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EFFECT OF FINANCIAL CAPITAL FUNDED BY MICROFINANCE INSTITUTIONS ON ECONOMIC EMPOWERMENT OF WOMEN IN GARISSA SUB-COUNTY, KENYA

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ABSTRACT

The study was carried out in Garissa sub-county in the North-Eastern part of Kenya. Economic empowerment of women has in the recent years become popular as a strategy to minimize poverty and vulnerability and maximize women's opportunities to participate in economic development. Through microfinance institutions, women can easily access affordable financial services. This study evaluated the effect of financial capital funded by microfinance institutions on economic empowerment of women in Garissa Sub-County. Analytical research design was used in the study. The estimated target population was 2,238 female members of micro finance institutions in Garissa town. A sample size of 96 respondents was selected by stratified random sampling technique.

Semi-structured questionnaires were used in the collection of primary data. Data collected was coded, edited and analyzed using Statistical Package for Social Sciences (SPSS) Version 24 software. Both descriptive and inferential statistics were conducted. Specifically, model fitness R^2 and correlation coefficients were generated. Data was presented using tables and graphs. At a confidence level of 95%, the regression results produced a correlation coefficient, R = 0.739 which indicated a strong positive association between financial capital and economic empowerment of women in Garissa sub-county. Coefficient of determination, R^2, was found to be 0.540 revealing that 54% of the variation in economic empowerment of women in Garissa Sub-County was explained by financial capital. The study concluded that financial capital thus highly affected economic empowerment of women in Garissa Sub-County. The study therefore recommends that the government should supplement Microfinance Institutions in provision of services such as credit facilities for example by channeling more women funds through microfinance institutions to reach more women. The findings of this study will be used by stakeholders in the micro-finance sector including policy makers, financiers such as donors as well as regulatory bodies. The study will also be useful to scholars and will contribute to the vast body of knowledge on the role of micro finance institutions on economic empowerment of women

Key Words: *Microfinance institutions, Financial capital, Economic empowerment of women*

INTRODUCTION

Worldwide, experts have widely acknowledged the role played by Microfinance institutions in the socio-economic development of a nation. In the State of the Microcredit Summit Campaign Report, (2001), approximately 14.2 million of the poorest women in the world had increased access to services particularly microfinance establishments (MFIs), banks, Non-Governmental organizations (NGOs), and other non-bank monetary organizations. Moreover, the International Labor Organization (ILO) noticed that before the end of 2006, microfinance institutions had come to more than 79 million of poor women on the planet (ILO, 2007). As a result, the expanded microfinance activities can possibly make a critical commitment in engaging and empowering manageable employments and better working conditions for women around the world. Microfinance organizations around the globe have been very innovative in creating borrowing terms and requirements that have reduced various hindrances that generally shielded women from accessing formal financial services. In developed countries, microfinance institutions are seen as a key passage with more extensive techniques used in monetary strengthening of women by specifically focusing on feminist organizations and increased gender awareness, (Mohakhali, 2009).

African countries are increasingly focusing on various policies and programs aimed at empowering women economically. In the recent times, microfinance has been developing as an amazing instrument for enabling women especially those who have limited monetary capacity. Rathiranee (2015) attributes this to the fact that women have low wages in the non-formal and unorganized economic sectors in many developing countries. For instance, in Rwanda, women comprise (54%) of 11 million of the entire population (Kayiranga, 2013). Further, the vast majority of these Rwandese ladies are illiterate and this restrains their work openings and money related capacity given that ladies have been the most oppressed and separated strata of the general public in Rwanda as well as around Africa. Microfinance is one of the efforts that has been emerging as a powerful tool of economically empowering women in developing countries. In Tanzania, Microfinance services target women to increase social development and economic empowerment. Likewise, these institutions bolster the women in preparing budgetary and financial education.

Mchilo (2017) notes that communication and infrastructure innovations remain to a great extent underdeveloped in Africa, it is fundamentally expensive for MFIs in Africa to work compared to their companions in developed nations. Hospes (2002), noticed that entrance to investment funds and credit offices strengthen women in financial decisions in Pankop Women Farmers Forum in Mpumalanga, South Africa. This improves their aptitudes, knowledge and emotional support networks just as upgrading their status in their societies. The government approves and publishes laws which are followed in the formalizing of processes of the MFIs. According to Sabana (2003), the increasing level of unemployment and underemployment in Kenya has forced many Kenyans to enter into self-employment and SMEs but the challenge has been how to access finance. The biggest challenge with the traditional banking system in Kenya is the inaccessibility of finance by the poor and vulnerable because of credit risks and high transaction costs.

Yunus (2007) argues that the operational idea of Microfinance institutions is providing vulnerable people with increased opportunities to financial products, such as credit to empower them economically and break them out of poverty. For instance, Muli (2011) established that Microfinance services in Kakamega County increased financial freedom among the beneficiaries and gave them a “voice” in the society, especially the women. Further, there have been notable contributions of the government and the private sector in increasing economic empowerment through Microfinance activities. These efforts have been viewed as a means to eradicate poverty and achieve long-term goals like the Sustainable Development Goals and the Vision 2030. To achieve these long-term goals, there is need to ensure financial accessibility across the Forty-Seven Counties in Kenya especially to the marginalized areas and vulnerable groups. Garissa County is among the marginalized Counties of the North Eastern region of Kenya meaning that the women in the area have limited opportunities for formal employment and therefore are vulnerable. As noted by Mchilo (2017) these women are exceptionally poor, have low education levels and are helpless due to the existing cultural traditions and norms. Microfinance services are now involved in assisting these women to play a key role in the economies by ensuring they are able to participate in income generating activities. It is in this light that this study sought to establish the effect of financial capital funded by Microfinance institutions on economic empowerment of women in Garissa Sub-County.

OBJECTIVE OF THE STUDY

The objective of the study was to evaluate the effect of Financial capital funded by Microfinance Institutions on Economic Empowerment of women in Garissa Sub-County.

RESEARCH QUESTION

What is the influence of financial capital funded by Microfinance Institutions on Economic Empowerment of women Garissa Sub-County?

THEORETICAL FRAMEWORK

Financial Deepening Theory

Financial deepening means the expanded provisions of monetary services with a more extensive choice of services outfitted to all degrees of society. It has been argued that lack of access to finance is one of the main factors behind persistent poverty (Demirguc, Asli, Levine, 2008).The theory assumes a significant job in diminishing danger and powerlessness for burdened groups and expanding the capacity of people from different gender and family units to get to financial services, in addition, it has a more straightforward effect on decreasing poverty. The impact of microfinance on individual low-salary family units has been examined through microeconomic effects studies (Elizabeth,2011). Three perspectives are for the most featured; the first, it is an increased ability to manage risks through withdrawal of investment funds or acquiring credit on account of an emergency. This may imply that profitable resources (apparatus, stock, land, domesticated animals) need not be sold after a crisis and consequently that the flow of salary isn't interfered. Secondly, improved management and utilization of necessities throughout the year, to keep up satisfactory degrees of food intake, (Pitt and Khandker, 1998). This is of real significance, as labor is frequently the principle asset of low-salary families.

Thirdly, expanded opportunities to put resources into beneficial enterprises. These expanded abilities of country families to deliver, expend and put might be reflected just incompletely in the actual credit and investment funds connections for microfinance establishments, on the grounds that dependable access to microfinance frames a potential that can be tapped if and when required. This potential may, for instance, imply that the family's own assets will be used more completely for creation; with access to microfinance being depended on if there is an emergency.

EMPIRICAL REVIEW

Approximately seventy percent of people living on or under $1 daily are mostly females according to United Nations Expert Group on Women and Finance, 1995. In any case, it is obvious that majority of lowly-paid women are engaged in a form of economic activity. Women entrepreneurs and producers are crucial actors in the economy. In spite of the fact that their jobs are frequently underestimated in the public eye, women need monetary services, information, and market. Hence, accessing other money related services is important in giving lowly-paid women chances to expand their assets and their incomes (United Nations Expert Group on Women and Finance, 1995).

Likewise, a country's best interest is in achieving equality, and also to help the women to achieve economic improvement. According to the World Bank, communities with large proportions of gender inequalities have larger amounts of poverty, slow financial development, weak frameworks of administration, and lower quality of everyday life. In addition, there are numerous reports proposing that men’s contributions to the household expenses is approximately 50-68 percent of their income while women contribute a higher proportion of their incomes to household expenses, (Chant, 1997). Along these lines, placing working capital under the control of women may affect her economic and social strengthening, and may likewise positively affect the wellbeing, education, and personal satisfaction of her whole family.

RESEARCH METHODOLOGY

Research Design

This study used analytical research design. Lavrakas (2008) describes an analytical research design as a systematic research method for gathering of data from a representative sample of subjects by use of instruments which involve the open-ended and close ended questions, interviewing and observation.

Population and Sampling

To enable a comprehensive and representative data, the study interviewed 5 staff of Micro finance institutions in Garissa town and the women who are members registered with the institution. Garissa Sub-county population based on 2019 census is 163,914 with a female population of 80,449 (KNBS, 2019). Out of these number, 2,233 were members of Micro Finance Institution in the Sub-County.

Data Collection Instruments

This study employed self-administered semi-structured questionnaires in collection of data. According to Mugenda and Mugenda (2003), a questionnaire is composed of various questions used for collection of information from respondents in a research activity.

Data Analysis

The study used both qualitative and quantitative data. Correlation coefficients between the independent variable (Financial Capital) and dependent variable (Economic Empowerment of Women) obtained from the analysis was computed to explore possible strengths and directions of relationship. Statistical Package for Social Sciences (SPSS) version 24 software was used in data processing and analysis.

Analytical Model

The study used analytical research design where regression was used to determine the relationship between the dependent variable and the independent variable. Bivariate regression model was used where the dependent variable and the independent variables are shown by the model below:

$$\boldsymbol{Y = \beta_0 + \beta_1 X_1 + \varepsilon}$$

Where;

Y is Economic empowerment of women

β_0 is Constant

X_1 is Financial Capital

ε is Error term

$\beta_{1\,,}$= Coefficient of the regression model

The significance of the independent variable in the model was tested at 95% confidence level. Adjusted R-squared and the overall significance of the model was also computed.

ANALYSIS, FINDINGS & DISCUSSIONS

Descriptive Analysis

The study sought to establish the economic empowerment of women in Garissa Sub-County. The data was collected through a questionnaire and all the metrics of economic empowerment were rated highly as indicated in the table 1;

Table 1: Economic Empowerment of Women

Economic Empowerment of Women	Strongly Agree	Agree	Neutral	Disagree
MFI services have helped me gain financial independence & decision-making power	17.6%	57.1%	25.3%	-
I have experienced an improvement in diversification of my business after taking loan	15.4%	50.5%	-	-
Participation in microfinance increases saving	19.8%	50.5%	-	-
I have experienced increased financial knowledge of my business.	19.8%	59.3%	-	-

On the various factors of financial capital observed by the study, the scores above indicate that financial capital significantly influenced the economic empowerment of women since most of the respondents agreed that financial capital funded by microfinance institutions had economically empowered women.

Table 2: Components of Financial Capital

	Strongly agree	Agree	Neutral	Mean	STDV
Ease of Access	60%	40%	-	1.4000	.54772
Savings Flexibility	80%	20%	-	1.2000	.44721
Credit Requirement	60%	40%	-	1.4000	.54772
Credit Provision	31.9%	63.7%	4.4%	1.7253	.53885
Flexibility in loan repayment	24.2%	72.5%	3.3%	1.7912	.48342
Saving Services	20.9%	79.1%	-	1.7912	.40870

The various financial factors observed by the study show mean scores of between 1.20 and 1.7912 indicating that financial capital significantly influenced economic empowerment of women. On the other hand, the study also observed a standard deviation of between 0.4087 and 0.54772 which indicated that the responses on the various financial factors were varied and that different respondents felt very different on the various aspects of financial capital.

Regression Analysis

Table 3: Regression model summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
	.739	.546	.540	.27900
a. Predictors: (Constant), Financial Capital				

The Adjusted R square value is 0.540. This means that the independent variables explain 54.0% of the variation in dependent variable. The rest 46.0% are explained by other factors that have not been included in the regression model under investigation. This means that the model used was appropriate and the results indicate a strong and positive association between the dependent variable (women economic empowerment) and the independent variables (financial capital).

Regression Coefficient Analysis

Table 4: Coefficient results of the model

Model	Coefficient	Std. Error	t	Sig.
(Constant)	-.110	.197	-.562	.576
Financial capital	.458	.102	4.467	.000
a. Predictors: (Constant), Financial capital *b.* Dependent variable: economic empowerment of women				

The regression test results presented in the table indicate that, all the coefficients are positive and are also significant as given by their p-values (sig. values) which are less than 0.05 testing at 5% level of significance. Thus, with these values being less than the critical value at 5% level, the coefficients are statistically significant and explain significant influence of the independent variables to economic empowerment of women. These coefficients were therefore used to answer the following regression model which relates the predictor variables (independent variable) and the dependent variables. The interpretations of the findings indicated the following regression model:

$$\boldsymbol{Y = \beta_0 + \beta_1 X_1 + \varepsilon}$$

Therefore;

$$\boldsymbol{Y = -0.110 + 0.458X_2 + \varepsilon}$$

The Beta coefficients indicate extent to which women economic empowerment changes due to a unit change in the independent variable. Thus, the model indicates that, holding the independent variable constant, the economic empowerment of women would be -0.110. This explains that, without the influence of financial capital, the economic empowerment of women would -0.110. The model shows that, a unit increase in financial capital would result to 0.458 times increase in the economic empowerment of women. Thus, the two variables are positively related with a magnitude of 0.458 explaining the extent of the influence to the dependent variable. Therefore, microfinance institutions should focus more on financial funding since it has a significant influence on economic empowerment of women.

CONCLUSION

The study concluded that financial capital strongly influences women economic empowerment in Garissa Sub-County. This was evidenced by a p-value statistic of $0.000 < 0.05$ generated by regressing women economic empowerment on financial capital at 95% confidence level. Additionally, regression results generated a correlation coefficient, $R = 0.739$ indicating a strong positive relationship between financial capital and economic empowerment of women. Coefficient of determination, R^2, was found to be 0.540 showing that 54% of variation in economic empowerment of women was explained by financial capital funded by microfinance institutions.

RECOMMENDATIONS

The findings established that financial capital funded by MFI had a strong influence on economic empowerment of women in Garissa Sub-County. Thus, the researcher recommends that the government should supplement MFIs by channeling more capital funds to them so as to reach more women.

CONFLICT OF INTEREST

The authors did not record any conflict of interest.

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