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INFLUENCE OF CREDIT FACILITIES ON FINANCIAL PERFORMANCE OF WOMEN OWNED ENTERPRISES IN NAKURU, KENYA

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ABSTRACT
Women-owned micro and small enterprises face significant challenges in achieving optimal financial performance. Despite their vital role in the economy, these businesses encounter various obstacles that hinder their growth and sustainability. Therefore, the study sought to assess the influence of credit facilities on financial performance of women owned enterprises in Nakuru, Kenya. The study was anchored on Trade-off theory. The study used a descriptive research design. The population of the study comprised 682 Micro and small enterprises that are owned by women entrepreneurs in Rongai Sub-County, Njoro Sub-County and Bahati Sub- County. This study used a systematic random sampling to select those women who participate in Rotating Savings and Credit Associations. The sample size of 252 business women was obtained using Yamane, formula. Data was collected using structured questionnaires. A pilot study was conducted in Kericho County. Both face and content validity were assessed. An internal consistency technique was adopted to measure reliability of research instruments. All the variables had Cronbach overall value of 0.863 which was greater than 0.7. Quantitative analysis was used to analyze descriptive statistics. The study found a positive and significant relationship between credit facilities and the financial performance of women-owned enterprises in Nakuru, Kenya. From the findings the study concluded that credit facilities have statistically significant influence on financial performance of women enterprises in Nakuru, Kenya. From the findings the study recommends that ROSCA should encourage a culture of regular savings by promoting consistent contributions among members. They should also provide opportunities for members to build their creditworthiness within the ROSCA and explore partnerships with formal financial institutions to facilitate access to additional credit options.

Key Words: *Financial Performance, Credit Facilities and Women Owned Enterprises*

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INTRODUCTION

Credit facilities refer to various types of loans and financial services offered by lending institutions to individuals, businesses, or governments. These facilities provide access to funds that borrowers can use for specific purposes, such as working capital, purchasing assets, or managing liquidity needs (Baele, 2022). Credit facilities play a vital role in enhancing the financial performance of women-owned enterprises by providing access to capital that enables business growth, operational efficiency, and improved competitiveness. With the availability of credit, women entrepreneurs can expand their operations, invest in new equipment, hire staff, and diversify their product or service offerings. This access to funding fosters innovation, allowing businesses to adopt new technologies or implement improvements that can boost revenue and profitability (Guimarães & Vasconcelos, 2022).

Moreover, credit facilities help in maintaining smooth cash flow, ensuring that women-owned enterprises can meet their short-term financial obligations, such as paying suppliers or staff, without disrupting their operations (Ahlin & Townsend, 2020). This is especially useful during seasonal fluctuations or slow periods when liquidity is needed (Singh, Sharma & Kumar, 2020). Improved cash flow management contributes to business stability and consistent financial performance (Hernandez, et al., 2019). Credit facilities also enable women-owned enterprises to compete more efficiently in the marketplace by providing the resources to scale up quickly, take advantage of bulk purchasing opportunities, and invest in marketing efforts that increase visibility and customer engagement. Furthermore, access to credit helps women entrepreneurs manage risks, providing a buffer during economic downturns and allowing them to diversify their financial sources (Coleman, 2021).

In China, women-owned enterprises adopt a range of credit facilities, including ROSCAs**,** locally known as "hui" or "he." These informal rotating savings and credit associations are especially prevalent among women entrepreneurs in rural and pre-urban areas, providing a source of savings, credit, and social capital (Zhang (2020). ROSCAs allow women to access funds collectively, overcoming the limitations of formal financial institutions (Rahman & Ahmed, 2020). Additionally, women-owned businesses in China benefit from microfinance loans and government-backed programs aimed at providing low-interest loans to women entrepreneurs. The rise of digital lending platforms also offers women greater access to credit through mobile and online financial services (Kim et al., 2018).

In South Africa**,** women-owned micro and small enterprises (WMSEs) frequently rely on ROSCAs**,** known as "stokvels," to access savings and credit. These stokvels are community-based savings groups where women contribute regular amounts and take turns receiving lump sums of money (Adegbite, Amaeshi, & Nakajima, 2019). Stokvels offer women a valuable source of capital for business investment, enabling them to purchase equipment, stock, or expand operations (Toure, et al., 2021). South African women also access microfinance loans through specialized institutions and government-backed funds**,** which provide business loans and developmental credit with favorable terms for women entrepreneurs. Additionally, peer-to-peer lending platforms and crowdfunding serve as alternative credit options for women in underserved areas (Abdulai, 2020).

In Uganda, women-owned enterprises adopt "merry-go-rounds" or "kibanda" groups, which are widely used in rural and pre-urban areas (Nalukenge, Mutenyo, & Waiswa, 2020). These groups help women save and access credit collectively, often providing an essential source of capital for women to invest in their businesses. Ugandan women entrepreneurs also access credit through microfinance institutions (MFIs) and savings and credit cooperatives (SACCOs), which offer small, flexible loans to help finance business activities such as purchasing inputs and expanding enterprises (Ssenyonga, & Mugisha, 2020). Mobile banking platforms have also become an important tool for women entrepreneurs, allowing them to access credit through mobile money services, especially in remote areas (Nyambura & Were, 2020).

In Kenya, women-owned enterprises often rely on "chamas." (Mwangi & Njuguna, 2019). These informal savings groups play a critical role in providing women entrepreneurs with access to savings and lump sum payouts, which can be used to finance business activities such as purchasing inventory, expanding operations, or starting new ventures (Okello, 2021). Chamas are ubiquitous in both urban and rural areas and serve as a key mechanism for women to overcome financial constraints. Kenyan women also access credit through microfinance institutions, such as Kenya Women Microfinance Bank (KWFT), and mobile-based lending platforms like M-Shwari and KCB M-Pesa, which offer quick, small-scale loans for immediate business needs. Government programs like the Women Enterprise Fund (WEF) further provide low-interest loans and business support services for women entrepreneurs (Njeri, & Muturi, 2023).

LITERATURE REVIEW

The study was guided by the trade-off theory. Trade-off Theory was originally proposed by Kraus and Litzenberger in 1973. The trade-off theory posits that firms balance the benefits of debt financing, such as tax shields and lower financing costs, against the costs, including bankruptcy risk and agency costs. This theory suggests that there exists an optimal level of debt that maximizes firm value by balancing these trade-offs. Scholars have offered differing perspectives on trade-off theory. The theory was relevant to the current study because it suggests that there is a trade-off between the benefits and costs associated with using credit facilities. While access to credit can provide women-owned MSEs with funds to invest in growth opportunities, it also comes with costs such as interest payments and collateral requirements. Therefore, the theory helped in explaining the influence of credit facilities on financial performance of women owned MSEs in Nakuru, Kenya.

METHODOLOGY

The study adopted descriptive research design. This study was carried out in Nakuru county Kenya. The study was conducted in a chosen sample of three out of the 11sub-counties. The target population for the study was MSEs beneficiaries of ROSCA funds. The unit of analysis comprised of majority of women entrepreneurs that participate in ROSCAs and have MSEs establishments like vending of food, operating merchandised outlets in wholesale and retail, tailoring shops, and salon businesses in Nakuru county of Kenya. The population of the study comprised 682 Micro and small enterprises that are owned by women entrepreneurs in Rongai Sub-County, Njoro Sub-County and Bahati Sub-County. The study used stratified sampling to select sub-counties like Bahati, Njoro and Rongai sub-counties. Simple random sampling procedure was used to pick the sample because it allows unbiased sampling and gives the research work more scientific features, thereby making the validity of the research findings more concrete. A sample size of 252 Micro and Small Enterprises were drawn from the total population of 682 MSEs that are owned by Women. The sample size of 252 businesswomen was obtained using (Yamane, 1967) sample size formula.

The study used questionnaire as data collection instruments. Pilot test was conducted in Kericho County using 10% of sample in each of the strata. Face validity was assessed by research supervisors who went through the questionnaires to assess how well the measuring mechanism has met the requisite standard. Content validity was also used in determining the validity of the instrument. Internal consistency technique was adopted by utilization of Cronbach's Alpha. The researcher obtained approval from the university and the National Commission for Science, Technology and Innovation, (NACOSTI), to conduct the study. The questionnaires were administered on a drop and pick method. Data analysis involved the use of both descriptive and inferential statistics. Percentages, frequencies, measures of central tendency (mean), and measures of dispersion were all used in descriptive statistics (standard deviation). Pearson's correlation coefficient and multiple regressions were used for inferential statistics. The results were presented in form of tables.

RESULTS

Response Rate

The researcher issued 252 questionnaires out of 252 questionnaires issued out, only 219 questionnaires successfully filled out and returned for analysis, representing an overall response rate of 87%.

Table 1: Response Rate

Sub County	Sampled respondents	No of questionnaires Returned	Response Rate (%)
Njoro Sub- County	45	38	15
Bahati Sub- County	132	119	47
Rongai Sub- County	75	62	25
Total	**252**	**219**	**87**

Credit Facilities

The respondents were asked to indicate their level of agreement on of women owned enterprises in Nakuru, Kenya. The findings were presented in Table 2.

Table 1: Credit Facilities

Statement	S A %	A %	U %	D %	SD %	Mean	Std
Compared to traditional lending institutions, ROSCAs often offer credit at lower interest	52	39	9	0	0	4.419	0.667
The lower interest rate of ROSCA loans reduce the financial burden on women owned MSEs	37	31	19	13	0	3.887	1.073
ROSCAs allow flexible repayment terms tailored to the needs of the participants	44	40	6	10	0	4.177	0.932
Women owned business can negotiate repayment schedules that align with their business cash flows, minimizing the risk of default	37	39	10	14	0	3.984	1.032
The application process of ROSCA credit is easier compared to other formal lending institutions	42	39	11	8	0	4.145	0.921
Quick access to credit through ROSCA empowers women to seize business opportunities promptly.	37	44	16	3	0	4.145	0.807
Overall Mean and STD						**4.126**	**0.905**

According to the findings majority of the respondents agreed (91%) that compared to traditional lending institutions, ROSCAs often offer credit at lower interest with a mean of 4.419 and the standard deviation of 0.667. The findings further indicated that (68%) of the respondents agreed that the lower interest rate of ROSCA loans reduce the financial burden on women owned MSEs with a mean of 3.887 and the standard deviation of 1.073. Also, the findings indicated that (84%) of the respondents agreed that ROSCAs allow flexible repayment terms tailored to the needs of the participants with a mean of 4.177 and a standard deviation of 0.932. Further (76%) of the respondents agreed that women owned business can negotiate repayment schedules that align with their business cash flows, minimizing the risk of default with a mean of 3.984 and a standard deviation of 1.032. (81%) of the respondents also indicated that the application process of ROSCA credit is easier compared to other formal lending institutions with a mean of 4.145 and a standard deviation of 0.921. In addition, (81%) of the respondents agreed that quick access to credit through ROSCA empowers women to seize business opportunities promptly with a mean of 4.145 and a standard deviation of 0.807. From the findings the overall mean was 4.126 and standard deviation of 0.905 which implies that credit facilities influence financial performance of women owned enterprises in Nakuru, Kenya to a very great extent. The study findings are tandem with the findings of Toure, Diallo, Konate, and Traore, (2021) which revealed that access to credit facilities facilitated business start-up, expansion, and innovation among young entrepreneurs, contributing to economic growth and job creation.

Financial Performance of Women Owned Enterprises

The respondents were asked to indicate their level of agreement on financial performance of women owned enterprises in Nakuru, Kenya. The findings are presented in Table 3

Table 3: Financial Performance of Women Owned Enterprises

Statement	S A %	A %	U %	D %	SD %	Mean	Std
The enterprise has increased profitability levels for the past five years.	16	10	3	37	34	3.855	1.185
Profitability ensures financial stability for the enterprise by providing a buffer against economic downturns.	34	8	55	3	0	4.403	0.778
The enterprises can access capital easily from the credit facilities.	7	3	0	46	44	4.307	0.738
Adequate capital reserves can be used to cover operational expenses and address cash flow gaps.	7	5	55	33	0	4.387	0.869
The enterprises have employed more employees for the past five years.	14	19	7	36	24	4.452	0.592
Employment opportunities offered by women-owned MSEs facilitate skill development and capacity building among workers.	24	18	37	21	0	4.371	0.607
Overall Mean and STD						**4.295**	**0.795**

According to the findings a significant portion (71%) disagrees or strongly disagrees that the enterprise has increased profitability, suggesting concerns about financial growth with a mean of 3.855 and a standard deviation of 1.185. Most respondents (97%) either agree or are neutral, recognizing the importance of profitability for financial stability. The lower standard deviation suggests more consistent responses with a mean of 4.403 and a standard deviation of 0.778. 90%) of the respondents disagrees or strongly disagrees with the ease of accessing capital, indicating significant challenges in securing credit. The low standard deviation indicates consensus with a mean of 4.307 and a standard deviation of 0.738. According to Sevo and Verheul, (2021) access to credit allows enterprises to invest in expansion opportunities such as purchasing new equipment, hiring additional staff, or expanding their operations to new markets. This expansion can lead to increased revenue and market share.

Most respondents (62%) are neutral or agree that adequate capital reserves are vital, but there's notable disagreement, reflecting varied experiences or understanding with a mean 4.387 and a standard deviation of 0.869. Opinions are divided with 60% disagreeing that there has been an increase in employment, indicating potential stagnation or decline in workforce growth. The relatively low standard deviation suggests moderate variation in responses with a mean of 4.452 and a standard deviation of 0.592. A majority of respondents are neutral or agree (79%) that employment in these enterprises contributes to skill development, suggesting a generally positive view with a mean of 4.371 and a standard deviation of 0. 607. From the findings the overall mean and standard deviation of financial performance of women owned enterprises in Nakuru, Kenya was 4.295 and 0.795 respectively. According to Robb, (2021), women-owned MSEs often prioritize investing in their employees by providing training and mentorship programs. These initiatives not only enhance the skills of the workforce but also empower employees with valuable knowledge.

Correlation Analysis

The researcher undertook correlation analysis to establish the nature and strength of the relationships between the credit facilities and financial performance.

Correlation between Credit Facilities on Financial Performance

The study sought to establish the correlation between credit facilities and financial performance of women owned enterprises in Nakuru, Kenya. The findings are presented in Table 4.

Table 4: Correlation between Credit Facilities on Financial Performance

		Financial Performance
Credit Facilities	Pearson Correlation	.477**
	Sig. (2-tailed)	.000
	N	219

*. Correlation is significant at the 0.05 level (2-tailed).

In addition, the study conducted a correlation analysis between credit facilities on financial performance of women owned enterprises in Nakuru, Kenya. The coefficient of correlation (r=0.477and p=0.000) illustrated in Table 3 showed that there was a moderate positive and significant relationship between credit facilities on financial performance of women owned enterprises in Nakuru, Kenya. The findings imply that credit facilities enhance financial performance of women owned enterprises in Nakuru, Kenya. The study findings concur with the findings of Hernandez, Gomez, Martinez and Rodriguez, (2019) which revealed a significant positive association between access to credit facilities and small business growth, with businesses that accessed credit experiencing higher levels of expansion and profitability. Moreover, Toure, Diallo, Konate, and Traore, (2021) results revealed that access to credit facilities facilitated business start-up, expansion, and innovation among young entrepreneurs, contributing to economic growth and job creation. The result also agreed with the findings of Nyambura and Were, (2020) who noted a significant positive association between access to credit facilities and small business growth, with businesses that accessed credit experiencing higher levels of expansion and profitability.

DISCUSSION

The study findings revealed that compared to traditional lending institutions, ROSCAs often offer credit at lower interest. The study also revealed that the lower interest rate of ROSCA loans reduce the financial burden on women owned MSEs. The study further revealed that ROSCAs allow flexible repayment terms tailored to the needs of the participants. The study also revealed that women owned business can negotiate repayment schedules that align with their business cash flows, minimizing the risk of default. The study further revealed that the application process of ROSCA credit is easier compared to other formal lending institutions. The study further revealed that quick access to credit through ROSCA empowers women to seize business opportunities promptly.

The findings further concluded that there is a strong, positive and statistically significant relationship (r=0.477, p=0.000) between emergency insurance services on financial performance of women owned enterprises in Nakuru, Kenya. ROSCAs offer a form of informal insurance against emergencies and unforeseen financial challenges. In the event of emergencies such as natural disasters, or unexpected business setbacks, women entrepreneurs can rely on the pooled funds within the ROSCA to cover immediate expenses. This risk mitigation aspect helps stabilize their enterprises and prevents financial distress that could otherwise jeopardize business operations. Access to emergency insurance services enhances the financial resilience of women-owned enterprises. Knowing that they have a safety net to fall back on in times of crisis allows women entrepreneurs to navigate challenges with greater confidence and peace of mind. This resilience enables them to maintain business continuity, weather temporary setbacks, and emerge stronger from adversity.

CONCLUSIONS AND RECOMMENDATIONS

Concerning the effect of credit facilities on financial performance of women owned business the researcher concluded that the lower interest rate of ROSCA loans reduce the financial burden on women owned MSEs. In addition, the study concluded that ROSCAs allow flexible repayment terms tailored to the needs of the participants. Furthermore, the study concluded that women owned business can negotiate repayment schedules that align with their business cash flows, minimizing the risk of default. Quick access to credit through ROSCA empowers women to seize business opportunities promptly.

The study recommended that regulatory frameworks governing ROSCAs be enhanced to ensure policies that facilitate access to formal credit for women entrepreneurs. By creating incentives for banks to lend to women-owned MSEs, reliance on informal sources of credit can be reduced. Additionally, the study suggested that existing policies focus on integrating financial literacy programs into the operations of ROSCAs. By partnering with financial institutions and NGOs, the government can provide resources and training that enhance the financial management skills of women entrepreneurs.

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