	4	80%	0%	67%
Shylocks	1	1	2	1	1	2	100%	100%	100%
NGOs	4	1	5	4	0	4	100%	0%	80%
Others	1	0	1	1	0	1	100%		100%
Total	107	67	174	93	47	140	87%	70%	80%

The number of loan applications (174) is higher than the number of businesses that applied for a loan (166) because some businesses applied for a loan from more than one lender (multiple response questions). From Table 8 above, loan approval for male-owned businesses is consistently higher than for female-owned businesses.

The table also shows a disparity between men's and women's access to credit from various sources. Men are more likely to access credit from banks and Saccos compared to women. Women were more likely to access credit from microfinance institutions and table banking groups compared to men. This shows that microfinance institutions and groups are important sources of credit to women's enterprises.

A major challenge for women-owned enterprises is that some financial institutions may not be equipped or offer credit products that meet their unique needs. Female business owners face a number of constraints. They might not have the collateral required to secure a loan typically a fixed asset in the form of a land title or property deed which constrain their access to credit or owning property needed to meet their operational needs.

As observed from key informant interviews and focus group discussions, some MFIs and SACCOs consider household items owned by women as collateral such as Television, furniture, and electronics. This helps overcome the collateral challenge since most women may not possess cultural assets such as land for collateral.

Digital lenders such as M-Shwari, KCB M-PESA, Fuliza, TALA, and OKASH are also becoming popular sources of credit, especially for MSMEs due to fast turn-around time and non-requirement for collaterals.

On the other hand, the low limits based on maximum advances by digital lenders of digital credit may not meet much of the

business needs. Additionally, the high-interest rates charged by digital lenders may be counter-productive for micro borrowers who have low turnovers. The move to have digital lending regulated by the Central Bank of Kenya is welcome since the gains brought about by digital lenders in terms of fast turn-around time will be preserved while ensuring that they charge fair interest rates and adhere to good business practices.

5.6 Level of credit received/ approved

Out of 166 loan applications, 132 were successful as shown in Table 9. About 64% of the successful applicants received Ksh. 500,000 thousand or less, 14% received between Ksh. 500,001 and 1 million, 11% were granted between one and three million loan and about 11% were loaned between three and five million. This is consistent with the Central Bank of Kenya, 2020 MSME survey that showed that loans from commercial banks as of December 2020 averaged Ksh. 86,000, Ksh.2.9 million and Ksh.7.7 million for micro, small and medium enterprises respectively.

Male-owned enterprises had higher levels of credit approval compared to female-owned enterprises. This implies that women-owned enterprises receive lower credit amounts than what their businesses require.

Table 9: Level of Credit Received/Approved

	Frequency			Vertical percentages		Total
	Male	Female	Total	Male	Female	
Less than 500,001	58	26	84	67%	58%	64%
500,001-1,000,000	9	10	19	10%	22%	14%
1,000,001-3,000,000	11	4	15	13%	9%	11%
3,000,001-5,000,000	9	5	14	10%	11%	11%
Total	87	45	132	100%	100%	P-Value = 0.301

Access to adequate credit in terms of amount and quality credit in terms of tenor and interest rate is important for MSME businesses. MSMEs may have limited revenue and need working capital to pay their operational bills including rent, utilities, and the salaries of staff as well as to finance growth needs. They need working capital financing with a sufficient grace period to allow them to stay in business. This working capital funding should have a relatively long tenor as the income that will be used to repay these credit facilities will not be earned immediately due to unique business risks and outlook. Typically, a credit facility is obtained by a borrower and the funds are invested in a productive activity which generates income. The income is then used to repay the credit facility. The credit tenor should be long enough to enable the borrower to meet the repayment instalment.

5.7 Purpose for which credit is sought

As shown in Table 10, most businesses were affected by the COVID-19 pandemic and hence needed credit to recover their

operations. Other important reasons for borrowing were to increase stock and business expansion. About 8% of the businesses borrowed to repay other debts they previously had.

Table 10: Purposes for which credit was needed

	Frequency			Vertical Percentage		
	Male	Female	Total	Male	Female	Total
Business recovery after suffering effects of COVID-19	49	33	82	33%	33%	33%
Business expansion by opening other branches	31	24	55	21%	24%	22%
Off-setting other debts incurred before	15	6	21	10%	6%	8%
Increasing stock	48	30	78	32%	30%	31%
Other	7	6	13	5%	6%	5%
Total	150	99	249	100%	100%	100%

5.8 Use of Credit

From Table 11, about 33% of the respondents did not use the credit borrowed for the intended purpose.

Credit diversion was higher among male-owned enterprises than female-owned enterprises. Credit diversion by county is shown in Appendix 7 and Table 7.

Table 11: How Credit was Utilized

		Frequency			Percentage	
		Male	Female	Total	Male	Female
Used the credit for the purpose you borrowed it	Yes	27	17	44	35%	30%
	No	50	39	89	64%	70%

From Table 12 below, health and rent emergencies were the main causes of credit diversion among the respondents. Similar observations were made during the focus group discussions and the key informant interviews. Credit diversion increases the probability of default. This diversion risk is high among men (35%) as shown in Table 10 compared to women (30%). Credit diversion is occasioned by competing needs such as school fees, medical expenses, health and food for both men and women. For men, we see an additional purpose for credit diversion, which is construction, and this is particular to men only. This additional need may account for the gender variance where the rate of diversion is higher among men. This negates the use of credit for originally intended purposes.

Table 12: Credit was diverted to the following pressing/emergencies

	Frequency		Total
	Male	Female	
School fees	2	6	8
Health	7	5	12
Rent	8	4	12
Food	2	0	2
Repayment of other credit	2	2	4
Others: construction, electricity bill, staff dues etc	6	0	6
Total	27	17	44

5.9 Loan Repayment

Table 13: Loan Repayment: Started Making Repayments

	Frequency			Vertical Percentage	
	Male	Female	Total	Male	Female
Yes	68	49	117	88%	88%
No	9	7	16	12%	13%
	77	56	133		

From Table 13 below, most of the respondents had started making repayments on their credit facilities. As observed in the FGD, KII, and Case Narratives, many business owners are increasingly becoming aware of the need to build a good credit history through prompt repayment of their credit facilities. This will make their subsequent credit applications easier and even increase their loan limits. There was no significant difference in this between male and female-owned business enterprises.

Table 14: Loan Repayment: Make the Repayments with Ease

	Frequency		Total	Vertical %	
	Male	Female		Male	Female
Yes	41	33	74	60%	67%
No	27	16	43	41%	33%
Total	68	49	117		

From Table 14 above, a significant number of businesses (37%) both male and female-owned struggled to make their loan repayments. This could be mainly attributed to the negative effects of the COVID-19 pandemic whose mitigation measures included travel restrictions and hence disruption of markets, supply and demand. The economic effect of COVI-19

also resulted in the loss of jobs. Some industries, for example, horticulture, hotel businesses, tours and travel had to completely close down. With the loss of jobs, the purchasing power is weakened and hence the demand for goods and services is reduced. As a result, many businesses are recording reduced turnovers and cash flows and hence may struggle to meet their debt obligations in good time as shown in table 15 below. The incidence of unpaid loans among respondents by county is shown in Appendix 7 and Table 8.

Table 15: Any Unpaid Loans

		Sex of the respondent		Total
		Male	Female	
Yes	Count	118	78	196
	%	23.80%	22.70%	23.40%
No	Count	377	265	642
	%	76.20%	77.30%	76.60%
Total	Count	495	343	838
	%	100%	100%	100%

From Table 15, 23% of the respondents had unpaid loans. Outstanding financial obligations such as unpaid loans reduce exert added pressure on cash flows and have the potential to reduce access to credit by enterprises. There is no significant difference between male and female respondents in terms of the probability of reporting unpaid loans.

5.10 Business Capacity Development

Table 16 shows that about 80% of business owners had not received information about the existence of

business trainings. Of the 20% who received the information, 73% attended the training sessions. Most of these training sessions were facilitated by government institutions. All the respondents found the training to be useful and 64% of those who attended admitted to sharing acquired information with others.

Table 16: Business Capacity Development

		Frequency		Total	Percent		Total
		Male	Female		Male	Female	
Received info about business trainings	Yes	101	70	171	20%	20%	20%
	No	393	272	665	80%	80%	80%
Attended such trainings?	Yes	73	52	125	72%	74%	73%
	No	28	18	46	28%	26%	27%
Convening Organization	Government Institutions	31	15	46	42%	29%	37%
	Banks	16	8	24	22%	15%	19%
	WEE Hub	1	0	1	1%	0%	1%
	Other	25	29	54	34%	56%	43%
Training Useful	Yes	73	52	125	100%	100%	100%
Shared information about the trainings?	Yes	40	40	80	55%	77%	64%
	No	33	12	45	45%	23%	36%

6.0 PRESENTATION OF QUALITATIVE DATA

6.1 Access to Credit

Women entrepreneurs apply for credit mostly in groups. Women who operate sole enterprises and do not belong to any women's group are not likely to take loans.

"I have been at my shop for five months and I have not borrowed any loan because of fear of the interest attached yet you are very new to the business. I use my savings." Female Start Ups FGD, Kajiado.

Female Start Ups FGD, Kajiado.

"I too have not borrowed a loan; I use the little I have. You find the terms and conditions of paying back the money are not favorable for the business. They might be weekly." Female Start Ups FGD, Kajiado.

Female Start Ups FGD, Kajiado.

"Some of the reasons some women too don't apply for loans are the same ones I have said. Most women here don't take individual loans, they take in a group. That is why most women don't take loans because once one defaults your household items are auctioned. Due to business being low most of them are not taking the loans."

Female Start Ups FGD, Kajiado.

Accessibility of credit also depends on the credit sources. The majority of women interviewed indicated that they had not taken loans from formal sources such as banks. Instead, they prefer table banking in groups where individuals can access credit subject to the rules of the group. Some of the groups indicated that they have access to loans through microfinance and that the microfinance institutions trust them to repay because they know that the group will hold individuals accountable, and thus, a less likelihood of default. Consequently, being in women's groups helps women to access credit.

"I take loan through chama but I have never taken one from the bank but I take through women chamas."

Case Narrative, Nairobi.

"We usually look at ones business and there are groups we join called Mukelio."

KII, Kitui

"Mukelio or chabi. If you are not able to contribute the chabi and you ask for a loan at Kenya Women we cannot give you because if you are not able to pay Mukelio then you will still default and put us in the problem of contributing to pay for your loan because others will also want to apply for loans. Others have children in school and want loans. If I fail to pay, another member too fails to pay it means there will be no money for other members to borrow. We don't allow such people in our groups. We would rather have a small group of few members like ten, meet for thirty minutes, pay our contribution and leave."

KII, Kitui

"You can hardly find a woman going to the bank. They love being where they are, we have representatives who come and see how the group is faring on they recommend and fill in the necessary details."

KII, Kitui

6.2 Preferred sources of credit for women-run enterprises

Women-run enterprises seem to prefer table banking. They also borrow from banks and SACCOS as groups, and less as individuals.

"You can hardly find a woman going to the bank. They love being where they are, we have representatives who come and see how the group is faring on they recommend and fill in the necessary details."

KII, Kitui

There is also the option of loans on stock, where women who do not have capital or security are provided with stock to sell and from their profits, they pay for the stock, however, the challenge with this type of loan on stock is ensuring that the stock is fully paid for through daily sales.

"I hawked for like three years .time passed and the kids were growing up, I realised it's not profitable. By God's grace i came to know where I could get my carpets .I got there and talked to the owner, explained that I had no capital. He agreed to give me stock, I take the profit and pay for the carpet. I could now get my own carpet without a loan."

Female Start Up FGD, Kajiado.

"Sometimes the shop is full but it's the items you get from the wholesale in debt. You sell then pay. You have borrowed items worth ten thousand, everyday after selling two thousand, you pay the debt. When they finish, you go order more. It's a cycle of debts."

Female Start Up FGD, Kajiado.

6.3 Differences in how female and male-run enterprises access to credit

Women-run enterprises are more likely to take loans as compared to male-run enterprises. This is may be attributed to the collection agency among women, which builds trust among lenders because the group ensures that individuals within it will repay the loans. It is not common for men to form groups for a collective agency, instead, they prefer to operate as individuals. This limits their capacity to take loans. Banks and SACCOs are also lending increasingly to groups, hence access to credit might be easier when one is in a group as opposed to when one is operating as an individual.

"At the low end, we do it through groups and guarantee each other. This has very low defaults. It ensures social responsibility. We have flexibility for this group. We have unsecured loans and you built your collateral as you save."

KII, Co-operative Bank.

"Wanaume hawaendi sana sana kwa chama (Men don't go to the groups)."

Male FGD, Nakuru.

"At the low end, we do it through groups and guarantee each other. This has very low defaults. It ensures social responsibility. We have flexibility for this group. We have unsecured loans and you built your collateral as you save."

KII, Co-operative Bank.

"Wanaume hawaendi sana sana kwa chama (Men don't go to the groups)."

Male FGD, Nakuru.

"Men don't take loans. Their work is mostly individual and they don't work in groups, but banks mostly want to lend to groups. It is women who can form groups and borrow through the groups, but I don't like groups."

KII, Kajido.

However, men whose wives are in groups are still able to access credit through their wives.

I have taken credit before because I depend on credit but through women. This is because we don't have groups for men. So if my wife is registered and belongs to different groups, we take loans and then when we pay we apply for another one."

Male FGD, Nakuru.

"Men are accessing because through the group it is like a family loan because the guarantor is the man. So through the women, the men are accessing because it is the women the guarantor so they send the women to their group so they guarantee like a family loan. But also the men they access through the individual and also through checkoff where we have the civil servants whereby we give them loans."

KII, KWFT.

While men are less likely to take credit as compared to women, they are more likely to take higher levels of credit when they borrow compared to women. This may also be attributed to the fact that men take loans as individuals and are therefore able to access higher levels of credit. Therefore, unlike individuals, group loans are shared among individuals within groups and each individual gets only a small share of the group loan. It might also be attributed to gender dynamics in ownership and control of assets whereby men have more control over land and property which can be used as security for loans.

What I can say I have never dealt with chamas I have been dealing with banks. Let's say for banks if it is December season like for the business I do and let's say I have been given some work to do, and I need 1,000,000/=. If I go to the bank they will send their officer to come and assess my business and if they see I am capable they will give me

the credit. So my business will not stop. I don't know what happens in groups but what I have seen with banks they help. Like the hotel that is in my mind maybe it will need some years to come. If I need like 5,000,000/= or 10,000,000/= again with banks it is good to have the discipline to save. In business if you don't have a loan you are servicing, in business, you have to have loans and the discipline to pay. You may need 50,000,000/=, you know you cannot borrow 50,000,000/= from a chama. So if your dream is high and you discipline yourself and say in three, five or ten years to come the bank can give me credit of 100,000,000/= so they can give such money and that is the beauty of it."

Male FGD, Nakuru.

"I'll say men take higher amounts of loans. Women start from low levels as they grow. But men come when maybe they have some security and a project they want to complete so they take a loan and give security so they can complete their project. But women will start small and we grow with them."

KII, Nairobi.

Further, men prefer to take loans from banks and SACCOs, which are more likely to offer higher levels of credit.

"We mostly go for it in banks and SACCOs."

Male FGD, Kirinyaga.

6.4 Impact of credit on women's enterprises

Many governments have identified women-owned small-scale firms as a critical area of concern in their efforts to drive development in low-income nations. These businesses are identified as the engines necessary for emerging nations to fulfil their development ambitions. Key business growth indicators include the number of production lines, number of business outlets, level of monthly sales, and number of employees. Lack of access to financing is the greatest challenge that small-scale entrepreneurs face in the small and medium business sectors. Therefore, nurturing and developing women-owned small-scale enterprises represent an essential element in most economies' growth strategies and hold particular significance. As such, facilitation and provision of tools that would spark their growth, such as the provision of credit at a lower cost is essential for the ripple effect of rapid economic growth. It is against this background that the study sought to investigate the impact of credit on women's businesses.

The uptake of credit has a positive impact on women's enterprises because it contributes to the growth of their businesses. There is also a likelihood of business expansion through the increased stock to match demand. For example, some businesses that started as "Mama Mboga" have grown into retail

shops courtesy of credit access. Women can expand the scale of their operations. Women also reported that taking credit helped them to improve their business practices so that they keep proper accounts and track their profits and loss, as this helps them to keep up with repayments.

"I remember I started with a stock of Ksh. 50,000/= but now after taking loans I can buy stock worth Ksh. 100,000/="

Case Narrative, Nairobi.

"For me taking loans is what has helped, stock taking and keeping records. You know the loss and the profit."

Case Narrative, Nairobi.

"I started taking loans when I just had Mpesa agent only. I continued taking loans and started selling items here, increased my stock, opened equity agent, KCB agent. So whenever I take a loan it expands my business."

KII, Kitui.

Women who were unable to start businesses could do so through access to credit that could be used as start-up capital. Some have employed attendants because of the credit hence the increased number of employees.

"Credit has helped the women because in the early 80s if we can see even in the markets very few women were in business but like today if you move to the markets 80% or 90% business you find they are women even in the market you will find most of the people working in the businesses are women,"

KII, Kitui.

Anti-poverty targeted loaning was noted whereby some organizations like Kenya Women give women credit in the form of products like water tanks and solar panels. These products make the life of these women easier and aid in poverty alleviation. They have improved household livelihood.

"...other products we have... if they can access the water tank to fetch water, time the woman was spending going to the river to fetch water can be converted into business... The other thing like the solar they were using paraffin. So she has solar, the children can read well without a problem and also other assets which can assist them in the business..."

KII, Kitui.

I can say a lot because I have benefited from loans. Loans have taken me far as I had earlier said I was very low and that our livelihood was a challenge. Through these loans, we have been able to improve our livelihood. We used to sleep under a tent but because of the loan, we moved from the tent to a house. I also said through the loan I was able to acquire a motorbike and I no longer walk. I worked hard and cleared the loan. Again I have a business that is consistent and I am able to pay the loan. So if you take a loan with good plans you can go far but if you take it without plans you will fail. So I must say I have benefited,"

Female FGD, Nakuru

Women are now able to educate their children. Women can take charge of the day-to-day running of their households, pay the fees of their children, and successfully manage their businesses.

"It normally has a lot of benefits, because if it is children, these days you cannot meet so many children along the road, this because you go apply for a loan and take the children to school. If you decide on table loan you pay school fees for primary and if you choose Fortune you pay for a whole year then you now remain struggling to pay back."

KII, Kirinyaga

"It normally has a lot of benefits, because if it is children, these days you cannot meet so many children along the road, this because you go apply for a loan and take the children to school. If you decide on table loan you pay school fees for primary and if you choose Fortune you pay for a whole year then you now remain struggling to pay back."

KII, Kirinyaga

"It's changing lives, it's changing lives. I've seen women are now, especially the single ones taking their children to school after they have at least secured a small loan, start a small business, save something small for the baby, for their babies and you find them going to school, especially a girl child."

KII, Kajiado

6.5 The Uses of Credit

Women entrepreneurs reported taking loans to start or expand their businesses.

"I usually take a loan when I realize I need to add more stock for instance if I don't have rice I buy it and if I don't have flour I buy a bundle, sugar too. When I get such money I replenish my stock. So even for whatever stock, I may have I still had more stock so that I don't have to go back and buy again. Like what I am doing now is once I sell I replenish the stock of what I don't have. So when I take such a loan I buy more stock like ten bundles of flour, three bundles of sugar so I replenish stock that is are zero level, so I stay for a week without going to buy or send somebody."

KII, Kitui

Sometimes, loans taken for purposes of the business can be diverted for family use.

"Sometimes loans have no benefit because you may take a loan with the intention of expanding your business but you find you have emergencies and you end up using all the money you borrowed on those urgent needs. The other needs outweigh the need for business expansion."

Women's FGD, Kitui

6.6 The Impact of Credit on Women's Families

When women obtain loans to support their husbands, it impacts their families positively, as this to the needs of the family:

"I tailor both men's and female clothes and I have been facing challenges in my business. I was very confused because I didn't have capital. When my wife went for training at So They Can and was taught about business. When she joined the group, the group helped me so much. I was stuck but when my wife joined the group, that time we were operating under a tent, we couldn't afford food it was actually a challenge to make money and business was low. When my wife joined a women's group like Francis has said we benefited. We were able to move house from the tent to an iron sheet structure, as we continued to access credit we continued to pay and we experienced growth. Now I can tailor more clothes and business is doing well and it has really helped us. I have been able to educate my children because of that group. So when a woman is in the group and I am there we sit down, discuss and agree and we are helped by that group called So They Can and it has taken us far. We have reached that level because of the group. So we have come this far and God has helped us. Through the credit we have been getting I was able to bring stones and build a house. Even if the house is not that big we now are in a good place even when you visit we cannot feel ashamed like we used to. So the group has taken us far and we have been accessing credit which has improved our lives. We are thankful and we pray to God that we continue to get more credit and we will go far. So I am thankful because of this."

Male FGD, Nakuru

However, because such loans were meant for business, women often struggle to meet the loan repayment requirements and keep their businesses afloat.

"We give them money and we see them start a small business. You then see the business proceeds, but when she wants to start repaying the loan, the stock reduces. Because she has to pay for school fees, lunch each and everything in the house. That is a woman. Indeed, you have seen this is the business, these is the stock, the business is doing very well but when they start to pay the debts, they start declining because of the interest for the chama. If someone is to give up on hope, the business will go under."

KII, Nakuru

While access to credit may help women's enterprises to grow and thus empower women to a point where they can contribute to their family's finances, this does not necessarily result in greater autonomy for women within the home or their enhanced ability to participate more in decision-making processes because their husbands rely on them to access credit. This was particularly evident among the Maasai where cultural and gender norms still limit the extent to which women can make decisions within the home. Thus, while economic empowerment may have a positive impact on women and their families, this has not resulted in the transformation of cultural and social norms.

"So she won't have a right to say I will sell. Because the man will say, I gave you permission to get into the group. I gave you permission to take my cows' milk sell it. You know the cows are for the men. So I've given you the cows to sell the milk, so still when you get the money back, then it is my cows. You are also mine."

KII, Kajiado

"The other challenge is that husbands from this area are drunkards so businesswomen with such husbands we face problems because when our husbands see money all they can think of is to get drunk. So if you seek his decision on whether to apply for a loan he will quickly tell you to go for it and he is okay. But once you tell him here is the money I applied for and I am going for the stock he will say okay go for stock. When you go for the stock he will be aware that your business has expanded and will be asking for money all the time, you will pay for your children's school fees. In other words, you will be using the money from the business to pay school fees yet the grace period you are given is short.

He will ask for money to buy alcohol and you cannot say no because you have stock and he is seeing it. So at times, you don't inform him you just keep quiet and you apply for the loan and keep it in the bank whereby you will be buying little stock at a time. When you let your husband know you have taken the loan and you do everything including paying school fees you will face challenges paying the money back. That is why many people don't want to apply for loans. You will be frustrated by the lender once you default because you took the loan but were not able to pay. So as women if we can be trained on how we can plan on using loan money we can benefit a lot."

Women's FGD, Kirinyaga

Through the formation of groups for the purposes of pursuing economic goals, women are also able to challenge other social issues that affect them. For instance, among the Maasai, women's milk co-operatives are also indirectly addressing issues such as female genital mutilation (FGM). Married women also indicated that they needed to seek their husband's permission before taking a loan because in cases of default, their husbands will still find out and this may cause friction in the marriage.

"Sometimes they have shelters. This money collected by women in groups, because here culture is a selling point for them, they sell belts, so it is not just an individual effort. It is basically for their livelihoods. To improve their quality of life and also, they advocate to stop FGM. They have vocational programs. They buy sewing machines. They teach girls. So they don't go into such kind of life where they are married off as third wives."

KII, Kajiado

"Like you see on the issue of FGM its is something that was very rampant in this community, and mostly in Nilotic communities, so you find they have safe havens and that's usually driven by the young generation like they don't want these young girls to go through these practices. and they are same people who work with the cooperatives and table banking. they also get funding, they get rescues centers to counsel the girls."

KII, Kajiado

Women also indicated that they often inform their husbands about taking credit. However, the key challenge is that the husbands may interfere with their plans, so they would prefer a situation where they do not have to disclose their plans.

"I have to discuss with my husband, we agree and he gives me permission to take the loan. So we will both support each other to clear the loan."

KII, Kitui

"You have to consult your husband so that in case you default and they find your husband at home he will be aware of what happened. If you fail you will be sent away by your husband. That is for the SACCO loan."

Women's FGD, Kitui

"In that case, it depends, there are those who when giving you loans, they come to your house to survey what you have. So, you can't take a loan when you have a spouse and then they come take your TV and maybe your husband bought it. In most cases you have to be in agreement. You know he would also not agree his things to be carried."

Women's FGD, Kajiado

6.7 Ease of Accessing Credit

The ease with which one can access credit depends on the source of the credit. Some banks such as Equity Bank provide credit with relative ease but other sources are not.

"Like with Equity all is easy especially if I compared with Chambers where we were told to go apply for loans. Like when we were joining the group we were encouraged to open an account with Equity because it is easy to get a loan from Equity bank, even with the payment they have no problems. The interest is low. The customer care workers are good, they explain to you what to do."

KII, Kitui

Women may also find it difficult to meet the conditions set by lenders and this makes it difficult for women to access credit.

"Because we will be asked for security and as a group we don't have. Personally, for me, it is easy because I get loans from banks and microfinance but as an individual."

KII, Kitui

"We are able, but I personally, I do face some challenges. Like I was in a Sacco somehow and you know with this Sacco's you got to deposit some of the money there, so that you will be given some of the money you want. So it reached a day that I wanted a good handsome of money and my shares were enough to give me the much I wanted. But to get a guarantee from Sacco it was a problem because you have to look for someone who is in a Sacco. Someone who is in that Sacco, and again someone who has enough savings who can be your guarantor. I searched and searched and searched and I didn't get. So, I was forced to withdraw from the Sacco, I join another one. To join the other Sacco there, they don't want to look at the savings so now I withdrew back from the Sacco and I joined the bank."

KII, Nakuru

6.8 Level of Credit Accessible

Women's enterprises reported getting low levels of credit as one of the major challenges that they face in accessing credit through table banking. While women entrepreneurs reported table banking as the most favourable compared to banks or SACCOS, they cited the low levels of credit offered through such platforms as the greatest disadvantage.

"With banks, even though you are not always successful when you apply for a loan, but at least you can be hopeful that if you succeed, you will get the amount you want or close to that amount. But for the chama, you can only get smaller amounts and sometimes it might not be sufficient to do what you want."

Women's FGD, Kitui

"I begun with 10000 and paid, went to 20000 now am at 50000 and am still on it."

Case Narrative, Nakuru

"I have been with ASA for 10 years, but so far, I have only borrowed 95,000."

KII, Nakuru

"They start with 1500 and that's what we borrowed."

Case Narrative, Kirinyaga

Repayment of higher levels of credit was also cited as a factor that limits women from borrowing higher sums of money. Women are often apprehensive about taking out large sums of money in credit because of the higher interest rates they attract.

"I would want to borrow large sums of money. But let me tell you, if you want to be okay, just go slowly so that you don't end up worse off. Loans can make businesses collapse, and that's what we were taught. Someone might be able to borrow 200,000 and repay, and I can't go for that same amount myself because my ability is different. So I go step by step. I started at 15,000 and increased to 25,000. Then we were told that if you cannot repay 25,000 then just remain at 15,000. So you start slowly, you move from 15,000 to 25,000 and to 40,000. And I like moving slowly like that."

Case Narrative, Nakuru

Implementing banks also indicated that women shy away from taking higher levels of credit which may be backed by the CGS.

"Most of the women apply for about 2.5M, 800K, 1M, 1.5M. On average they will do about 2M compared to their male counterparts who will do from 2.5 to 5M."

KII, NCBA

"The women in that portfolio are just maybe 1%, it is negligible, but in terms of averages the loan is about maybe 1 million or 1.5 million."

KII, Credit Bank

"Credit sizes are between Ksh. 100,000 to 1.5 for the women. For men mostly, one million to three million."

KII, Stanbick Bank

6.9 Repayment of Loans

Our study examined the views of men and women entrepreneurs on loan repayment under different loaning institutions. Further, we sought to establish how the existing loan repayment regimes influence women's choices of credit uptake, the challenges unique to the listed institutions and the drivers for timely loan repayment.

The perceived burden of the fixed repayment period: The informants noted that commercial banks remain inflexible with their grace period and do not reduce the repayment amounts even in the face of pandemics such as COVID-19 which has negatively affected business performance. Unforeseen challenges such as disease burden, fire in the business premises and other uninsured aspects were noted as non-issues (by banks) in re-negotiating repayment terms with commercial banks. Consequently, the loan-beneficiaries end up as defaulters, which technically renders them credit unworthy as they cannot repay their loans in time.

"... you become a defaulter by terms which are beyond your control, like COVID-19 came, affected our businesses, a majority of us were not able to pay back our loans because now you are relying on a business which has closed down... so banks should understand when it is a pandemic like that...even if they are adding interest after recovery which is to be spread over time, I think we can also be able [pay back the loan],"

KII, Kitui

The narrative is not to avoid loan repayment but to undertake the same under relatively flexible terms [period] of repayment dictated by the business climate.

"You know banks should understand what their customers are going through like for now [COVID-19 period] ...For example, if I were paying 10,000/= per month and now I am not getting the 10,000/= so I will be paying 3,000/= and the repayment period prolonged until I clear the loan. When things improve, I go back to the initial amount pay until I clear."

KII, Credit Bank

Our findings reveal that borrowers perceive commercial banks' interest rates as high. This means that during repayment, most of the profit from the business goes into loan repayment (in the case of commercial banks) hence the business owner might be left worse off than they were before borrowing.

"Loans from banks help, but the interest is high so when you make your profit 50% or 70% of it pays for the interest. So you are left with little profit of even 30%."

KII, Kitui

Cyclic borrowing to evade conflict and asset auctioning: Whereas the banks remain inflexible with their repayment amounts and period, our interview revealed that SACCOs exercise callous recovery measures which may deter women entrepreneurs from borrowing

from them. The loanees are expected to clear the loan repayment on time, and cases of defaults would sometimes lead to auctioning of property, resulting in massive losses and attendant challenges including family conflicts.

"SACCO loans have tough recovery processes if you default so one has to look for ways of getting the money, even if it means stealing,"

Women's FGD, Kitui

To avoid the tough recovery measures, the entrepreneurs resort to cyclical borrowing, in which case, the respondents indicated that one could end up borrowing from another source to settle the current debt. Women servicing loans from more than one institution often become debt-strapped and fail to meet their loan-servicing obligations. Some resort to borrowing a new loan to settle a previous loan which may have negative implications on business growth and expansion. It leaves the women worse off as they will have additional debts.

"One may be forced to borrow from friends to repay the loans,"

Women's FGD, Nairobi

Unlike commercial banks, SACCOs have a friendly repayment process. SACCOs are more likely to listen to a client's situation and adjust payment schedules depending on the prevailing economic situation of the borrower.

"Like in the SACCO, if a member doesn't have enough instalments for payment and they have a little, they are accepted...."

KII, Nakuru

Digital lenders as user-friendly platforms:

The rise of internet-mediated lending platforms received favorable assessments by borrowers. Applications such as Tala and M-Shwari often send a reminder message to pay, in which case, one does not experience pressure in repayment. In some cases, one can even fail to repay the loan on time without dire consequences.

"I appreciate Fuliza, M-shwari, Tala. When I go to the market and I don't have money, I use them. This is because at the market if you delay, someone else will take the goods or the broker will sell them [goods] at a high price. During repayment, they only send a message which doesn't really force someone to pay,"

Case Narrative, Nakuru

Chamas as the flexible magic: The Chamas are the most preferred lending scheme given their loan repayment flexibility.

"My observation when I take a loan from the Chama it is easy to pay...If every month you are expected to pay 3,000/= while running your business you have that mindset that at the end of the month I am expected to pay 3,000/=. So you have to plan or have that mindset in a month or every day if I can save 100/= at the end of the month I will have 3,000/=. So I will not be stressed and it will be easy to pay."

Women's FGD, Nakuru

Getting loans from table banking was the most preferred by most women in the informal sector of their low-interest rates as compared to other financial institutions. Additionally, the grace period is also very accommodative, making repayment easier given the small size of the businesses of borrowers.

"Table banking interest is low and the duration you are given is like four or three months making repayment easier."

Women's FGD, Kajiado

Shylocks as loan-repayment 'pressure cookers': While shylocks happen to offer the quickest turnaround in lending, the repayment terms are damaging to businesses highly vulnerable to market shocks without any form of insurance to cushion the owners. Our results show that shylocks demand payment on the exact date as in the agreement. Failure to do so increases the interest rate, increasing the amount owed, thus making it very difficult to complete loan repayment. The repayment period is usually concise, putting much pressure on the borrower.

"They [shylocks] look at the due date, by tenth of the month, you must have repaid thirty thousand if not the interest increases,"

Men's FGD, Kajiado

"...at shylock, the interest is more, as I said, for every 1,000/= at shylock you pay interest of 300/=. ...Even the duration assuming shylock has given me 20,000/= he expects one to clear full amount in a month's time,"

KII, Kitui

6.10 Uptake of Affirmative Action Funds

While MSMEs can access affirmative action funds, they face some challenges in accessing them. This includes a lack of knowledge and sensitization on how to access the funds, difficulty in meeting the requirements, low levels of credit, and political interference.

"Like the affirmative action funds, these are things they access. And when they get the funds, they go to businesses."

KII, Kajiado

"For the women's enterprise fund, we were required to get a certificate but we didn't get money."

KII, Kitui

"I have heard about the loans from the government, but no one has told us how to access them and where to start. I have never taken that loan."

KII, Kitui

"There is this money for WEF which we had hoped to apply so that it could boost us a bit so that we can increase in our savings so that at least one can get a good loan which would be useful. So you find in the WEF, you apply and it takes long till you get tired. For example, we have applied severally, we have never even been given the teacher to teach us, so we have never been given even for one day, for all those years."

KII, Nakuru

"Mostly like UWEZO Fund the government loans most of the times you will find it is the politicians who influence or handle them. At times you can have a business idea but you find you didn't support that gentleman who is there [politician] so he will end up not giving you the chance to access that money because you never supported him. Do your research and you will see, even if they are saying the money is on the ground or is meant for everyone, the problem of the government loans is just that, let us say even if they have brought them down most of the time you will find if not the MP, Governor, if not Governor MCA in the connection they have interfered. So to help the low businessman, they handle it as if it is a political issue. So you end up missing."

Male FGD, Kitui

6.11 Implementation of CGS

The requirements for one to qualify for a CGS-backed loan are also making it difficult for implementing banks to lend to MSMEs. For instance, requirements such as registration of the business, having a tax compliance certificate and audited business accounts, target formal enterprises, yet most MSMEs in Kenya are informal.

"One of the things is that the business must have been in existence for at least two years. The other thing that was very key was the registration certificate of the business. Basically, it implies that you are not dealing with customers who have not registered their businesses. Yes, you need to provide your business registration and over and above that, you'd have to provide a license from the county government. That one is another key document. Another thing that these businesses needed to provide, was the tax compliance certificate."

KII, FCB

"For the Gikomba market where we get quite a number of clients, we only lent to one so that means we are actually lending on this other side instead of CGS. Because they are not meeting the requirements in terms of the tax compliance certificate, the business registration for example so yes we are not turning that down but we are lending from this other arm."

KII, Stanbick Bank

"Part of the feedback we have given Treasury is that the government needs to increase the cover because if you look at other guarantees that the banks have with other partners, they do up to 50% of coverage and this gives a bit of comfort in terms of the banks' interest in pushing these monies out. So they need to look at how they

they can increase the amount being covered. Secondly, the issue has always been the registration of businesses because this insistence is locking out many customers whom we would put in this category of CGS. But by virtue they have not registered we cannot consider them. So this is a good segment of the market just like you are talking about the informal sector we cannot consider. The other issue is tax compliance certificates. we are facing this challenge with our customers insisting that they are sole proprietors and they are wondering why they are being asked for a tax compliance certificate. Our role is a bank is to also help push and help ensure there is compliance. So this has been an impediment cos they can't produce this paperwork. Perhaps just a business permit we should be able to consider them. They are wondering, why must they register, why must they have tax compliance, why all these requirements?"

KII, NCBA

"Formalization of businesses and make registration easier. We have also asked about licensing e.g. farmers. On tax compliance, 92% of businesses in Kenya are not unregistered so CGS is only targeting 8%. The government needs to check on the requirements. They may be too high for the businesses."

KII, Co-operative Bank

"Aside from that, we have not seen a great uptake the uptake has not been to our expectations and the uptake is mostly tied to 2 items so the first item is on the requirement for a KRA certificate confirming you are a taxpayer. Most people do not look at KRA as a favourable partner so to that extent, the moment you ask somebody, our normal lending does not require KRA compliance documentation. So you then ask somebody for KRA certification they could call off because KRA does not look favourably within the industry and people then feel if I expose myself to KRA I'll be put under more scrutiny. So that is one level of challenges."

KII, Stanbick Bank

Some of the lending institutions also indicated that they have lent to informal enterprises that do not meet the CGS criteria, and at this level, repayment is still good, thus the requirements set out by the government lock out the informal enterprises from accessing CGS do not necessarily result in lower levels of default.

"We lend to informal MSMEs. The risk is high but they pay. We ensure we maintain a good relationship with them. At the low end, we do it through groups and guarantee each other. This has very low defaults. It ensures social responsibility. We have the flexibility for this group. We have unsecured loans and you built your collateral as you save."

KII, Co-operative Bank

6.12 Uptake of CGS

The uptake of CGS has been low for the implementing banks. Two propositions have been advanced to explain this phenomenon: first, the scheme is fairly new or recent, and second, its full roll-out began recently (in early 2021).

"I think it is too early especially for us because we were a little bit slow to pick up the disbursement because of our internal challenges, so we think we started around April to pursue the guarantee under the CGS, and we were still trying to figure that argument, the conditions are very tough, so we can speak conclusively towards the end of the year when we can sort of going back to those enterprises that we funded, that is six months."

KII, Credit Bank

The uptake of CGS is also affected by the lack of sensitization and awareness creation as part of the design of the scheme's rollout. There are no deliberate efforts to sensitize the public about the existence of CGS, as implementing banks fear that if customers know that their loan is guaranteed, it could increase the default rate.

"Advertisement no. We are not deliberate on this. we are looking at the social risks involved if customers get to know that this is backed by the government. We fear they might decide not to pay part or all of the payment if it's a government-backed scheme. we concentrate on our existing customers as a priority."

Also, new customers who come and apply. For us CGS is security and we are not going to advertise security. When you come we appraise, we look at the needs that you have like any other customer. and then we make a decision. then we ask how pressing are the challenges that the customer is facing, how promising is the business. then can she book under CGS. We are also pushing a lot of customers who are buying machines under CGS. Customers are notified at this point that we have a small amount has been guaranteed. But make them know that this money must be paid bottom line.”

KII, NCBA

“Now that they know, you just give them the information as required. Because you can't then go back and say you know you know... It's not there so if someone wants to have the product you still give them. So the thing that we are not doing maybe we are not doing and we need to clarify is, we are not going out there and run an advert and campaign and say please, come for the money but it is based on local area engagement. If you have a personal customer that you are dealing with, you can highlight it as one of the services that you are offering.”

KII, Stanbic Bank

There is higher uptake of CGS by male-run enterprises as compared to female-run enterprises. Unlike other loan products that target groups such as those

offered through table banking, SACCOs and microfinance; female-run enterprises that access CGS do so as sole proprietorships. However, it is not always easy for lenders to determine whether enterprises are female-run or male-run because many enterprises will have both men and women at various levels in the day-to-day management and also running of daily operations.

“On women, we have about 20% being taken by women-owned enterprises. They come in mostly as sole proprietors”

KII, NCBA

“But now when it comes to limited companies, sometimes when you are working that, sometimes it is a bit difficult because you know for us how we define a woman-owned enterprise is either in terms of shareholding or who oversees the day-to-day running of the business.”

KII, NCBA

6.13 Repayment of CGS Backed Loans

Repayment of CGS-backed loans has been good, and this may be attributed to the level of due diligence that implementing banks put in before providing loans under the scheme. The banks have their own internal requirements which borrowers must meet in addition to meeting the requirement of the government. Thus, banks only lend to borrowers who meet both sets of criteria. While this may lock out many enterprises, it will ensure that the default rate is low.

"So far from the ones that we have given, we have not had challenges with any of them in regards to repayment. From the report, you know, there are certain measures that we normally look at in terms of the loan repayment whereby you start seeing the ones in arrears or the ones that have moved to non-performing loans. At the moment we have not encountered it. I don't know whether it is too early considering that that is almost 6 months. So if we began giving in February, and we are now going to the 7th month. But from the last reports we checked, we have not had any that is non-performing. You know there are instances whereby there are customers who default from the beginning. But for these ones so far from what we have given, we don't have any that is non-performing."

KII, KCB

It is worth noting that for banks if customers with CGS-backed loans were to default, their losses would be higher because the government only guarantees up to 25% of the loan, whilst the implementing banks cover the other 75%.

"The entire lending amount comes from the bank. But in case one defaults the government guarantees 25% of the loan."

KII, Co-operative Bank

"There is no absolute product called CGS. So I have to operate on the standard products and services that I am giving. And remember there is that risk of non-repayment because it is a government-guaranteed facility so we are not as aggressive getting it out there that we have a government-guaranteed scheme that we need to run because of that potential risk of non-repayment."

KII, Stanbic

"Maybe I can add, just based on 25% guaranteeing but also when you are presented with the claim process, it is so convoluted and actually you realize even the 25% is not guaranteed in terms of when you do file your claim. So him being the business person he will think should I go under this and even when you are told, when you start recovering you will also need to refund if you are paid up a claim. The government started a good initiative in my opinion, but then introduced so many hurdles that as corporates we have to think twice whether we really want to run with this scheme or just go on lending competitively as we have always done."

KII, NCBA

"25% guarantee is not motivating enough for the bank institutions. The risk sharing should be improved to 75%."

KII, Co-operative Bank

6.14 Impact of COVID on Business and their Ability to Access Credit

COVID-19 pandemic has hurt businesses and many reported that businesses went down as a result of the knock-on effects of the pandemic. However, table banking helped women's enterprises to survive during the pandemic.

"Women's businesses have survived during corona due to boosting each other, mostly in groups."

KII, Nairobi

"Yes, we take there is a group where we borrow, given and pay but for now, since the outbreak of Corona, we have been in a difficult situation since the business went down so you just sleep."

Case Narrative, Kirinyaga

Banks also reported that while COVID-19 had negative impacts on businesses, other enterprises thrived during the pandemic. This may have been a result of the measures that were taken to help borrowers keep afloat.

"Not all businesses went down because of COVID, we actually saw a number of businesses thrive because of COVID. When we did, we were the first bank to do credit moratoriums for our customers. When most of these customers saw the financial burden of the credit moratorium they actually opted out of the moratoriums so they opted to go back to normal repayments. So for

them to then go then back and make normal repayments, it means that within the bigger picture of a business, they are able to run their loan repayments."

KII, Stanbic Bank

6.15 Mobilisation

While business training is important, women reported that they have not received sufficient training from banks and that they are forced to learn from each other within their groups and the actual running of their enterprises. Other lending institutions, such as microfinance, also provide training before issuing loans.

"We have the existing groups, we have the new groups. For the existing, we have a monthly meeting, and a monthly budget whereby the officer we attend the meetings. We have the agenda for the day and we also train. We have the agenda, we train and also sometimes [inaudible] we make forums whereby we meet with the women and we look for some specific topics and we train. Yes like the [inaudible] about business so sometimes we have that forum and also we have facilitators in the field so they train the women."

KII, Kitui

"Banks rarely train. They rarely train. I think they are advanced and developed so they are looking for that clean customers. We have like

that one I told you, Teach kwa kuendelesha. Before you borrow they train you first, they take you for workshops you see which business you can start like beekeeping, like rearing chicken they train them on what they can start and start from where. It is only banks which do not come down and train but the Micro Finances are doing it."

KII, Kitui

"We have never seen these people that they have come to help us."

KII, Nakuru

"They have also done trainings, before, like Kenya Women before we give you a loan you are trained, so it also makes easier for these women to make a profit on how they can make more profit on their side to be able to facilitate the payment ya hii loan, so that's another thing because if I don't have the know-how, how I can manage my business it will be very difficult, so they are also helping as much as they are giving loan they are also helping to train, yes. And Faulu, by the way I should not forget Faulu, and then wale wenye mimi nime interact na wao, and Rafikis, I've seen them training women and at the same time giving small loans."

KII, Nakuru

6.16 Challenges

The challenges reported by women's enterprises relate to the following broad categories: growth of enterprises and application for credit and repayment of credit.

i) Specific challenges faced by women in the growth of their enterprises

The majority of women lack knowledge in book-keeping, accounting and business management skills. This poses a risk of business failure. Most respondents stated that they do not receive training in running their businesses.

"Something else that happens when one has a business is not knowing how to handle a customer. An example a customer comes to my hotel and I am new in the business. So I don't know how to handle them, how to treat them so that when he goes he comes back again. You know when there is that training and one is shown how to advertise their business and about sales, so when a customer comes you will know how to handle them quickly so that when he goes he comes back again and comes with another customer,"

Women's FGD, Kirinyaga

Limited credit access was another challenge. Despite efforts to increase credit access to women through the various government affirmative action funds and various products that microfinance institutions are coming up with, credit access is still a problem. Most of the loans accessible to entrepreneurs are not adequate enough to expand their businesses to ideal levels.

"The challenge we have is that we don't have enough capital for businesses. We depend on this money because that's where we pay our rent we buy things in the house. In short it is very challenging of course business is not good and I can't say it's bad because of the new place. Running a business is challenging especially with the business people are even in fact you don't get enough loans as we require,"

Women's FGD, Kajiado

Unhealthy pricing of goods. Women enterprises located in the same area with the same clientele have to be conscious about their pricing. This means that if a competitor charges lower prices for goods, other businesses will have to lower their prices to the same level even if they are not favourable to avoid customer attrition. Low prices mean low levels of profits.

"I sell wholesale and retail. I am near his shop. In fact, if we can't we'll find out that she sells flour the same price I'll sell mine. If you sell at 105 or 110, the business remains stagnant. That's our main challenge, the pricing is bad. And the pricing destroys business. Pricing this becomes our main challenge,"

Women's FGD, Kajiado

Lack of trust between operating partners: Many of the respondents who operate businesses with their spouses reported that a lack of trust between the partners can always lead to business failure. The results show that husbands tend to

wittingly pocket away the business money, leaving behind no funds for re-stocking, thus crippling the business.

"You know business also calls for agreement between husband and wife. Like for instance today I am here and then tomorrow it's my husband running the shop and without trusting each other business will be affected due to lack of trust. If there is no trust the husband will sell and pocket the money. The money that he pockets should be the one to save and other monies ploughed back to business. So without trust business will go down."

KII, Kitui

ii) Specific challenges faced by women-run enterprises in credit application

The lack of a saving history: Banks and SACCOs require borrowers to build a saving history with them for at least six months. This requirement may be a challenge for startups and existing businesses with cash flow challenges. In some cases, women do not get the amount they had applied for, especially when they apply through mainstream banks. Their savings are little and therefore may not get enough loans that would boost their businesses. Based on the lending institution's appraisal, an applicant may get less amount, which may not be enough to cater to the intended purpose.

"If a lady wants a lot of money and her savings do not allow her, we cannot give her the amount that she wants because her savings are low. And sometimes, you may find that she needs more money, she may go borrow from someone to increase

her savings, so we as chama members, don't look at what she has just deposited, we look at how she has been saving."

KII, Nakuru

"It is not easy to access the loan because one has to save some amount of money so that they can qualify for a loan and the percentage interest is very high,"

KII, Nairobi

The demand by some lenders that their husbands guarantee them. Some are forced to conceal their marital status because if the husband guarantees the loan, he will gain control and influence over the use of the acquired loan.

"They will say they are single or they talk to the chairlady, if she is the one responsible for signing the form and the whatever they know what to do, or they completely say they are not married. But they are married, I had another friend who was, she is always carrying a photocopy. ID ya mzee [husband's ID copy] and so anytime we need a photocopy for the husband, she has it and attaches it. Nobody checks whether the signature is true or not, they sign the signature."

KII, Kajiado

Lack of guarantors: Most banks and MFIs require that a borrower gets at least one guarantor with a good credit history which may be a challenge. Sometimes group members are forced to find a relative who can lend them money because one guarantor cannot guarantee more than

one person in the group before the loanee is cleared.

"Yes, it is difficult because for instance if you don't have a permit you will be a force to apply for one because it is one of the requirements. Again it is not easy to get a guarantor. One's husband too can refuse to be a guarantor. It is not easy to get a guarantor."

KII, Kitui

"Getting a guarantor to stand with you is hard because they don't trust you in paying back the loan, this is because once someone defaults in paying back it's the guarantor who pays instead,"

Women's FGD, Kirinyaga

Most businesses are informal and not registered. This means they cannot access bigger loans as individuals from the banks.

"Yeah, SACCOs but you have to be established you cannot go and apply for a big loan when you have not established your business."

Women's FGD, Kitui

Collateral limitations: Lack of collateral limits women's access to credit. Of note, most assets such as land and livestock and traditional sources of wealth and assets are largely owned by men.

"Some loans may require you to have security like which you may not have and your husband may not allow you to use any of their property for example a cow as security, or sometimes when living in town and you want to take a loan, you only household items which may not

qualify as enough security, therefore, you will not get the loan you want. Security for the loan is, therefore, a challenge,”

Women's FGD, Kitui

“Yes, they don't have because if I am asking for a title and it is with my husband you see that is a challenge. Or even a log book yet the car belongs to my husband. Now women don't have the collaterals,”

KII, Nakuru

Bureaucracies in access to government affirmative funds: The long waiting period after application for Affirmative Action Funds (AAF), coupled with limited knowledge of requirements for access to the said AAF limits the number of businesses that access these funds.

“We faced challenges it has taken a year. We were told to attend seminars where we were taught stayed and it ended that way. After a long time, I was called on the 19th by the official who was teaching us and she told us to meet her at one of the hotels. When we met she gave us a check. Only three groups were given the money. The groups that had an active certificate, had a bank account.”

KII, Kitui

Women in table banking depend on the cash that is available to be able to access credit. This means that if members who borrowed previously have not paid back their loans, then other members will have to wait until cash is paid back.

“There are there a lot, you may want to apply for a loan but people don't have the cash because the money comes from the people. Some have borrowed but not returned. Maybe you want to take a loan of fifty thousand but people have returned the cash and it's not adding up. And maybe what you want is that amount it forces you to take more time.”

KII, Nakuru

iii) Specific challenges faced by women in the repayment process

The low and high Business cycles. Business cycles have 'boom' and 'low' periods. During the boom, entrepreneurs can quickly pay their debts to various financial institutions. However, profits are meagre during the low seasons and majorly ploughed back into the business, hence, little is left for loan repayment. This means that the business owner will struggle to repay the loan, sometimes leading to defaults.

“There are times we face challenges because of how things are in the country because you find the sales have not been good. You find business is low so we face challenges but when business is good we pay quickly.”

KII, Nakuru

“Yes it is very high again the time they will give you; you will not have made that money. Like for example for me in the salon, I can stay for a week without getting a client and I am expected to make that payment. Where will I get it?”

KII, Kirinyaga

Kin support withdrawal: Some women are assisted to repay the loans either by their spouses or children. Others have other sources of income that they may use to aid in loan repayment. However, if the spousal support is withdrawn, or even the other sources of income are reduced, the women will experience difficulties, primarily if they depend on these to repay the loan. This case is most rampant with start-ups.

"The other thing is.... first is the businesses themselves or no support. The woman was paying alone, she was being assisted by the spouse, the spouse is not working now, the son has lost his job so at times she has difficulty. Because apart from business you may have another source of income, now the other source fails, the business is down. So sometimes you find they have that strain."

KII, Kajiado

COVID-19 and reduced profitability: The COVID-19 pandemic led to low business sales hence reduced profits. Most of the women interviewed attributed the loan defaults in the past year to the effects of the pandemic. Due to the low profits, the women cannot make timely repayments. COVID-19 has stifled the business environment. Subsequently, some women borrowers have not been able to repay their loans on time and regularly. For instance, most businesses such as 'Mama Mboga' depend on foot traffic, thus, the restrictions imposed due to COVID-19 have negative implications for their businesses.

"People have gone home because of Corona, we stay at our business but cannot get that money, so it's a big challenge. So women are under a lot of stress because they want to pay the loans, apply for another one and continue working."

KII, Kitui

Other informants indicated that the repayment period, especially for banks, might not be business-friendly. According to the respondents, some banks require one to make weekly payments. This is at times not sustainable, leading to high default rates.

"You fail to pay back, because for most of these banks they always want you to make monthly payments or even weekly, but then in that week, you don't get that amount of money you are supposed to pay back. So it accumulates and accumulates until you're unable to pay the debt."

Case Narrative, Kitui

The loans given to the women are sometimes diverted to other uses and not necessarily business expansion as indicated during loan applications. Even if they use it for business expansion, they will purchase goods they had not intended. This means that the women will experience difficulties in repaying their loans as little to no profit is generated from the loan. The other use might be school fee payment which does not necessarily generate profit.

"Yes, we have paid, but some people have not paid yet. When this program started, they gave out loans to different business people like salons, chemists, and shops."

They were neither requesting guarantors nor did they come physically to meet the people who applied for that loan...These people use the money in other activities that why they find it difficult to repay. I think we will only manage to repay the loan without any problem if we make sure we boost our business with the requested loan,”

Women's FGD, Nairobi

“Yes they face challenges. You will find sometimes you are a single mother and have children in high school so need to pay school fees and don't have money. Or like my business where I am selling perishable goods, once goods perish I go at a loss and don't get back the initial capital I invested. So it becomes a challenge.”

KII, Nakuru

Stock theft: Stock theft also came out as a challenge. Some of the informants indicated that the stock in the business might be stolen leaving them with little to nothing to sell and hence no money to repay the loan initially acquired, leading to default.

“I got a loan and added more stock in my club. By bad luck, my stock of 7,000/= was stolen. So to pay the loan was a challenge and the lender will not want to know whether the stock was stolen but will expect me to pay. So it becomes difficult to pay the loan.”

Men's FGD, Kitui

Business Insurance: It is hard for businesses to repay their loans on time if they are not insured in case of a calamity such as a fire breakout. This is the case, especially for small businesses. In addition to this, the cash flows might still be low for start-ups, hence not enough money to repay the loan.

“Another thing small business face is you can take a loan when the supplier has given you products to sell and unfortunately a fire breaks out and all the products get razed down by the fire. We don't take insurance and so won't tell the supplier the products were razed down. We face many challenges, we don't have access to insurance because we have not been reached and we see this as a major thing,”

Men's FGD, Kitui

6.17 How Women Navigate Challenges

Despite the existence of various challenges facing women in the loan repayment process, women have devised ways of coping with them to avoid business-related pressure. For instance, women in Kajiado who do table banking buy young goats and cows, rear them to maturity, and then sell them to get extra finances to ease pressure related to loan repayment. The proceeds from the sales are used to boost their businesses, hence avoiding borrowing.

“In this table banking that we do, if we get a profit we buy goats, or cows, sell them after some time and then we boost our businesses.”

KII, Kajiado

In the *chamas*, when a member defaults on loan repayment, the savings of that group member are used to clear up the debt. However, if this is not enough, the group members contribute to clearing the balance.

"The group can decide to contribute to the member who has defaulted, however, this is still difficult. Remember the person contributing has also struggled to get the money. However, the purpose of the group is to help each other, hence they usually help in contributing to each other, when one is unable to,"

KII, Kajiado

7.0 PRESENTATION OF QUALITATIVE DATA

7.1 The impact of formality and informality on access to credit by female-owned enterprises

Quantitative data collected from formal enterprises that meet the qualification criteria for CGS were contrasted with the qualitative data collected from semi-formal and informal enterprises that do not meet all the qualification criteria for CGS. Our findings reveal the importance of taking an intersectional approach in analysing access to credit by women's enterprises. There are key differences among female-owned enterprises, and one of the most significant ones from our data is that female-owned enterprises are either formal or informal. Formal women-owned enterprises are markedly different from informal ones, as demonstrated in the discussion below:

i) Formality reduces gender differences in access to credit

In this context, among the formal enterprises, there are fewer differences between the female and male-owned enterprises. In particular, formal female-owned enterprises are just as likely to apply for credit as male-owned ones, and they are also likely to seek credit from the same sources, with banks being ranked as the most preferred sources of credit for both female-owned and male-owned formal enterprises. Our quantitative data indicates that characteristics such as sex or level of education among the formal enterprises were not determinants of credit application. Thus, for both men and women-owned enterprises, the choice to apply for credit or not was determined by

other structural factors such as the availability of collateral. Notably, however, female-owned enterprises are more likely to have unsuccessful credit applications, due to these same structural factors such as lack of access to collateral. Our data shows that 18% of female applicants had their loans turned down as compared to 10% of male applicants.

This is contrasted with semi-formal and informal enterprises where gender differences play a significant role in terms of access to credit. In the context of informal enterprises, gender appears to play a significant role in making the choice of whether to borrow or not. Informal female-owned enterprises are more likely to apply for credit as compared to male-owned enterprises,

the preferred choice of credit is banks and SACCOs. This is because women-owned enterprises form *chamas* through which they can access credit, but men are less likely to form such groups. Most sources of credit, including banks, SACCOs and micro-finance institutions are less likely to lend to individuals operating informal enterprises and will instead prefer to lend to groups, as the groups provide additional security by holding individual members accountable so that they do not default on repayments. Thus, because men generally prefer to operate as individuals, and are therefore less likely to meet the requirements set by lenders within the formal market, such as banks, they are less likely to take up loans. This may be attributed to the fact that male-owned enterprises are more likely to borrow as individuals from the banks and SACCOs, thus accessing higher levels of credit.

ii) Formality increases access to higher levels of credit

Formality is also likely to increase the levels of credit that female applicants can access. This is attributable to the fact that among formal enterprises, the preferred source of credit is banks and SACCOs, as compared to informal women's enterprises which prefer to borrow through table banking. Banks and SACCOs can loan higher amounts as compared to other sources. Further, formal enterprises find it easier to meet the requirements set by banks for access to loans, as compared to informal enterprises.

By contrast, informal female-owned enterprises are likely to access lower levels of credit as compared to formal ones. Unlike formal female enterprises which tend to operate individually, informal women's enterprises prefer to form groups or *chamas*, through which they access to credit. While some banks, such as Co-operative Bank, are increasingly lending to informal enterprises, the amounts accessed remain low because the banks lend to enterprises that have organized

themselves into groups as opposed to individual enterprises. Thus, informal enterprises access lower levels of credit from banks as compared to formal enterprises, because for informal enterprises, banks adopt the group lending approach as this ensures that the groups hold their members accountable, thus guarding against default on repayments.

It is, however, important to note that both formal and informal male-owned enterprises still access higher levels of credit as compared to female-owned ones. In the context of formality, the upper credit limit for women was reported to be Ksh. 1.5 million, which is half that of men, at Ksh. 3 million. This may be attributed to the fact that female-owned enterprises face structural challenges such as access to collateral. Similarly, in the context of informality, male-owned enterprises may borrow less often as compared to female ones, but they are more likely to access higher amounts of credit when they take these loans. This is attributed to the fact that informal male-

owned enterprises prefer to borrow as individual entities from more formal sources including banks and SACCOs, which generally provide higher levels of credit when lending to individual entities.

Another reason why male-owned enterprises are generally able to access higher levels of credit is that they tend to take more risks as compared to female-owned ones. Male-owned businesses are more likely to take greater risks, they are more likely to put up large value collateral to access credit, while women-owned businesses will be more cautious and will avoid taking high-risk credit (Sundheim, 2013).

iii) Informality intersects with gender to create confidence in lending to the informal sector

While formality has traditionally been viewed as providing greater security to lenders by putting in place measures that ensure repayment, our findings show that the intersection between informality and gender has created measures that ensure that borrowers do not default. Thus, while informal men's enterprises may still represent high-risk lending due to the fact that they prefer to operate as individual entities, this is different for informal women's enterprises which prefer to form *chamas*. For these women's groups, measures such as regular meetings, saving through table banking, and mutual accountability ensure that individual members do not default on repayments. Women's groups thus promote the confidence of lenders when extending credit to informal enterprises. This brings to the fore the importance of collective agency, where individuals pool together and can leverage their collective strength. Because formal enterprises operate more as individual entities, they lack this collective agency which is found among informal enterprises. What we see therefore is that the formal lending market can indeed lend to informal enterprises and rely on the mechanisms within the

informal sector to ensure compliance with the terms of lending.

7.2 Financial inclusion for female-owned enterprises

Lenders are increasingly designing financial products that specifically target female borrowers. Thus, the banks interviewed in this study indicated that they are each at different stages of designing and implementing women-centred financial products. Some of these products have been designed also to meet the needs of informal enterprises, given that many women's enterprises are still informal. An example is the Msamaria product currently being rolled by Co-operative Bank which is tailor-made for women in the informal sector. The legal environment that requires the inclusion of women and addressing practices that negatively discriminate against women has played a key role in promoting women's inclusion in various sectors, including the financial sector. Further, collective agency among women, through which they can demonstrate their ability to borrow and repay has created confidence among lenders.

This means that there already exists an environment that allows CGS to be made accessible to female borrowers both within the formal and informal sectors. While the CGS currently benefits borrowers in the formal sector, we see that banks have designed products that target the informal sector, and further that these products are benefiting women-owned enterprises within that sector. These types of loan products can be backed by the CGS if the scheme is made more accessible to the informal sector.

7.3 Access to CGS by female-owned enterprises

Formal female-owned enterprises are more likely to access the CGS as compared to informal female-owned enterprises because, as it is currently designed, the CGS requires businesses to meet strictly formal eligibility criteria, which locks out the informal enterprises.

At the time of conducting this study, the CGS was still in the early days of its implementation, but the findings on how formality and informality impact female-owned enterprises are instructive. Because formality tends to even out the playing field between male-owned and female-owned enterprises, likely, there will not be significant gender differences in access to CGS by formal enterprises. This means that it is likely that female-owned enterprises and male-owned enterprises will be able to access the scheme on an equal basis.

However, it is important to note that there are more formal male-owned enterprises as compared to female ones. From our data, 59% of the total surveyed enterprises were male-owned while 41% were female-owned. Statistically, this means that there is a higher probability that more male-owned enterprises will

access the CGS over time as compared to female-owned ones. Moreover, formal female enterprises still experience structural barriers such as less access to collateral as compared to male ones. The fact that the CGS represents a low-risk form of lending may appeal significantly to female borrowers, and this may therefore influence their decision to take up CGS-backed loans, but again, this would be determined by whether they know the CGS. Currently, the CGS is not advertised or marketed by the implementing banks as a means of avoiding a moral hazard, and this has impacted its uptake, which is still low two years after the scheme's rollout.

7.4 Factors that limit access to credit by female-owned enterprises

Gender norms continue to influence the extent to which female-owned enterprises can access credit. Our data show that both within the formal and informal sectors, women-owned enterprises access lower levels of credit as compared to male-owned enterprises. For formal enterprises, women have less access to collateral due to male control and ownership of property, and this in turn allows women to access lower levels of

In the informal sector, borrowing as groups and then sharing out the borrowed amount with individuals within the groups means that women will access lower levels of credit as compared to men who prefer to borrow as individuals. Further, women in the informal sector cannot make decisions about taking out credit without involving their husbands, because men have control and ownership of property that may be used as collateral. Thus, gender norms which inform how men and women can access, control, own and use property significantly impact the extent to which women can access credit. Gender norms also inform the levels of credit women can access, because where women cannot have certain forms of property, such as land for collateral, then they may not be able to access higher levels of credit. Our data indicated that in the context of informality, women primarily use household goods as collateral. In comparison, men can use real property such as land and buildings as collateral. The result is that men can access higher levels of credit as compared to women.

7.5 Impact of gender norms in decision-making about access to and use of credit

Our findings show that gender norms influence the decisions that women make about the use of credit. Thus, because the role of the running of households is socially ascribed to women, we find that women may divert credit accessed for purposes of their businesses to family use. Family needs thus significantly impact decisions that women make concerning credit access for purposes of running or expanding their businesses.

When women divert credit intended for their businesses for family use, it creates a burden on them because they must ensure that they repay the credit. Female respondents indicated that they are running enterprises primarily to provide for their families and therefore they would use credit meant for their businesses to support their families if the need arose. In this regard, women entrepreneurs indicated that some credit facilities, such

as loans on stock, are diverted to meet family needs. Loans on stock, where one is given stock to sell and then pay back the lender enable women to provide food directly for their families, rather than having to take out money from the business to meet family needs.

We also found that while access to credit generally has the potential to empower women by allowing them to start or expand their businesses, which in turn enables them to make income, gender norms which limit the extent to which women can make decisions about access to credit persist. Thus, married female respondents reported that they still need to obtain consent from their husbands before taking credit. This may further exacerbate the problem of diverting credit intended for business use because husbands may then ask the wives to give them some of the money they borrowed and they may not necessarily use it for the family. This means that the women will have to provide for the family, give

some money to their husbands, and repay the loan. In some instances, women also use their groups to borrow on behalf of their husbands. However, this does not necessarily give them the agency to make decisions about the use of such credit, and they will still have to repay the loan.

7.6 Sensitization and literacy on affirmative action funds, including the CGS

Our findings reveal that there is a dearth of information about affirmative action funds in Kenya. Most respondents,

particularly those in the informal sector, indicated that they did not know of the existence of affirmative action funds, and those who had heard of them, did not know how they can be accessed. This has limited financial inclusion for many entrepreneurs, and more so for those operating informal enterprises. There is therefore a need to enhance financial inclusion by sensitizing entrepreneurs on affirmative action funds.

8.0 REFLECTIONS ON THE STRATEGIES THAT WORKED IN THE IMPLEMENTATION OF THE CGS FOR WEE

Since its inception in 2020, the CGS has been implemented by bringing on board various actors, and this has worked to promote WEE. The CGS implementation has involved academic actors, women's organizations and women's enterprises. In 2021, in collaboration with the University of Nairobi's Women's Economic Empowerment Hub, the National Treasury and the following implementing banks: Absa, KCB, and DTB have held consultative meetings with women's organisations and women entrepreneurs. During these meetings, the women-run MSMEs were able to have dialogues with the CGS implementation teams both from the National Treasury and the participating banks. This created a platform through which women entrepreneurs raised their concerns and the policy implementers also had a chance to respond. In 2022, during a

national meeting attended by women's organizations and enterprises from 19 counties, the policy implementers from the National Treasury and the implementing banks shared the work they are doing on the CGS with the audience. This meeting created a platform for women entrepreneurs to engage directly with the CGS policy implementers, raise their concerns and receive feedback on how the policy implementers will address those concerns. Overall, these engagements promote WEE because they provide a space for learning and dialogue, and for women's voices to be heard. The discussion below illustrates the successes that have been achieved as a result of the involvement of various actors in the implementation of the CGS:

8.1 Promoting WEE through the collaboration of various stakeholders in the establishment and implementation of CGS

- Collaboration between the National Treasury, implementing banks, the WEE Research team, and women's organizations. This resulted in a consultative process on what is working with CGS. The National Treasury facilitated access by Research Team to the leaders of the implementing banks. This allowed the research team to share information with banks and with women's organizations. There was an interaction between the National Treasury, the implementing banks and the research team that allowed for sharing of information between the research team and women's enterprises.
- The dialogue organized between the banks, the National Treasury and women's organizations demystified CGS as a complex process. The National Treasury explained the process of accessing CGS, the requirements and how the CGS is administered. There was also a dialogue between the implementing banks and the women's enterprises explaining how the banks determine eligibility for CGS and the various loan products available for women. This clarified access to CGS in general and also to other loan products. It allowed women entrepreneurs to freely interact with the NT and the Banks while debunking complex issues for women.
- The research team created a platform for sharing information between the banks and women's enterprises, where the banks were able to share how the CGS is being implemented and also other financial products available for MSMEs and women's enterprises in particular. These meetings served as a means of sensitizing women's organizations and women's enterprises to learn more about the CGS and also to share some of their experiences and challenges in accessing credit. This allowed women's organizations and women entrepreneurs to own the policy and to train other women to run MSMEs on the same. This also demystifies the government policy and makes it more accessible to other MSMEs.
- The research team provided the National Treasury with regular updates of the research process. These updates also highlighted the challenges that women are experiencing in accessing the CGS. The challenges that were highlighted included questions around taxation, formalization and business registration, and access to credit (itemize each of the issues).
- Sharing of information on the impact of gender norms in accessing resources and running businesses. Developing a greater understanding of how gender norms affect access to credit among policy implementers. Through this, some of the banks appreciated the burden of gender norms on women's access to credit and in some cases recommended that they would include sensitization on gender norms in their training products that promote women's access to credit in their banks.

8.2 Ensuring synergy between policy formulation, implementation and research

Secondly, the National Treasury and implementing banks have engaged with the present research on access to credit for women and the lessons that have been learnt through this study have been presented to these policy implementers. The policy implementers have been involved at various points of the research process and this has created synergy between the academic research and the policy implementation, which has also meant that the findings of the study have greater potential to influence the policies. For example, the formulation of the research design and the data collection instruments was done consultatively with the policy implementers and this has created greater buy-in of the results of the study.

8.3 Policy Advocacy & Monitoring

Thirdly, the specific strategy of carrying out policy advocacy to influence the inclusion of gender-sensitive provisions in the CGS establishing regulation and law, and thereafter continuing with policy advocacy and monitoring of the implementation of CGS has worked to promote WEE. This strategy has shown that in addition to influencing the making of policies so that they include issues of concern to women, it is also important to monitor how the policy is being implemented and to continuously engage policy implementers so that gender issues continue to receive focus.

9.0 CONCLUSIONS AND RECOMMENDATIONS

Our data has shown that generally, the CGS is accessible to formalized women-run MSMEs and this is because formality is one of the requirements that MSMEs must meet to qualify for the CGS. Women-run MSMEs that are informal are therefore at a disadvantage, and indeed, the bulk of women-run MSMEs are informal. So far, out of the total CGS-backed loans given by the implementing banks, women-run MSMEs which have benefitted from the CGS stand at 16%. However, given the policy direction that the Government of Kenya has so far adopted, it is unlikely that the CGS will be opened up and made accessible to informal MSMEs.

Informality also has a number of challenges. For example, the MSMEs in this sector also access credit through informal such as shylocks, where lending rates are very high and exploitative and the levels of credit accessed are still low. In addition, formality has the

added advantage of creating an equal playing field between male and female-run MSMEs, as our data shows that there are few and fewer acute gender differences between male and female-run enterprises in the formal sector.

It is, therefore, recommended that to make the CGS more accessible to a higher number of women-run MSMEs, it is essential to support the bulk of women-run MSMEs in the informal sector to transition towards formality. While the push towards formality has been problematized as one that may create greater barriers for women-run enterprises, particularly because of the bureaucratic nature of business registration and the high costs of registration, it is possible to work with policy implementers to make formalization easier and less costly. Thus, rather than abandon the push for formality, it is more useful to advocate for making the process of formalization easier and cheaper and to create a more friendly policy environment that supports business registration.

- The survey analysis has shown that access to credit is still a challenge to MSMEs especially those owned by women. In addition, disruptions in the market occasioned by the Covid 19 pandemic have negatively affected businesses and as result, those with credit facilities struggle to repay them on time. From the CBK 2020, MSME Survey, a total of 72,559 MSME loan facilities in the banking industry valued at Ksh. 234.7 billion were restructured in 2020 as a measure to reduce the impact of the COVID-19 pandemic on MSME borrowers. These constituted 0.6% of total loan accounts and 7.8% of the total value of the gross loan portfolio as of December 2020.

Formalization is, however, a longer-term objective. In the short to medium term, women-run MSMEs in the formal sector also need to be supported to access higher levels of credit to support the expansion of their enterprises and become more sustainable. This can be achieved by leveraging the already existing banking policy, which has now started encouraging the development of financial products that are specifically formulated for women. We have seen that at least three of the CGS participating banks have financial products that are tailor-made for women. Further, banks are also increasingly becoming open to the idea of group lending and this can benefit women's groups and chamas. Below, we set out both the longer-term objective of supporting women's enterprises that are informal to transition towards formality and also the short and medium-term objectives of harnessing already existing banking trends such as woman-specific products and group lending to support informal women-run MSMEs.

Recommendation 1:

Financial institutions should provide flexible repayment terms to accommodate the needs of small businesses that have seasonal cash flows. This may include quarterly repayments, longer grace periods, and loan rescheduling.

Recommendation 2: The design of CGS should respond to the issues that borrowers consider when choosing lenders and incorporate these preferences in its design. This way, many more MSMEs are likely to benefit from the scheme. For women-run enterprises, the findings show that they consider the turn-around time of loans, favourable interest rates and low collateral.

- A major finding from our data is that informality does not necessarily create high-risk lending. Banks are already lending to the informal sector and they are reporting that loans to this market still perform well in terms of repayment. Lending to this market has also resulted in greater financial inclusion for women because most female-owned enterprises are informal. However, the amounts of credit provided to the informal sector by banks remain low. Further, women-run MSMEs in far-flung areas face additional challenges in accessing credit, because they do not have easy access to lending institutions.

Recommendation 3: There is an opportunity for banks and Micro Finance Institutions to develop group lending products that target women, and this should be harnessed. This is because many women are in Chamas that do table banking and merry-go-round but may have limited savings available for lending to members who need funds. Awareness should be created about already existing products that target the informal sector through sensitization and training. These already existing products should also be supported, and in the short term, can be considered for inclusion within the CGS.

- Formality is likely to improve access to credit by women-run enterprises and it may also result in evening out the playing field between male-owned and female-owned enterprises, thus reducing the gender differences in terms of access to credit. The CGS is designed to target formal enterprises, and because in this context the gender differences are limited, the CGS has limited potential to address specific gender concerns. A focus on informal enterprises, where gender differences are most acute, is necessary if the CGS is to have an impact in addressing gender-specific concerns. However, rather than simply making the requirements more flexible to allow the inclusion of informal enterprises, it would be more useful to design

mechanisms for supporting informal women's enterprises to transition into formality as a means of supporting them and enabling them to meet the CGS requirements.

Recommendation 4: It is important and more sustainable for WEE to support women's enterprises to transition from informality to formality through trainings and other measures such as business incubation. The benefit of accessing the CGS and other credit facilities can be used as an impetus to encourage informal enterprises to join programs that can help them to transition from informality to formality. However, in the interim and because formalization is a long-term objective, already existing credit facilities that target informal enterprises such as group lending to chamas should be encouraged and supported. Awareness about the existence of these products should be created through sensitization and training.

- Lack of sensitization and availability of information about financial products, especially those provided through affirmative action funds, has led to limited uptake of the financial products that are currently available.

Recommendation 5: Credit officers play a crucial role in enhancing sustainable credit uptake. They offer both business skills and financial literacy training to listed potential borrowers, which in turn, affect the patterns of use of accessed credit and minimize potential default. Banks can make good use of their credit officers to enhance the business capacity of MSMEs before advancing their credit facilities.

Recommendation 6: Sensitization of entrepreneurs, especially those in the informal sector, on affirmative action funds will enhance access to these funds. This can effectively be done through partnerships between the actors involved in the implementation and disbursement of these funds. Thus, for instance, the local administration, such as the chiefs and assistant country commissioners can run sensitization programs in partnership with implementing financial institutions.

- Gender norms continue to impact women's access to credit. The level of credit that women can access is largely informed by gender norms that are prevalent in given social contexts. Decisions concerning the use of credit are also influenced by gender norms so where women can access credit, how they use it will be influenced by gender norms, and this often results in the diversion of credit for family use, thus making repayments difficult.

Recommendation 7: It is important to design and implement programs that are aimed at transforming gender norms to enhance access to credit by women. Such programs can be designed collaboratively by the UoN WEE Hub, the State Department for Gender Affairs, the National Treasury and the women's movement, which includes various women's organizations, women's groups and individual women's rights advocates.

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11.0 APPENDICES

Appendix 1: Quantitative Survey Questionnaire

- A. Demographic Characteristics of the respondents
 - A1. Sex
 - A2. Age
 - A3. Marital Status
 - A4. Level of Education:
 - A5. Do you have a personal KRA pin?
 - A6. Do you have a bank account?
- B. Basic information about the business
 - B1. What type of business do you operate?
 - B2. Which sector is the business in
 - B3. How long has your business been in operation?
 - B4. How many people does your business employ?
 - B5. What is your annual turnover?
 - B6. Do you keep business records?
 - B7. Does your business have a bank account?
 - B8. Do you have a business plan?
 - B9. Does your business have a KRA pin?
 - B10. Do you have an operating license from the county?
 - B11. Is your business registered?
- C. Access to credit
 - C1. Do you normally need credit for your business?
 - C2. Have you applied for credit for the last 6 Months?
 - C3. If YES in C3 above, from which lender did you apply for the credit?
 - C4. Were you personally able to complete the application form?
 - C5. If your answer is NO, who completed the application form for you?
 - C6. Was your application successful?
 - C7. What level of credit were you able to access?
 - C8. What difficulties did you experience in applying for the loan?
 - C9. Were you given reasons as to why your application was unsuccessful?
 - C10. Why did you choose the specific credit provider in C3 above?
 - C11. If you need credit, what is your MOST preferred choice of credit providers?
 - C12. Why do you prefer the specific credit provider that you picked in C11 above?

D. Use of the credit obtained

D1. For what purpose did you apply for the credit?

D2. Did any other factors affect the use of the credit that you obtained?

E. Loan Repayment

E1. Have you started making repayments?

E2. Are you able to make the repayments with ease?

E3. Why haven't you started making repayments?

E4. Currently, do have any loans outstanding?

E5. Are you aware of the consequences of failing to repay the credit?

F. Mobilization

F1. Have you received any information about business trainings?

F2. Have you attended any such trainings?

F3. Who convened the training?

F4. Were the trainings useful?

F5. Have you shared information about the training with other women?

G. Collective Agency

Now I'm going to ask you about groups in the community. These can be either formal or informal and customary groups.		Is there a [GROUP] in your community?	Is this group composed of all male or female or mixed-sex members? Not all items on group composition are coming up	Are you an active member of this [GROUP]?	Are you able to influence decisions in this [GROUP]?	Does this [GROUP] influence life in the community beyond the group activities?
GROUP CATEGORIES		H1	H2	H3	H4	H5
i	Credit or microfinance group (including SACCOs / merry-go-rounds / VSLAs)	Yes.....1 No.....2 Don't Know.....97	All Male.....1 All Female.....2 Mixed Sex.....3 Don't Know.....97	Yes.....1 No.....2	Yes.....1 No.....2	Yes.....1 No.....2 Don't Know.....97
ii	Mutual help or insurance group (including burial societies)	Yes.....1 No.....2 Don't Know.....97	All Male.....1 All Female.....2 Mixed Sex.....3 Don't Know.....97	Yes.....1 No.....2	Yes.....1 No.....2	Yes.....1 No.....2 Don't Know.....97
iii	Trade and business association group	Yes.....1 No.....2 Don't Know.....97	All Male.....1 All Female.....2 Mixed Sex.....3 Don't Know.....97	Yes.....1 No.....2	Yes.....1 No.....2	Yes.....1 No.....2 Don't Know.....97
iv	Civic group (improving community) or charitable group (helping others)	Yes.....1 No.....2 Don't Know.....97	All Male.....1 All Female.....2 Mixed Sex.....3 Don't Know.....97	Yes.....1 No.....2	Yes.....1 No.....2	Yes.....1 No.....2 Don't Know.....97
v	Other (specify): _____	Yes.....1 No.....2 Don't Know.....97	All Male.....1 All Female.....2 Mixed Sex.....3 Don't Know.....97	Yes.....1 No.....2	Yes.....1 No.....2	Yes.....1 No.....2 Don't Know.....97

Appendix 2: Focus Group Guide

1. Access to Credit

1.1 Do you access any form of credit to run your businesses?

1.1.1 Probe the reasons why, whether yes or no.

1.2 If yes, probe further on the following issues:

1.2.1 Where do you access such credit from?

1.2.2 Probe whether this is the preferred choice

1.2.3 Probe why this is the preferred choice

1.3 What is the level of credit women are comfortable applying for? (Probe the factors that influence women to choose the level of credit that they apply for).

1.4 What is the level of credit you are able to access from the lending institutions? (Probe the factors that influence the level of credit you are able to access; also probe whether the level of credit given by lending institutions is different from the level that women apply for).

1.5 Are women able to apply for credit? (Probe on reasons for an answer, whether yes or no).

1.6 Probe whether there is anyone who assists women in applying for credit.

1.7 What have you heard about the application process for credit?

1.7.1 Probe on ease or difficulty of the application process

1.8 What are your views on the requirements one must meet in order to qualify for a loan (Probe how easy is it to meet requirements that different lenders give for one to access credit)

1.9 What are your views on the level of credit that is accessible through various lenders?

2. Use of Credit

2.1. What are some of the purposes for which women apply for a loan?

2.2. If they get the loan for their businesses, do they use it for the purpose for which it is intended (Probe on reasons for an answer if no; if women do not use the business loan for their businesses, probe on the reasons for this).

2.3. Do women have to explain to the banks the reasons for which they need credit?

3. Repayment

3.1 What are your views on the repayment of loans offered by different institutions?

3.2 Probe whether it is easier to repay loans from banks, SACCOs, chamas, affirmative action funds etc.

3.3 Probe whether there are specific challenges faced by women in the repayment process.

3.4 Probe whether they are able to make timely repayments.

3.5 Probe whether ease of repayment determines the choice of institutions that women go to for loans.

4. Impact of the credit on your business

- 4.1 What are some of the benefits that women get from credit/loans?
- 4.2 Probe the reasons for either positive or negative responses.
- 4.3 Probe whether credit has helped to improve your business.
- 4.4 Probe the specific ways in which credit has either helped or not helped to improve the business.

5. Challenges

- 5.1. What are some of the challenges that women may face when they apply for credit?
- 5.2. How do women navigate these challenges? (Probe the strategies that women use to address challenges).

6. Mobilization

- 6.1. Have you heard of any meetings or trainings about business training?
- 6.2. Have you attended any such meetings or trainings?
- 6.3. Who convened the meetings/trainings?
- 6.4. Were the meetings/training useful? Probe the benefits gained from attending such meetings/trainings.
- 6.5. Have you shared information about the trainings with other women? Probe on reasons for negative or positive answer.

7. Collective Agency

Let's talk about some of the groups that you know exist in your community (give examples like groups/chamas, business groups, investment groups, welfare groups etc)

- 7.1 Do you belong to any of these groups? (If no, probe on reasons for answer; also if yes, probe on which groups they belong to and why they belong to those groups)
- 7.2 What is the proportion of men and women in your group? (Probe the factors that influence this- eg if there are more women than men, probe the reasons for this).
- 7.3 What activities do you engage in in your group? (Probe for the activities that different groups engage in).
- 7.4 What is the leadership composition in those groups in terms of gender?
- 7.5 Let's discuss the extent to which you can influence decisions in these groups. Do you think men and women have the same influence on group decisions?
- 7.6 How has the group enabled you to improve your businesses and livelihoods?
- 7.7 How has the group grown and diversified in terms of its activities? (Probe how this growth has occurred).

8 Autonomy and decision making

Thank you very much. This is the end of our discussion. We are very grateful for your time. Do you have any questions for us?

Appendix 3: Case Narrative Guide

Themes	Guiding questions	Guidance notes
Warm-up questions	- How are you today? Do you have any questions you would like to ask first?	
Demographic Characteristics	- Would you kindly tell us about your: - Age..... - Marital Status..... - Level of Education..... - Kindly tell us what type of business you operate - Is your business registered? If no, do you plan to register? - Do you have a bank account for your business? If no, what mode of banking do you use?	Collect information on the demographic characteristics of the respondent Probe whether the business is retail, wholesale or main trade items Probe for mobile banking like “<i>kapu la biashara</i>”, table banking, group banking
Basic information about business enterprise	Now let us talk briefly about your business: -For how long has your business been in operation? -How many people does your business employ?	Probe for when business started and how many years of operation Probe whether employees are also family members and whether they <i>are remunerated</i>. If they pay themselves and how much
Access to Credit	-Have you ever applied for /a loan for your business? What were your experiences -If you need credit, where would go to? Why? - What level of loan do you normally apply for? -Looking at your business and its performance, does it qualify you for the amount requested above? - Are there specific challenges that women entrepreneurs like yourself face in applying for these loans? - What are some of the priority areas you use this acquired loan for? -What are some of the reasons that have hindered you from	Probe for: where the credit was sourced, processes and success or failure to acquire Probe for the various sources of credit, both formal and informal and reasons for preference. Probe for affirmative action funds; WEF, UWEZO, YOUTH FUND, NGAAF <i>e.tc.</i> Probe for the amount and why Probe for self-efficacy and capacity to acquire loans/credit Probe requirements like collaterals; household challenges, institutional challenges and business-related challenges, probe even what happens after acquiring the loan Probe for the uses of the acquired loan
Use of Credit and Repayment	-What do you normally use the loan for? - What are your views on loan repayment terms and repayment period?	Probe other usages other than the initial reason and the reasons Probe for any difficulties, which ones and causes
Autonomy in Decision Making	-Who makes the decision on what and when to borrow credit? - Who makes the decision on what loan should be used -who makes decisions on expansion of business	Probe for self, spouse, relatives etc
Credit and Business Growth	- In your opinion, can you say that your business has grown since you got the loan? - According to your <i>experiences</i> are there specific challenges to the growth of women's businesses? Are these <i>cross-cutting</i> for all women businesses? What differences do you observe? - What would be your recommendations to help women grow/expand their businesses?	Probe for turnover, increase in stock, increase in the number of employees etc.
Collective Agency	-Now, let's talk about some of the groups that exist in your community (give examples like <i>chamas</i>, business groups, investment groups, welfare groups etc) - Are there women empowerment groups in this area? Are you part of any of these groups? What are the activities of your group? - In what way do you think these help women's empowerment journey? - Do you hold any leadership positions in this group? a committee leader, advisor...what does your role entail - Let's discuss the extent to which you can influence decisions in these groups. Do you think the group appreciates your input? Why do you say so?	
Vision and Dreams	-What are your dreams about this business?	

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Appendix 4: Key Informant Interview Guide (Government officials, Women's Organizations and Local Leaders)

Themes	Guiding questions	Guidance notes
Warm-up questions	- How are you today? Do you have any questions you would like to ask first?	
1. Access to credit	- Are women entrepreneurs around here able to access credit to run their businesses? -Where do they access such credit from? -What is the level of credit women are able to access? -Is this different from the level of credit men are able to access? -Are women able to apply for the credit? -Are there differences in how men and women are able to access credit? (Probe on differences). -Is there anyone who assists women in applying for credit? -What have you heard about the application process for credit? -How easy is it for women to meet requirements that different lenders give for one to access credit? Probe on whether there are differences in how men and women are able to meet the requirements. -What are your views on the level of credit that is accessible through various lenders? -What are your views on the requirements one must meet in order to qualify for a loan?	<i>Probe the reasons why, whether yes or no</i> <i>If yes, probe further on the following issues:</i> <i>Probe on whether this is the preferred choice</i> <i>Probe on differences</i> <i>Probe on ease or difficulty of the application process</i> <i>Probe on whether women and men access different levels of credit from different lenders).</i> <i>probe on whether these requirements limit the extent women are able to access credit</i>
2. Use of credit	-What are some of the purposes for which women apply for credit? -How about men, for what purposes do they apply for credit? -If women get the credit, do they use it for the purpose for which it is intended? (Probe for reasons for the answer, whether yes or no). -What about men, do they use credit for the purposes for which they applied for it? -Do applicants have to explain to the lending institutions the reasons for which they need credit?	<i>Probe for reasons for the answer, whether yes or no).</i>
3. Autonomy in Decision Making	-Do women make decisions on what and when to borrow credit? -Do women make decisions on what loan should be used -Who makes decisions on expansion of business	<i>Probe for self, spouse, relatives etc</i>
4. Repayment	-What are your views on repayment under different available credit institutions	<i>Probe whether some institutions are more friendly, and whether this determines the extent to which women decide to go to those institutions for credit).</i> <i>Probe whether there are specific challenges faced by women in the repayment process.</i> <i>Probe whether there are specific challenges faced by men in the repayment process.</i> <i>Probe whether women able to make timely repayments</i> <i>Probe whether men are able to make timely repayments</i>
4. Impact of the credit on women's business	-What are some of the benefits that the women get from credit/loans? -Has the credit helped to improve women's businesses? Has the credit helped to improve men's businesses?	<i>Probe the reasons for either positive or negative responses.</i> <i>Probe the specific ways in which credit has either helped or not helped to improve women's businesses</i> <i>Probe the reasons for either positive or negative responses.</i> <i>Probe the specific ways in which credit has either helped or not helped to improve the men's business</i>
5. Challenges	-What are some of the challenges that women may face when they apply for credit? -How do women navigate these challenges? How about men, do they face any challenges when they apply for credit? How do men navigate these challenges?	<i>Probe the strategies that women use to address challenges</i> <i>Probe the strategies that women use to address challenges</i>
6. Mobilization	-Have you heard of any meetings or trainings about business training? -Do women entrepreneurs around here attend such trainings? -How about men entrepreneurs? Do they attend such trainings? -Who has convened the meetings/trainings? -Have the meetings/training useful? -Have enterprises around here improved as a result of such trainings	<i>Probe on reasons for the answer whether yes or no.</i> <i>Probe on reasons for the answer whether yes or no)</i> <i>Probe on the benefits gained from attending such meetings/trainings. ?</i> <i>Probe on how enterprises may have benefitted).</i>
7. Collective Agency	Let's talk about some of the groups that you know exist in your community (give examples like <i>chamas</i> , business groups, investment groups, welfare groups etc) -Do women belong to any of these groups? -How about men? -What is the proportion of men and women in these groups? -What activities do the groups engage in? -What is the leadership composition in those groups in terms of gender -Let's discuss the extent to which men and women influence	decisions in these groups. Do you think men and women have the same influence on group decisions? Is there any other relevant information that you would like to provide that we have not discussed? THANK YOU FOR COMING FOR THE INTERVIEW
	Conclusion	

Appendix 5: Key Informant Interview Guide (Implementing Banks)

Themes	Guiding questions	Guidance notes
Warm-up questions	- How are you today? Do you have any questions you would like to ask first?	
2. Implementation of the Credit Guarantee Scheme	-What is the Credit Guarantee Scheme? -What are its benefits? -What are the requirements that a borrower needs to have in order to qualify for a loan under the CGS? - How is the CGS currently being implemented? -How are borrowers able to access the CGS scheme through your institution?	<i>Probe for the specific internal procedures which are followed in the roll-out of the CGS</i> <i>Probe for specific ways in which gender issues are included in the implementation of the Credit Guarantee scheme.</i>
2. Uptake of CGS by women entrepreneurs	- What is the proportion of women among those who are considered for the Credit Guarantee scheme from your bank? (Probe the % of women compared to men) - Are women entrepreneurs who are considered for the scheme meeting the qualification criteria? -What is the average size of credit that these women entrepreneurs are seeking? -What are some of the limitations that women entrepreneurs face when in their credit applications? -What are some of the challenges the women entrepreneurs experience in accessing guaranteed credit? (Access to information, fear of loans etc) -How is the repayment of CGS by women's enterprises?	<i>Probe challenges, including issues on both the substance of the CGS (e.g. the interest rates) and also issues on the procedure (e.g. the time it might take to complete the application process).</i>
3.Repayment		<i>Probe specific challenges with regard to repayment.</i> <i>Probe whether there are differences between repayment by women's enterprises and men's enterprises.</i> <i>Probe whether women use the loans for the intended purposes (e.g. spent on emergencies such as sickness, school fees, consumption among others)</i>
4. Monitoring and Documentation	-Is there a system of monitoring how credit obtained through the scheme is used? -Is there a mechanism of assessing and documenting the impact of the CGS on businesses that access the scheme?	<i>Probe how gender issues are addressed in the monitoring and documentation process.</i> <i>Probe on the gender issues that are being identified through the process of monitoring the use of the CGS.</i> <i>Probe on gender issues that are being identified in the assessment of the impact of CGS on business that are able to access the scheme.</i>
5.Design of the Credit Guarantee Product	-Is the current design of CGS enabling women entrepreneurs access credit What needs to be done by Government for aspects of the Guarantee that are not enabling for women enterprises?	<i>Probe this in terms of a. Guarantee Coverage ratio b. Loan size c. Loan tenure....</i>
Conclusion	Is there any other relevant information that you would like to provide concerning the CGS? THANK YOU FOR COMING FOR THE INTERVIEW	

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