

Chapter 10

The Women Enterprise Fund, Kenya

10.1 Context

Kenya has emerged as one of the fastest growing economies in Africa and is now classified as a middle-income country by the World Bank (2014). Micro, small and medium enterprises (MSMEs) play an important role in the Kenyan economy. It is estimated that the sector employs about 7.5 million Kenyans or 80 per cent of the country's total employees outside of agriculture and is also a key engine for job creation (Wanjohi 2014). Recognising the critical role small businesses play in the Kenyan economy, the government through *Kenya Vision 2030* underscored the need to strengthen MSMEs by improving their productivity and innovation.¹

In this context, women's entrepreneurship in Kenya is particularly important. Women-owned businesses account for nearly half (48 per cent) of all MSMEs, and contribute around 20 per cent to Kenya's gross domestic product (IFC 2007). Of the 462,000 jobs created annually since 2000 in Kenya, 445,000 jobs have come from the informal sector, where 85 per cent of women's businesses are found (IFC 2007). Despite their potential, women-owned businesses in Kenya are smaller, less likely to grow, less profitable, begin with less capital investment than those owned by men, and are twice as likely to operate from their own homes instead of being located in a business centre. In a 2007 report, women-owned MSMEs reported earning only 57 per cent of the income that male business owners earn (IFC 2007). They also typically employ fewer people; the average number of employees in a woman-owned MSME in 1999 was 1.54, compared to 2.1 for a male-owned MSME (IFC 2007).

10.2 Key institutional actors

The Women Enterprise Fund (WEF) was established in August 2007 and launched in May 2009 by the Government of Kenya as part of its commitment to the third Millennium Development Goal on 'gender equality and empowerment of women'. It is a flagship project under the social pillar in *Kenya Vision 2030*. The vision of WEF is to socially and economically empower Kenyan women entrepreneurs for economic development through mobilising resources and offering business support services. The core values of the Fund are integrity, teamwork, innovation, courage and respect for diversity (Kiraka, Kobia and Katwalo 2013). WEF is a semi-autonomous government agency located within the Ministry of Devolution and Planning (formerly the Ministry of Gender, Children and Social Development). The Fund provides accessible and affordable credit to women to start a new business or expand an existing one. WEF loans reach beneficiaries through partner financial intermediaries and directly through the Constituency Women Enterprise Scheme (C-WES), a division of the Fund that acts as a microfinance institution targeting

women's groups within a specific parliamentary constituency. C-WES ensures that all women at the constituency level, especially those living in areas not well served by financial intermediaries, are not disadvantaged in accessing the Fund.

10.3 Theory of change

The WEF aims to reduce gender inequality in entrepreneurship by addressing the issues of opportunities, capabilities and infrastructure. It recognises that women and men have different needs regarding entrepreneurship support and that until women's needs are addressed they are unlikely to be able to start, sustain or grow their enterprises. WEF was established as a vehicle for disbursing micro-credit to poor women, who otherwise would have difficulties in accessing existing microfinance institutions and banks because of various sociocultural-economic reasons.

Female entrepreneurs in Kenya perform poorly in comparison to their male counterparts. The poor track record of women entrepreneurs has been attributed to multiple factors such as lack of credit or savings, lower education levels, inability to access training opportunities, gender bias and lack of social capital. WEF provides funding to disadvantaged Kenyan women who are at least 18 years old, who intend to invest in income-generating activities, and who already belong to appropriately registered groups that must have been in existence for three months.

10.4 Social institutions and discriminatory norms

Formal law, policies and accountability: The Constitution and the Micro and Small Enterprise Act 2012 together provide an accountability framework through which women's entrepreneurship can be promoted in Kenya. The new Kenya Constitution, which grants women equal rights before and after marriage, was promulgated on 27 August 2010. It also grants equality of inheritance rights. This provision should increase the number of women who have registered property titles, thereby making it easier to access business loans.

Access to resources and opportunity: Lack of access to credit/finance is well recognised as a main problem for female-owned MSMEs in Kenya. A 2008 International Labor Organization report (2008) noted that women made up nearly half of all MSMEs but had less than 10 per cent of the available credit and less than 1 per cent of agricultural credit. Furthermore, because women have lower levels of education and are segregated into lower paying jobs, they have lower savings with which to start a business. WEF makes it easier for the most disadvantaged women to access credit by providing loans that have not been securitised to self-help groups (SHGs).

Even when women do manage to obtain finance for their business, lack of skills and training in handling finances can be an obstacle. Under the WEF each female entrepreneur is offered training before loan disbursement takes place. The pre-loan training offered by volunteers is free of charge, and is normally conducted at venues and times that are convenient to female clients. One WEF volunteer is recruited for each constituency to provide such outreach services. The Fund also provides business support services such as capacity building, marketing, promotion of linkages and

infrastructure support. Additionally, C-WES facilitates investment in commercial infrastructure beneficial to women's enterprise, supports linkages with large enterprises, and facilitates local and external marketing of products made by female-owned MSMEs.

Women's and men's consciousness: It is expected that growth of women's entrepreneurship will encourage women to gain confidence and decision-making experience, and give them a greater sense of control over their lives in social and economic spheres. This should also help change the perceptions of both women and men about the role women can play in the economy, as well as enhancing women's bargaining power within their families. WEF has tried to sensitise communities to the value of women's economic empowerment. Most women entrepreneurs, especially in rural areas, are not represented by any association. An association for female entrepreneurs would not only facilitate networking and value added services, but also create a mechanism for a collective 'voice' that articulates the needs of female entrepreneurs in Kenya.

Informal cultural norms and exclusionary practices: Having access to property rights and land is essential for women entrepreneurs because property is used as collateral for business credit. Even though women provide 70 per cent of labour in the agriculture sector, they hold only about 1 per cent of registered land titles, with another 5–6 per cent held in joint names. This lack of land and property is a significant barrier for Kenyan businesswomen. Although women have equal rights under statutory law, provisions within customary law combined with gender bias among families and the judiciary have denied women their property rights.

Gender bias also contributes to women business owners' lack of access to finance. For example, a report by the International Finance Corporation, a member of the World Bank Group, noted that bank officials in Kenya often discriminated against female business owners, ignoring them in meetings and preferring to speak to their husbands or their male business partners. Female entrepreneurs often feel intimidated by the negative attitudes and harassment of government officials (Ellis 2007), and are afraid to navigate the complex bureaucratic process required for registration of their businesses. As a result, only 15 per cent of women-owned MSMEs are recorded as being in the formal sector in Kenya.

10.5 Strategies

In response to these challenges, the Government of Kenya introduced the WEF so that women are able to access credit easily, grow their business, and create wealth for themselves and the country. WEF allows women to borrow money to engage in businesses and other income-generating activities at reasonable interest rates without the requirements of collateral and having to deal with complex bureaucratic processes. The government envisioned that the growth of women's entrepreneurship would be critical to the growth of MSMEs. WEF has a five-fold mandate:

1. Provision of affordable and accessible credit.
2. Capacity building of female entrepreneurs and their organisations.

3. Facilitating and supporting domestic and international marketing of goods produced by women-owned enterprises.
4. Facilitating and attracting investments in infrastructure, such as professional work spaces and business incubators for women-owned enterprises.
5. Facilitating and supporting linkages between women-owned enterprises and large corporations.

WEF management was extremely conscious of the fact that ‘business as usual’ approaches towards providing microcredit would not benefit poor women, particularly rural women. Access to credit is open to economically active Kenyan women, 18 years and older, who want to start a business or are in growth-oriented enterprises. The Fund supports women in MSMEs from all sectors of the economy, including individual women, registered female SHGs and companies owned by women. Men can also be members of the group, provided that 70 per cent of the members are women and all leadership positions and signatories to the accounts are held by women (WEF 2013). The WEF strategy provided a flexible and innovative response to promotion of women’s entrepreneurship development based on the sociocultural context specific to Kenya.

Programme design: The WEF programme was designed to service women entrepreneurs, particularly those residing in rural areas. Rural women had been financially excluded because the majority of the formal and informal financial service providers were concentrated in densely populated urban areas with more profitable business opportunities. To address this challenge, WEF was designed as a national programme that was devolved to all 290 parliamentary constituencies. This promoted equitable access to financial services across the country. At inception, credit was allocated equally, but later it was modified to take account of good loan repayment and demand. As a revolving fund, a constituency has to achieve a loan repayment rate of over 50 per cent so that women can continue accessing loans.

Process: Low education levels and in particular low financial literacy among women mean that many are unable to understand the complicated documentation required by formal financial institutions. WEF has simplified its processes to address this barrier to women’s access to credit. The loan approval process takes place at the local level with loan committees that have women representatives. Other lenders are invited to the committees for credit information sharing, commonly referred to as localised credit reference bureaus, to weed out serial defaulters.

Furthermore, WEF has recruited local volunteers who speak the local language that female clients understand. The volunteers mobilise local communities to form SHGs and support their registration with a government agency. The volunteers also provide training to women in basic business management skills using a standard curriculum. This pre-loan training is a precondition for a group to get a loan.

Loan repayment is done using mobile phones, using M-PESA or the nearest agent of the largest bank, Kenya Commercial Bank (WEF’s bankers). M-PESA is a mobile phone service for sending and storing money offered by Safaricom, Kenya’s largest

mobile service provider. Safaricom customers can register for M-PESA by visiting one of more than 10,000 merchants who act as ‘agents’ for account opening, handling of deposits and withdrawals through the customer’s virtual ‘wallet’, and customer support. Customers can then use an application on their mobile phone to check their balance, send money to other people, pay bills and purchase mobile phone airtime. Customer funds are held in a special trust account at the Commercial Bank of Africa (Morawczynski and Pickens 2009). The service is affordable and also convenient for female clients, who are known to be ‘time poor’, as it spares them the long journeys – sometimes up to two days – to local branch offices to repay their loans. Loan repayments have improved dramatically since the introduction of these modes of payment.

Product design: Cognisant of the low financial literacy of the majority of the target women, WEF has two products with very basic features that poorly educated women can understand: a group-based loan product and individual-based loans. WEF also provides unsecured loans (non-collateralised lending) to SHGs, which use peer pressure to ensure repayment and reduce the number of defaulters. Men are allowed to join the groups on the condition that at least 70 per cent of group members are women.

Pricing: In order to make sure female entrepreneurs are not overburdened with the high cost of credit, WEF has come up with a pricing structure that is reasonable for rural women. This includes a grace period of one to three months for loans taken by SHGs along with reasonable interest rates (8 per cent). The loans provided through the C-WES mechanism are interest free with only a 5 per cent administrative fee, and are repayable within one year with a grace period of three months before repayment begins (WEF 2013).

10.6 Outcomes to date

WEF has expanded women’s access to financial resources and economic opportunities: The Fund has been successful in providing access to credit to disadvantaged women, particularly those in rural areas. Since its inception, 647,116 female entrepreneurs have received loans from WEF to the tune of KSh3.2bn (US\$38.1m). Loan repayments have also been impressive, standing at 92 per cent for the group loan (through C-WES) and 99.8 per cent for individual loans taken through the financial intermediary partners. A total of 83 financial intermediary partners have been engaged competitively across the country to make the funds more accessible.

Box 10.1 Appraisal for WEF 2009 by the Federation of Women Lawyers

Women beneficiaries reported a surge in business, increased volumes and sales, employment creation and accelerated loan repayment.

WEF has built the entrepreneurship skills of women: By 2013, 274,857 female entrepreneurs had been trained on business skills and record keeping. Furthermore, over 9,000 women had been sensitised on the formation of co-operative savings and credit societies (SACCOs), and a total of 15 female-controlled SACCOs have been registered and operationalised.

WEF has helped women diversify business and access new markets: WEF has helped women entrepreneurs expand their business by adding or changing new products and services. One study found that in a sample of 900 women entrepreneurs supported by WEF, 63.8 per cent had changed or added products to their existing product line, while 44.2 per cent had changed or added services to their core businesses in the post-loan period. Similarly, 40 per cent of the enterprises were able to identify new markets and 42.7 per cent indicated having innovated in their supply chains by identifying new sources of raw materials. The largest innovation concerned banking, with 68.4 per cent using mobile phone-based banking solutions such as M-PESA, Airtel money and M-Keso in their business operations (Kiraka *et al.* 2013).

Promotion of local and international marketing: WEF has partnered Export Promotion Council, a government institution with a mandate to develop and promote export trade, to enhance Kenyan women's access to international markets. Through this partnership, over 310 women entrepreneurs have undergone training in marketing internationally and 132 assessed in export readiness. Furthermore, female entrepreneurs are supported to attend domestic trade fairs and exhibitions, and connect with larger companies in Kenya (WEF 2013).

10.7 Lessons learned and the way forward

The success of the WEF in Kenya in promoting gender equality and women's empowerment through the provision of inclusive financial services offers interesting lessons to policy-makers and practitioners. WEF has clearly demonstrated that it is possible to significantly increase access to credit for poor and disadvantaged women if the financial inclusion programme is properly designed and implemented.

Clear understanding of barriers to financial inclusion: At the conception stage, effort was made to understand why women are financially excluded in Kenya and to address the specific institutional, cultural and structural factors that act as barriers. Some of these barriers to women's entrepreneurship were addressed by providing interest-free loans, collateral-free lending, use of community volunteers to mobilise and train women, and greater market access to female entrepreneurs by linking them with associations, export councils and other large companies.

Use of SHGs to increase women's access to credit: The formation of SHGs and their use as a mechanism to disburse funds has made it possible for more women to access credit. The SHGs disburse funds based on savings and co-guarantees, bypassing the requirement of complex procedures mandated by formal financial institutions. According to WEF in 2014, the Kenya National Bureau of Statistics cites an average of 3,000+ per constituency of registered SHGs formed by women in Kenya. This

suggests that SHGs have been a popular mechanism by which Kenyan women have been accessing funds.²

Importance of partnerships: WEF recognises the value of collaborating with other like-minded public, private and non-state actors in its programmes to leverage skills and other resources. The partnership approach has enabled WEF to remain lean, efficient and more flexible in responding to women's needs. WEF has also leveraged its partnerships with private, public and non-state actors for capacity building, product development, marketing and linkages, incubation, etc. Partner institutions include the Export Promotion Council, UN Women, Undugu Fair Trade Ltd., Jomo Kenyatta University, International Labour Organization, Social Impact Institute, Hand in Hand East Africa, Ministry of Co-operatives and Ministry of Provincial Administration. In partnership with UN Women, Social Impact Institute and Joyful Women Organization, WEF facilitated participation of 100 female poultry farmers from one county to visit the largest poultry farmer in East and Central Africa. The partnership with Export Promotion Council has helped female entrepreneurs access international markets; 132 female entrepreneurs have been trained in international trade and of these 108 have been assessed for export readiness.

Use of mobile phone technology: WEF has deployed the use of mobile phones (M-PESA) for loan repayments and uses 'SMS' (short message service) to interact with clients. Women are able to receive their loan account statements on their phones. This has saved them the transaction costs previously encountered in travelling to a bank to repay loans.

WEF proposes to expand its operations in multiple ways through:

- **Increasing its product offering:** For example, there is a plan to roll out weather-indexed insurance for agriculture related activities. WEF is also planning to include micro-insurance for both the borrower and their assets, and to introduce savings products.
- **Financial literacy training:** This will be modified to include other issues relevant to women and their families' well being (e.g. reproductive health, the environment, family nutrition, sanitation, legal rights to property, etc.).
- **Delivery channels:** To improve access to services, WEF will adopt non-bank entities that will provide financial services.
- **Partnerships:** WEF will continue to seek out and enlist the support of like-minded partners to leverage skills and other resources.
- **Proactive promotion and support for women-owned SACCOs:** Sustainable women's economic empowerment will be guaranteed when women have control of financial institutions. WEF will continue to invest in this area.

Notes

1 *Kenya Vision 2030* is the country's long-term development blueprint covering the period 2008–30, which is being implemented through successive five-year plans. It was launched in June 2008 and has the overall objective of converting Kenya into a middle-income country that provides a high quality

of life for all its citizens. The Vision has been developed through an all-inclusive and participatory stakeholder consultative process involving Kenyans from all parts of the country. Its three main pillars are the economic, the social and the political. See: www.vision2030.go.ke/wp-content/uploads/2015/06/Vision2030_Popular_version_final2.pdf (accessed on 18 July 2015).

- 2 A recent review of WEF in one constituency recommended that the Fund should increase loan sizes and work out ways of providing individual loans though group lending, as well as sensitise men to get more involved. See Ijaza, Mwangi and Ng'etich (2014).

References

- Ellis, A (2007), *Gender and Economic Growth in Kenya: Unleashing the Power of Women*, World Bank, available at: www.ifc.org/wps/wcm/connect/84f6b48048855d698ee4de6a6515bb18/Gender+and+Economic+Growth+in+Kenya.pdf?MOD=AJPERES (accessed on 11 May 2015).
- Ijaza, AK, SW Mwangi and KA Ng'etich (2014), 'Challenges Faced by the Women Enterprise Fund in Kenya: A Survey of Hamisi Constituency, Vihiga County-Kenya', *Research on Humanities and Social Sciences*, Vol. 4 No.14, ISSN (Paper), 2224-5766, ISSN (Online) 2225-0484, available at: <http://iiste.org/Journals/index.php/RHSS/issue/view/1282> (accessed 14 May 2015).
- International Labor Organization (ILO) (2008), *Factors Affecting Women Entrepreneurs in Micro and Small Enterprises in Kenya*, available at: www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/@ifp_seed/documents/publication/wcms_107507.pdf (accessed on 12 May 2015).
- Kiraka, RN, M Kobia and AM Katwalo (2013), 'Micro, Small and Medium Enterprise Growth and Innovation in Kenya: A Case Study on the Women Enterprise Fund', *Investment Climate and Business Environment Research Fund*, 28-82, available at: www.strathmore.edu/pdf/Final-Research-Report-TA-11-056.pdf (accessed on 11 May 2015).
- Morawczynski, O and M Pickens (2009), 'Poor People Using Mobile Financial Services: Observations on Customer Usage and Impact from M-PESA', available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/9492/503060BRI0Box31MPESA1Brief01PUBLIC1.pdf?sequence=1> (accessed on 15 September 2015).
- The World Bank (2014), 'Country and Lending Groups', available at: http://data.worldbank.org/about/country-and-lending-groups#Lower_middle_income (accessed on 24 August 2015).
- Wanjohi, AM (2014), 'SME Policy in Kenya: Issues and Efforts in Progress'. Nairobi, available at: www.kenpro.org/sme-policy-in-kenya-issues-and-efforts-in-progress/ (accessed on 18 July 2015).
- WEF (2013), 'Women Economic Empowerment Agenda', Status Report, April 2013, available at: www.wef.co.ke/images/pdf/women-economic-empowerment-agenda-a-status-report.pdf (accessed on 14 May 2015).
- World Bank Group, International Finance Corporation (IFC) (2007), 'Voices of Women Entrepreneurs of Kenya', available at: www.ifc.org/wps/wcm/connect/e00d6c0048855a36857cd76a6515bb18/Voices+of+Women+Entrepreneurs+in+Kenya.pdf?MOD=AJPERES (accessed on 11 May 2015).