AN ASSESSMENT OF THE EFFECTS OF FINANCIAL INTERMEDIATION ON BUSINESS PERFORMANCE:

A CASE STUDY OF WOMEN OWNED MICRO AND SMALL ENTERPRISES IN KISII MUNICIPALITY – KENYA

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ABSTRACT

Women as micro and small entrepreneurs have increasingly become the key target group for financial intermediaries. Consequently providing access to financial and non-financial services is not only considered a pre-condition for poverty alleviation but also considered as a strategy for empowering women. The micro and small enterprises play an important role in the Kenyan economy. The purpose of this study was to assess the effects of financial intermediation on business performance. The study was carried out on women owned micro and small enterprises in Kisii Municipality. Descriptive research design was adopted for the study. The study sought to : assess the extent to which financial intermediaries intermediates between savers and borrowers, to assess the level of business performance of micro and small women owned enterprises and ; to assess whether financial intermediation has an effect on business performance on women owned MSEs in Kisii Municipality. The target population of the study was 150 women owned enterprises in Kisii Municipality (Equity Bank, Kenya Women Finance Trust and Kenya Rural Enterprise-Loan Programme beneficiaries). Random sampling procedure was adopted to sample 108 respondents who participated in the study. Data was collected using a structured questionnaire. Data analysis was done using descriptive statistics techniques which include frequency tables, percentages and summated averages. A likert scale was used to identify the extent to which financial intermediation influences business performance on women owned MSEs in Kisii Municipality. Microfinance loans, bank loans and co-operative loans were the most preferred sources of finance by the women entrepreneurs. The study findings can be useful to the women entrepreneurs in planning and managing their businesses effectively. The study can also help financial intermediaries and policy makers to formulate appropriate policy framework to guide in the management of registered micro and small women owned enterprises and women entrepreneurship in the country. It can also contribute to the already existing literature on financial intermediation.

Keywords: *MSE, Micro and Small Enterprise, ROSCAs; Rotating Savings and Credit Associations, GDP; Gross Domestic Product, KWFT; Kenya Women Finance Trust.*

BACKGROUND OF THE STUDY

Women as micro and small entrepreneurs have increasingly become the key target group for financial intermediaries. Consequently providing access to financial and non-financial services is not only considered a pre-condition for poverty alleviation but also considered as a strategy for empowering women (Karanja 1996). The micro and small enterprises (MSEs) play an important role in the Kenyan economy. According to the 1999 Baseline Survey (CBS, ACEG and K-REP) indicated that there were 1.3 million MSEs which contribute 18 percent of Kenya's Gross Domestic Product (GDP). The survey stated about 64 percent of the MSEs are in trade, under which women entrepreneurs fall. This sub-sector is engaged in buying and selling of goods. Income from the trade sub-sector is ranked lowest among the MSE sector, but they are vital to the livelihoods of many urban and rural poor. The Kenya Labour Force Survey Report of 1998/99 indicates that the sector covers all semi-organized and unregulated activities that are small scale in terms of employment(ROK, Labour Force Survey 1999).

The MSE sector is a major source of employment and income and about 48 percent of MSE operators are women. By the end of the year 2001, informal employment was estimated at 4.6 million accounting for 72 percent of total wage sector employment and 81 percent of private sector employment. The contribution of MSEs is more than double that of medium and large manufacturing sector that stands at 7 percent of the GDP (ROK 2003a). Small enterprises constitute the bulk of the established businesses, with employment ranging between five and about 50 (Oketch, 2000).

Financial intermediaries are banking and non banking financial institutions which transfer funds from economic agents with surplus funds to economic agents that would like to utilize those funds (Salmulson & Nordhans, 1989). Financial intermediation has not only opened up new opportunities for the financial sector participants through financial innovations but also there is increase of new market players arising from new products in the financial markets. These developments have increased the range of financing and investment opportunities available to economic agents. As the financial markets become more liquid there is an increased speed and strength of the channels of marketing policy with complete change in interest rates, the cost of investment financing and return on savings (Shane, 1997). In Kenya, financial intermediaries have programs that assist in developing micro and small enterprises through financial and technical assistance. Among the most notable financial intermediaries that have targeted women entrepreneurs are: the Kenya Women Finance Trust (KWFT), Kenya Rural Enterprise Program Bank (K-REP), and Equity Bank (Kioko 1995). Fanikisha Imara targets women in MSE who would like to borrow individually and the repayment period is usually fixed at 24 months. (Coeztee et al 2002).

Statement of the Problem

Micro and small women owned enterprises continue to receive substantial funding from the government and other financial intermediaries so as to improve their financial sustainability. Many of these MSEs are able to access credit facilities from commercial banks and other formal institutions. Despite the accessibility of both financial and non financial services provided by financial intermediaries to women entrepreneurs, MSEs owned by women continue to perform dismally and others opt to quit. Lack of collateral, no track record of credit history and limited educational and vocational training have been indicated as the cause of poor performance of women owned MSEs. This study sought to assess the effects of financial intermediation on business performance of women owned MSEs in Kisii Municipality.

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STUDY LITERATURE REVIEW

The Concept of Financial Intermediation

Mishkim & Eakim, (2009) define financial intermediation as the process of channeling funds between surplus and deficit agents. Financial intermediaries (FIs) facilitate buyers and sellers of capital resources. Financial intermediaries are institutions such as banks, insurance companies, savings and loan associations that take deposits or funds from one group and allocate them to another group (Bhattacharya & Thakor,1993). Without financial intermediaries in the world of imperfect information, there would be great inefficiencies in allocation of financial resources for example mortgages would typically come in large, irregular sizes with long and uncertain duration lenders assuming a certain level of risk aversion would demand higher compensation for bearing risk and irregular conditions to approve funding. The role and organization of the FIs depends not just on the ability to evaluate risks but also addressing post lending moral hazards (Boot, 1997). FIs reduce the cost of transactions with services from brokerage of quality asset transformation they gain from an increase in size because of economies of scale and by diversification of information. F1 such as banks provide viable signals to capital markets through their loan approval processes. The regular monitoring of their financial status mitigates asymmetrical information and improve the quality of total aggregate investments (McKinnon, 1973)

Commercial banks act as a centre of financial intermediary universe and are considered in many aspects as an indicator of a nation’s economic health. They hold the largest variety of earning assets that include commercial and residential mortgages, personal loans, working capital requirements, automobile loans, term financing, structural financing and also financing innovations through derivatives. They act as an agent of monetary policy where interest rates are determined by the central bank would restrict and ease conditions on which credit is made available in the economy. They also serve as “trusted dealers” by issuing bank guarantee and letters of credit (Bhattacharya & Thakor 1993).

Importance of Financial Intermediaries

Informal financial service providers include several variants of merry-go-rounds and rotating savings and credit associations (ROSCAS). In fact there are thousands of ROSCAS in Kenya serving as a source of credit for millions of low income people. FIs have rapidly grown serving more customers and larger geographical areas offering a wide range of financial products and services. The FI have developed lending methodologies suitable for low income women clients, this is aimed at supporting the millennium development goal of poverty alleviation as well as a strategy for empowering women (KWFT 2002). KWFT believes that access to credit through MSEs financing strengthens women’s bargaining position and financial status within the households hence enabling them influence strategic decisions affecting their families. Kenyan banks and micro-finance institutions are scrambling to attract micro and small enterprises by tailoring products to meet the needs of this niche, such cross-functional products are designed to give a wholesome feel of the banking experience for MSE account holders where they are able to get ability services and goods at one point and at reasonable prices (Gakure, 2001).

Gender and the Performance of Women’s Enterprises.

According to the 1999 National micro and small enterprises Baseline Survey there were 612,848 women entrepreneurs (MSEs) in Kenya. Women were more likely to be operating in the trade sector (75 percent) and were more dominant than male in leather and textile (accounting for 67 per cent of total MSEs in that sector), retail (accounting for 56 percent of total MSEs in that sector), entertainment (accounting for 55 percent of the total MSEs in that sector), and manufacturing (accounting for 68 percent of the total MSEs in that sector).

McCormick, (2001) noted significant differences in the performance of women’s enterprises vis-à-vis those of Kenyan men. He isolated three factors that account for these differences in enterprise performance; the first factor has to do with the level of education. On average women entrepreneurs are less educated than their male counterparts and twice as likely as men to be illiterate. The second factor has to do with the opportunity to accumulate savings. Because women have lower levels of education and are segregated into lower paying jobs, they have lower savings with which to start a business. Thirdly, women spend less time in their business than men because they are expected to carry out their domestic responsibilities including housework, food preparation and child care.

Macroeconomic and Regulatory Environment

Business environment relates to those features found outside the enterprise itself. This includes an array of influence ranging from economic, social and cultural factors systems, to policies, laws and other kinds of rules, to public and private institutions and the effect of other enterprises. The MSE operations cut across almost all sectors of the economy, and sustain a high percentage of households in Kenya (Wanjohi, 2008). The MSE activities form a breeding ground for businesses and employees, and provide one of the most prolific sources of employment. Their operations are more labour intensive than large manufacturers. At the same time, they are the suppliers of low cost products and services in the domestic market. The macroeconomic environment affects the performance of the banking sector by influencing the ability to repay borrowed loans, the demand for loans with unpredictable returns from investment and the quality of collateral to determine the amount of premium charged and therefore the cost of borrowed funds to the investors with an unstable micro-economic environment and poor economic growth. Investors face uncertainty about investment return and then raise the lending rates as the level of non-performing loans goes up squeezing the bank margin for example poor output reduce firm profitability while reduced assets price reduce the value of collateral therefore the credit worthiness of the borrowers. As a result a return on investment declines increasing the level of non-performing loans and banks charge high risk premiums to cover their default risks (Wanjohi & Mugure , 2008).

Social Intermediation

Providing financial services to marginalized people in society often requires more than traditional styles of financial intermediation. Financing the poor entails some measures of upfront investment to nurture human capacity (knowledge, skills, confidence) and to build local institutions as a bridge to reduce gaps created by poverty, illiteracy, gender and remoteness (Ledgerwood, 1999). This process of building capacity among the marginalized in microfinance is known as social intermediation. Social intermediation is the process in which investment is made in the development of both human resources and institutional capital with the aim of increasing self reliance of marginalized groups preparing them to engage in formal financial intermediation. The process normally involves training members in basic accounting and financial management as well as business strategy to ensure viability and sustainability of financial services offered.

Empirical studies

Dondo (1991), in his study of credit programs for micro and small enterprises in Kenya found out that the legal environment was generally hostile to MSEs in Kenya and that the government had not established enabling legal environment for micro finance institutions and their clients. The legal environment was particularly hostile to micro entrepreneurs who operated from temporary structures, as they were often dislocated from their premises by local authorities.

Kaza (1997) investigated why banks were not able to meet their targets for women enterprises in Bawida. He found the overriding importance for family for women and instances such as marriage, children or even a crisis in the family lead to closure of enterprises of women. Financial intermediaries are therefore hesitant to give loans to women entrepreneurs; they quit even a well-running business for the sake of their families. This factor also leads women to locate their enterprises near their homes even if means compromising on business interests.

A study by Richardson, Howarth and Finnegan (2004) on women entrepreneurs in Africa reveals that many women entrepreneurs in Africa lack skills and expertise in certain business matters. The MSEs owned by women entrepreneurs do not operate proper accounting systems which undermines the accessibility and reliability of information concerning the profitability and repayment capacity. Most MSEs operate in a more volatile environment which has a negative impact on the security of the transactions, they experience more variable rates of return and higher rates of failures and are less equipped in terms of both human and capital resources to withstand economic adversities.

Rosa et al (1996) conducted a study to measure the comparative performance of business by gender. They found out that women owned businesses have a lower sales turnover, fewer employees serving mostly the local markets and women entrepreneurs are less ambitious to grow their business. Women consider growth as a risk which may be financial or social and may come from exogenous or endogenous sources and consequently they try to be more risk averse, more careful and conservative purposely avoid approaching financial intermediaries for debt financing.

Gakure (2003), in her study on issues impacting on growth of women owned enterprises in Kenya established that there is stigmatization of women entrepreneurs in Kenya. Even successful women entrepreneurs are viewed negatively because society does not expect women to succeed on their own without male assistance. Gender disparities persist in education enrolment and retention rates, social norms are still characterized by cultural practices that accord lower roles and status to women, and those women still lack full access to control over and management of resources (lack of access to finance and credit, representation in co-operative societies, access to information and appropriate technologies). Both resources and decision making have remained largely the prerogative of men.

Research strategy

The study used descriptive design to evaluate the effects of financial intermediation on performance of micro and small enterprises owned by women. The design was adopted because of its appropriateness in describing the current situation of phenomenon (Kothari, 2009). The study was conducted in Kisii Municipality in the new county of Kisii. The municipality has a total population of nearly 83,460 persons according to 2009 Kenya Population and Housing Census. The municipality is made up of both agrarian and commercial economy. It has undergone rapid economic growth and development and this has caused rapid population growth. Another good indicator of the town's economic fortune has been the increasing number of financial intermediaries, a clear sign that there are many clients to save and borrow cash. The combination of the above factors made the municipality to be an appropriate choice for the study. Target population for the study was 150 women entrepreneurs under the K-REP bank, Kenya Women Finance Trust and Equity Bank Loan Program for women entrepreneurs within Kisii Municipality.

Sample and Sampling Technique

Using Nasiuma's formula:
$n= (NCv^2) / [Cv^2+ (N-1) e2]$
Where:
n= Sample size
N= Population
Cv= Coefficient of variation (0.5)
e= Tolerance at desired level of confidence (0.05)

Random sampling technique was employed to obtain the required sample size of 108 MSEs from the total target population of 150 women owned enterprises. The use of random sampling was to ensure that each member of the target population had an equal and independent chance of being selected (Oso & Onen, 2005).

A structured questionnaire was self administered to collect primary data. The questionnaire contained closed ended questions from which probable responses were selected from the list provided. The questionnaires were examined to ensure that they were fully filled. The questionnaire was piloted or be pre-tested on 20 women owned enterprises in the Kisii South District. Reliability of the questionnaire was determined using the test-retest method in which the respondents were required to provide information for the second time. A correlation coefficient was obtained to obtain the reliability of the instrument subject to the rule of thumb of at least 0.5 as proposed by Polonsky & Welleer, (2009). The descriptive statistical techniques: frequency and percentages, weighted averages or summated average were used to analyze the data. The results were presented using tables, charts.

STUDY FINDINGS AND DISCUSSION

Sources of Finance for Women Entrepreneurs in Terms of Preference

The results are shown in the table below:

Table 1: Sources of finance for women entrepreneurs in terms of preference

Mode of financing	WEIGHTS (W)							
	Highly preferable	Preferable	Neutral	Less preferable	Not preferred	∑wf	∑f	∑wf/∑f
	5	4	3	2	1			
	FREQUENCIES (F)							
Owner savings	79	14	11	01	00	486	105	4.62857
Donations from friends and relatives	26	28	31	18	02	383	105	3.64762
Bank loans	34	39	20	9	3	407	105	3.87619
Cooperative loans	29	25	18	26	7	358	105	3.40952
Microfinance loans	73	24	7	01	00	484	105	4.60952
Money lenders	17	11	29	17	31	281	105	2.67619
Government institutions	11	27	32	29	6	323	105	3.07619
Revolving funds	64	31	8	02	00	472	105	4.49523

Source: Field data, 2011

The results in table 1 above show that owner's savings, microfinance loans and revolving funds are the preferred sources of finance by the women entrepreneurs. On the scale of 1-5 they were rated at a mean score 4 .62, 4.60 and 4.49 by the respondents in the Likert scale rating respectively. The results of the findings indicate that the entrepreneurs prefer personal savings, microfinance loans and finds from the ROSCAS. There is a reasonable mix between the use of one's personal savings and borrowed funds. Bank loans as a source of finance were fairly rated by the respondents with a mean score of 3.87 co-operative loans were fairly rated with mean score of 3.40 and 3.64 respectively. This indicates that the entrepreneurs are able to secure loans from banks and co-operatives to expand their enterprises. The entrepreneurs can access credit facilities from the formal financial institutions for investment capital. Government institutions and money lenders were lowly ranked by the respondents in terms of source of finance. They had a mean score of 3.07 and 2.67. Based on the findings, the entrepreneurs may not be aware of the government's strategy to finance micro and small entrepreneurs. Money lenders were not preferred because of high interest rates charged and shorter repayment periods and lack of collateral normally required by the money lenders, hence the least preferred source of finance.

Business Challenges

The results from the field data are indicated in table 8 below.

Table 2: Business Challenges

Type of challenge	WEIGHTS (W)							
	Most frequent	Very frequent	Neutral	Frequent	Never occurred	∑wf	∑f	∑wf/∑f
	5	4	3	2	1			
	FREQUENCIES (F)							
Lack of credit	54	41	07	03	00	461	105	4.39047
High interest rates	70	26	07	02	00	479	105	4.56190
Increased competition	72	24	09	00	00	483	105	4.6000
Debt collection	14	23	38	19	11	325	105	3.09523
Low demand /few customers	65	29	09	02	00	472	105	4.49523
Rent is too high	76	22	07	00	00	489	105	4.65714
Others (high taxes, transportation)	57	33	11	04	00	458	105	4.35190

Source: Field data, 2011

The findings of the study in table 2 above shows that the main challenges women entrepreneurs face rent is too high, increased competition, high interest rates, low demand and lack of credit were rated as the top five challenges facing women entrepreneurs who operate small and micro enterprises. Rent problem was rated with the highest mean score of 4.65. Most of the entrepreneurs operate their enterprises in rented premises. Due to the rapid expansion of Kisii Municipality, rent for business premises has considerably gone up. Increased competition was rated second with a mean score of 4.60. Majority of the business enterprises owned by women are in the beauty and health sector. The entrepreneurs target the same market segment hence the increased competition for the customers

Interest rates were also rated as a challenge with a mean score of 4.56. Most of the respondents felt that the interest rates charged by financial intermediaries are high. It is important to note that whereas lack of credit was rated among top challenges, with a mean score of 4.39, majority of the entrepreneurs are able to access credit facilities from financial intermediaries, the high interest rates increase the operation costs of the business which affects the liquidity of the enterprises.

Debt collection and other challenges such as high taxes, transportation were rated least with a mean score of 3.09 and 4.36 respectively. Majority of the businesses do not offer credit facilities to their customers and usually the transactions are on cash basis, hence debt collection is not a major challenge to micro and small enterprises.

Amount of Loan Borrowed

The results from the field data on loan borrowed are shown in table below:

Table 3: Amount of loan borrowed

Amount of loan	Frequency	% Frequency
<Kshs 10,000	9	8.5%
Kshs 10,000 – 50000	36	34.3%
Kshs 50,000- 100,000	30	28.6%
Ksh 100,000-500,000	23	21.9%
> Ksh.500, 000	7	6.7%
Total	**105**	**100%**

Source: Field data, 2011

The results in Table 3 above indicate that majority of the entrepreneurs had borrowed loans of between Kshs. 10,000 to Kshs. 500,000 representing 84.8%. 8.5% borrowed less than Kshs. 10,000 and only 6.7% had borrowed loans above kshs. 500,000. There is indication that the entrepreneurs do not borrow large loans and prefer to borrow small loans.

Interest Rate Levels

Table 4: Interest Rate Levels

Interest rate	**Frequency**	**% Frequency**
< 5%	4	3.8%
5-10%	13	12.3%
10-15%	26	24.8%
15-20%	39	37.1%
>20%	23	21.9%
Total	**105**	**100%**

Source: Field data, 2011

Results in table 4 above shows that 3.8% (4) of the respondents borrowed loans where they were charged interest at the rate of 5% and below. 12.3% of the respondents indicated that the interest rate levels were between 5% and 10%. Those who were charged interest rates of between 10 and 15% constituted 24.8% of the respondents. The respondents who indicated that they were charged interest rates above 15% were 62 respondents who constituted 59%. There is a clear indication that the financial intermediaries charge higher interest rates which discharge entrepreneurs from borrowing large loans from the intermediaries.

Business Performance Indicators

The findings of the study are tabulated in table 5 below.

Table 5: Business Performance Indicators

Performance Indicators	WEIGHTS (W)							
	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very satisfied	∑wf	∑f	∑wf/∑f
	1	2	3	4	5			
	FREQUENCIES (F)							
Growth sales	25	34	27	11	8	258	105	2.45714
Growth in no. of employees	22	31	23	27	02	271	105	2.58095
Growth in assets level	39	43	11	08	04	210	105	2.0
Growth in profit	28	39	16	13	09	251	105	2.39047
Technological advancement	34	27	19	14	11	256	105	2.43809

Source: Field data, 2011

The results in table 5 indicate that entrepreneurs were satisfied with growth in the number of employees in their enterprises, which was rated the top business performance indicator with a mean score of 2.58. McCormick (2001) noted that women entrepreneurs tend to be contented with few employees and do not want their enterprises to expand rapidly to accommodate more employees. They are comfortable to work with few employees. The growth in sales was rated second with a mean score of 2.45, while technological advancement was rated third with a mean score of 2.43. Growth in profit levels and asset levels were rated the least with mean scores of 2.39 and 2.0 respectively. The research findings indicate that the entrepreneurs were not satisfied with the assets held by the enterprises and the rate at which the profits grow. The poor performance of the businesses in profit may be a result of the increased costs of doing business such as high rent, high taxes and other rates, high interest rates which the respondents indicated as the main business challenges.

The Effect of Financial Intermediation Activities on Women Own Enterprises.

Table below shows the response rates obtained from the field.

Table 6: The effects of financial intermediation activities on women owned enterprises

	WEIGHTS (W)							
	Strongly agree	Disagree	Undecided	Agree	Strongly disagree	∑f	∑wf	∑wf/∑f
	1	2	3	4	5			
Statement	FREQUENCIES (F)							
The financial intermediaries provide long term loans to women entrepreneurs	04	08	11	29	53	105	434	4.1333
The financial intermediaries do require collateral for the loans to women entrepreneurs	07	13	26	37	22	105	369	3.51428
Financial intermediaries provide detailed quality and precise information on other services and products.	21	19	25	16	24	105	323	3.07619
The repayment periods and interest rates are fair.	33	27	24	13	08	105	251	2.39047
Financial intermediaries participate in offering skills and trailing in financial management to women entrepreneurs.	09	14	37	28	17	105	345	3.28571
Financial intermediaries provide opportunities for expansion and growth in their services	13	18	27	32	15	105	333	3.17142

Source Field data, 2011

The results in table 6 shows that the intermediation activities of financial intermediaries plays an important role in the development of women enterprises. The respondents rated the provision of long term funds to women enterprises with a mean score of 4.13. However the respondents felt that the collateral requirements by the FI constraints the entrepreneurs, this was rated to a mean score of 3.51. The respondents indicated that financial intermediaries provide opportunities for the expansion of their enterprises through training on business skills and provision of loans. The findings reveals that the respondents felt that the interest rates and repayment periods were not fair, this was the least rated with a mean score of 2.36. There is a general agreement among the entrepreneurs that financial intermediation activities of FIs have positively impacted on their enterprises.

SUMMARY OF THE FINDINGS AND CONCLUSIONS

The study found out that loans from financial intermediaries were popular with women entrepreneurs. Microfinance loans were highly rated with a mean score of 4.60, bank loans 3.87 and co-operative loans 3.40. This is a clear indication that the financial intermediaries play an important role in the provision of credit facilities to women entrepreneurs. The guarantee system provided by the group based schemes has made it possible for the women entrepreneurs to access loans easily. The group based schemes has helped to improve the savings of the entrepreneurs as each group member is required to open an account and deposit a minimum amount on a monthly basis. The savings can be used as collateral for a group and individual member loans.

The study revealed that a large majority of the respondents felt that the loan repayment period was very short thus straining and pressurizing them to make quick repayments. Consequently the respondents did not feel the immediate impact of the loans, but instead they felt immense pressure to put their earnings towards loan repayment, this affects their liquidity. Most respondents indicated that the interest rates charged on loans were too high compared to market rates and therefore making it difficult for them to access large loans. However, from a positive point of view the intermediaries had helped to mobilize savings and had enabled them to obtain capital for their enterprises. The findings revealed that the intermediaries monitoring and evaluation exercises prior to loan disbursements and after disbursements had an impact on the repayments of the loans by the borrowers. The monitoring and evaluation carried out in a consistent and orderly fashion, helps in a aligning the needs of the clients with the implementation strategies thereby leading to a positive impact of the loan program. The study reveals that majority of the respondents were unaware of the various incentives and credit facilities provided by the government to micro and small enterprises to improve the chances of success of its plans on small and micro enterprises government could do more to publicize the existence of these programs which target MSEs.

The study findings reveal that the MSE's performance is still low despite the availability of finance and non-financial assistance. Majority of the entrepreneurs operate as sole proprietors. The entrepreneurs, particularly those with only primary and secondary education may not know the various sources of credit available to them in the market and their ability to prepare bankable projects may be adversely affected as most of them do not to utilize services of outside consultants. This was confirmed when they were asked the rate their perception on intermediation activities. Majority of them felt that financial intermediaries often rely on their track record in review of loan applications and that the interest rates were higher and collateral requirements were high. The entrepreneurs were unlikely to meet the more stringent application requirements of the formal financial institutions which provide large investment loans due to their inability to provide the required financial statements and plans.

In conclusion, the financial intermediaries have greatly contributed to the establishment, expansion and development of MSEs owned by women. The impact of the loan programs can be viewed as a positive effect. The impact may be seen in terms of business productivity and growth as well as improvement in social status. The findings reveal that most beneficiaries in the study had expanded their businesses and their incomes had increased.

STUDY RECOMMENDATIONS

First, the gender barriers need to be addressed at all levels, from the legal system to the domestic system women entrepreneurs need more access to a full range of financial and non-financial support services. The growth of their enterprises is restricted by lack of collateral and flexible finance options. There is inadequate access to training, as well as follow-up to training inputs, and limited opportunity to avail themselves of external, formal managerial capacity buildings support. There should be a review of title of ownership of property, need of exposure to business ideas, opportunities, access to market information, financial and management training focused on growth and the need to strengthen policy coordination, implementation , monitoring and evaluation of government efforts to promote the MSE sector, emphasizing the role of Government as a facilitator and encourager of growth (rather than one of direct intervention).

Second, the financial intermediaries should consider involvement of their clients in the formulation and implementation strategies in order to avoid complaints and dissatisfactions among the clients, the loan repayment period should be made flexible and perhaps paid over a period ranging between two to four years to ease the pressure of quick repayment that might hinder achievement of immediate impact. Similarly the intermediaries should develop market based loan programs and carry out comprehensive feasibility studies to ascertain the business challenges, business potential and the ability of the loan programs to meet the clients identified needs. The performance of loans are measured through monitoring and evaluation exercises which brings to light performance indicators such as loan repayment rates and customer default rates. Though evaluation exercises are important in determining the performance of loans, the intermediaries should put in place mechanisms to measure the change in clients' quality of life. Such mechanisms would put to light the concerns and issues raised by the clients, which if acted upon, would contribute to modification of the loan programs to suit the needs of the clients and enhance the deepening of financial intermediation.

The study suggested that further research be conducted on the following areas: first, further study could be done on the strategies employed by financial intermediaries to enhance women entrepreneurship. Second, further study could be done on the challenges faced by financial intermediaries in the financing of women entrepreneurs. Finally, further study could be done on the effects of interest rates on loan borrowings by women entrepreneur.

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