Website:www.jriiejournal.com ISSN 2520-7504 (Online) Vol.6, Iss.2, 2022 (pp. 70 - 78)

Influence of Micro-Finance Credit on Livelihoods of Women Beneficiaries in Kisumu East Sub-County, Kenya

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Abstract: *Traditionally, the benefits of microfinance credit on women recipients have been viewed solely in terms of their participation in economic activities and productivity, at the expense of empowerment through changes in power structures and gender relations, particularly in rural areas. The aim of this paper was to determine the influence of micro-finance credit on livelihoods of women beneficiaries in Kisumu East Sub-County, Kenya. Descriptive research design was used in this study. The target population was 375 women from 25 groups, and officers of six Micro Credit Institutions providing microfinance credit to women. Through simple random sampling, 30% of the membership (113 women) and eight Self-Help Groups were selected to participate in the study. Purposive sampling was used to obtain one (1) senior official and one (1) field officer from each of the 6 Microfinance institutions. Questionnaires, interviews and Focus Group Discussions were used to obtain both quantitative and qualitative data. Quantitative data was analyzed using percentages and means and results presented in Tables and Figures while qualitative data was thematically analyzed. The study found out that Micro-credit activities influenced livelihood of women beneficiaries. This is because women beneficiaries felt empowered financially as they gained financial stability from such investments. Additionally, women beneficiaries gained financial freedom and therefore were in a position to buy some households goods on their own without depending on their spouses. The study recommended that women should enhance their participation in micro-credit activities so as to feel more empowered financially and gain financial stability for investments.*

Keywords*: Influence, Microfinance, Livelihoods, Women, Credit*

How to cite this work (APA):

Oluoch, M. A., Lumayo, M. F. & Mose, G. N. (2022). Influence of Micro-Finance Credit on Livelihoods of Women Beneficiaries in Kisumu East Sub-County, Kenya. *Journal of Research Innovation and Implications in Education,* 6(2), 70 – 78.

1. Introduction

Microfinance initiatives have been regarded as an essential development strategy around the world for more than three decades (Datta & Sahu, 2022). Governments and nongovernmental organizations (NGOs) in almost every country have introduced and run various credit programs aimed towards the underprivileged. Because women are more credit constrained, have limited access to the wage labor market, have a small amount of authority in household decision-making, and have higher loan repayment rates than males, the majority of these programs specifically target women (Kato & Kratzer, 2013).

As a result, women are regarded as having low credit risk and are more inclined to share the loan's benefits with other family members, particularly their children. The goal of focusing on women is to raise their social and political awareness, as well as provide training and skill development (Samer, Majid, Rizal, Muhamad & Rashid, 2015). Although there is a tiny conceptual distinction between the two concepts. Credits, savings, insurance, housing loans, remittances, money transfers, and other financial products are all part of microfinance.

In many nations, the sum of such a loan is less than $1,000, though there are a few exceptions around the world. It is a credit delivery and savings mobilization system intended specifically to address the financial needs of the poor (Bhusal, 2010). Microcredit earnings are intended to be used as seed capital for a small enterprise, allowing the poor to become self-sufficient and eventually escape poverty. Micro-finance refers to financial services provided in the form of small loans to the poor in order to help them start or expand their small businesses, which can help them improve their living standards by increasing their earning capacity and empower women by allowing them to make economic decisions and alleviate poverty (Jones-Esan, 2022). It primarily targets impoverished entrepreneurs and low-income households that lack collateral and do not have access to traditional bank loans in order to expand their businesses and overcome poverty by diversifying their activities (Doering & Wry, 2022).

The ultimate purpose of microfinance is to empower women. Varied researchers have different perspectives on the term "empowerment." Empowerment, according to Bhatti (2012), is reflected in a person's capability set, which is dependent on a variety of aspects such as a person's personal traits, proper diet, good health, good shelter, and social arrangements. Empowerment, according to Hunt and Kasynathan (2001), is linked to the process of internal change, but Kabeer (2001) feels it is linked to the capacity and right to make decisions. Microcredit organizations provide microloans to the most vulnerable members of society who are unable to rely on banks (the unbanked population), which is primarily made up of rural women who work in agriculture (Intrisano & Micheli, 2015).

Microcredit operations are carried out by microfinance institutions in Sub-Saharan Africa (including Uganda, Kenya, and Tanzania) (MFIs). This financial institution is similar to commercial banks, except that it lends and borrows with the primary goal of assisting the poor in obtaining credit who may not be able to obtain credit from traditional financial institutions because to a lack of collateral security (Hilson & Ackah-Baidoo, 2011). Microcredit organizations, NGOs, and other non-bank entities have provided women with financial services in the form of credit and savings programmes.

Kenya's microfinance sector is one of the most active in Sub-Saharan Africa, with a wide range of institutional forms and a sizable branch network to serve the underprivileged (Wambugu & Ngugi, 2012). According to Muriungi (2014), between 2006 and 2009, Kenya's MFI coverage expanded from 1.7 percent of the population to 3.4 percent of the population. At the same time, the deposits base increased by 6.4 percent to Kshs. 16.4 billion from Kshs. 15.3 billion in December 2012.

MFCs are thought to account for about 60% of employment and 55% of Kenya's Gross Domestic Product (GDP) (Kithae, 2012). Women-owned businesses account for more than half of all Small-Scale firms. Rural women entrepreneurs in Kenya are classified as Jua Kali micro-enterprises, very small micro enterprises, and small-scale enterprises by Stevenson and St-Onge (2005), based on their demographic characteristics, past business experience, demands, access to resources, and growth orientation. Due to the difficulty of accessing MFCs, the majority of rural women in Kenya conduct businesses related to their traditional responsibilities, such as hairstyling, restaurants, hotels, retail, and wholesale establishments. Improved access to manageable MFC facilities is critical for raising the status of women in rural settings (Okibo & Makanga, 2014).

Kisumu East Sub-County is one of Kisumu County's seven sub-counties, located in the country's western region. The Sub-County is located in a lowland area with inconsistent rainfall patterns, posing a persistent danger to food security. The Sub-County, like many other places of Kenya, has a high rate of unemployment. Formal work prospects are sparse, which is exacerbated by the lack of sufficient infrastructure development (Omondi & Jagongo, 2018).

Microfinance is the provision of financial services to low-income clients or solidarity lending organizations who do not have access to traditional banks. Due to their incapacity to raise collateral security to guarantee loans, women-owned businesses have traditionally been overlooked by conventional credit policies of commercial banks. Women, who make up a substantial and growing sector of the informal economy, are frequently overlooked by commercial banks, which focus on formal firms. Similarly, research on the impact of microfinance credit on women's empowerment have been focused on the savings and credit products launched by MFIs, with little attention paid to women's socioeconomic and political empowerment in Kisumu's rural areas. This study bridged the gap by examining the impact of microfinance credits on rural women's empowerment Kisumu East Sub-County Kenya.

2. Literature Review

Women are more disadvantaged in the labor market than males, according to Chant as cited in Cameron, Suarez and Rowell (2020) since they have fewer financial resources to operate a small business, their skills are mostly domestic, and their mobility is lower than men's. Women have been disempowered as a result of these disadvantages, according to Boateng (2014), in terms of power over resources, work, education, health, involvement in socio-political activities, and family decision-making.

Despite the fact that women's participation in the global labor force has increased as a result of the expansion of the tertiary sector and the rising level of women's education, Annim (2012) claims that women are socially and economically mistreated in the workplace, leaving them deprived and powerless. All developing countries are concerned about women's empowerment as a result of this, Kissi, Ahadzie, Debrah and Adjei-Kumi, (2020) agrees that contemporary development policies in many developing nations are oriented to women's empowerment. Women's empowerment is determined by a variety of socioeconomic circumstances. Self-strength, control over resources, freedom of choice, a life of dignity, access to fundamental human necessities, struggle for rights, autonomy, and decision-making capability are also described by the World Bank Group (2014). According to Kamasa, Adu, & Oteng-Abayie, (2019), empowerment may be described as a woman's increased responsibility and influence over numerous aspects of her life. In their study on women's economic empowerment in South Asia, Rehman, Moazzam and Ansari, (2020) defined empowerment as a financial improvement that increased negotiating power and structural transformation that allowed women to get monetary benefits on a continuous basis.

Empowerment, according to Sutton-Brown (2011), is a multi-dimensional and subjective concept that is more strongly tied to inner feelings than outside behavior, is always evolving, is influenced by cultural circumstances, and is the result of multiple experiences. She stated that microfinance lending institutions safeguard borrowers from financial hardship by encouraging saves and increasing income, as well as allowing borrowers to access resources necessary for survival, and increasing the number of cultured and competent individuals.

According to Abedin and Moula (2012), there are two primary characteristics of empowerment that can explain whether or not women benefit from using micro-financial resources. Personal empowerment and political empowerment are the two types of empowerments, with decision-making power at the center of the empowerment state. It is the ability to generate money that allows people to participate in financial decision-making. Empowerment, according to Akande (2012), is a way of altering current power dynamics and gaining greater control over resources. She believes that women's empowerment causes her to question male supremacy, allowing her to gain access to and control over resources, as well as altering the institutions that support the concepts and traditions of subordination.

In his study, Rodriguez, (2022) defined empowerment as growth in social and physical settings, as well as decision-making ability and control over resources and systems for sustaining these gains. Women's empowerment, according to Samineni & Ramesh, (2020), is described as control over decisions that affect their lives and self-determination, as well as the ability of women to be financially independent. Babajide, *et al.,* (2022) found that useful programs initiated by authorities concerned with boosting women's access to information and education can increase empowerment. Chowdhury, *et al.,* (2019) did a study in Bahawalpur, Pakistan, and discovered that using microcredit in various income-generating activities empowers women on economic, family, and personal levels. Women gain influence on a variety of levels as a result of economic empowerment.

According to Bhattacharyya, (2019), micro-finance loan had a vital role in alleviating poverty by generating revenue and empowering women by giving them control over resources, which raised their integrity and knowledge. According to Arini, (2018), empowerment entails self-assurance, respect, access to resources, participation in decision-making, control over remuneration, and improved well-being. It is a process of change that allows them to regain control over their lives. Microcredit initiatives have a good impact on people's lives. Pakistan is a male-dominated society in which women feel disadvantaged and poor; to address this issue, women must be empowered. The researcher went on to describe empowerment as the process of gaining control over one's life on a financial, social, and political level. Women's ability to control decision-making and family transactions improves as a result of micro-finance credit, and their position within the family and community improves. Women's self-confidence is boosted by microfinance loans, which also improves gender relations, reduces family violence, and promotes economic emancipation.

According to Chowdhury, *et al.,* (2019), women's empowerment requires the establishment of large literacy initiatives and proper training. This is one of the most effective strategies to alleviate rural women's poverty. Women who are educated are better able to preserve their rights and standing, and their skillfulness has a positive impact on their socioeconomic situation. According to Chowdhury, *et al.,* (2019), exposing women to financial services makes them more self-assured, decisive, and capable of dealing with systemic gender discrimination. Similarly, Kabeer in Maîtrot, (2022) shows that women spend more on their family's well-being than their male counterparts in his study.

According to Bennett in Akter *et al.,* (2021), empowerment entails increasing one's possessions, whereas social inclusion entails removing institutional barriers and improving incentives to grow one's possessions and expand one's vision. In addition to empowerment, he incorporates the expression of social insertion. Women's status, gender equality, women's empowerment, and women's self-sufficiency are all associated terms, according to these criteria (Al-Shami *et al.,* 2018). A woman is empowered if she is capable of making decisions and utilizing both non-material and material resources for the betterment of herself and her family and thus the current paper investigated the effects of micro-finance institutions on socio-economic empowerment of women in Kisumu East Sub-County, Kenya. Training is a key micro-finance aspect for women entrepreneurs since it provides the necessary skills and expertise (Akter *et al.,* 2021). Inadequate working capital, poor technical and managerial skills, lack of marketing techniques, lack of work sites and security and basic infrastructure, hostile business environments, poor project and planning skills, and lack of information on available assistance programs have been cited as problems for women who manage to start a business (Hansen, Huis, & Lensink, 2021). Some studies show that post-secondary education and skill training have a favorable impact on business performance (Sendra-Pons *et al.*, 2021).

Women working in areas where considerable parts of the population are impoverished encounter a number of significant challenges (Rui, & Nie, 2021). Due to a lack of fundamental accounting abilities, insufficient technical and business management skills, and socio-cultural constraints, they are unable to determine the profitability of their activities (Hansen *et al.,* 2021). Training is therefore crucial since it is a means for rural women entrepreneurs to acquire important skills. Women entrepreneurs can use microfinance to supplement their income and become financially independent of their husbands (Hambolu, 2021) As a result, they become partners in contributing to the well-being of their families and communities. Women can expand their enterprises and use the revenues to service their loans if they have access to financing. This cycle eventually aids women's growth and increases their earning ability. Participating women's income has been shown to grow as a result of microfinance in the past. This is due to the availability of microcredit, which also includes training on how to manage small loans.

The ability to save rather than relying on credit would help the poor escape poverty (Hambolu, 2021). Savings ability and prospects also function as insurance against illness and temporary unemployment (Kissi, *et al.,* 2020). Women who want to start a business encounter two big obstacles: a lack of finances and the inability to obtain loans. Rural women also lack managerial skills, despite the fact that women are naturally competent at running small enterprises. Their biggest stumbling block is their inability to predict how profitable these projects will be. Women cannot be blamed for not having accounting or managerial abilities. The fact that saving enhances the borrower's responsibility and self-help, as well as familiarizes them with prompt repayment, are among the non-material benefits of saving for low-income micro-entrepreneurs (Hambolu, 2021).

3. Methodology

The study was undertaken in Kisumu East Sub-County, Kisumu County, Kenya. The descriptive research design was used to find out the relationship between micro-finance credits and livelihoods of women. The target population was 25 market trader groups utilizing microfinance services within Kisumu East Sub-County. According to data from sub-county social service office, there are 25 registered self-help women groups in sub-county comprising of 375 members. The study population also included officers of six Micro Credit Institutions providing microfinance credit to women (Faulu Kenya, Small and Micro Enterprises Programme (SMEP), Jamii Bora, Kenya Rural Enterprise Programme (K-REP), Rafiki Microfinance and Kenya Women Finance (KWF). Through simple random sampling, 30% of the membership (113 women) and eight Self-Help Groups (SHGs) were selected for interviews and questionnaire administration (Mugenda & Mugenda, 2003). The 8 SHGs were picked purposively from each ward based on the number of women receiving loans from Micro Finance Institutions, thus SHGs with the highest number of members receiving MFC and the highest number of institutions providing MFC were considered. Three (3) SHGs were picked from Kajulu ward, two (2) from East Kolwa ward and three SHGs (3) from Central Kolwa ward. Purposive sampling was used to get two (2) officials, one (1) senior official and one (1) field officer from each of the 6 MFIs.

The sampling frame were the registered women Self Help Groups (SHG) in three (3) rural wards Kisumu East Sub-County. The sample for the study was drawn from a list of women who have received credit from six (6) MFIs that have been operating in Kisumu East Sub-County from the year 2010-2020. The MFCI in Kisumu East sub-county includes Faulu Kenya, Small and Micro Enterprises Programme (SMEP), Jami Bora, Kenya Rural Enterprise Programme (K-REP), Rafiki Microfinance and Kenya Women Finance Trust (KWFT).

The study used questionnaires to collect quantitative data on micro-credit finance and its effects on livelihoods while interview guides and Focused Group Discussions (FGDs) were used to collect qualitative data. Validity of the instruments were determined through expert judgement and in addition, the researcher designed questionnaires and interview guides that adequately addressed the construct or area under investigation while reliability was determined by piloting the instruments and calculating Cronbach Alpha. Quantitative data were analysed using descriptive statistics with the help of Statistical package for Social Sciences (SPSS Version 25). The qualitative data collected was analyzed using the content analysis technique. The responses from different respondents were compared and summarized according to the objectives of the study. This study raised a number of ethical concerns, both in terms of primary data collecting and in terms of secondary data collection. Some of the information, for example, was classified due to its sensitivity. The responders were promised that all information collected would be kept strictly confidential. According to ethical considerations, respondents' identities were kept hidden (Saunders & Thornhill, 2009). To prevent distorting obtained data, analysis, and interpretation techniques to further personal agendas, objectivity was maintained in this study. The researcher followed the idea of voluntary engagement of respondents when gathering qualitative data. Participants in this study were informed that participation in the study was completely optional, and that they might withdraw at any time without facing any negative consequences. The study respondents were given an introductory statement outlining the study's purpose, as well as assurances of anonymity and confidentiality. Before beginning data collecting, permission from Kisii University's Board of Postgraduate Studies was acquired.

4. Results and Discussion

The aim of this paper was to determine the influence of micro-finance credit on livelihoods of women beneficiaries in Kisumu East Sub-County. Respondents were asked to rate their level of agreement on a five-point likert scale items in the questionnaire on influence of micro-finance credit on livelihoods of women beneficiaries. Their responses were tabulated and means calculated. The results are presented in Table 1.

Table 1: Microfinance credit and Livelihood

Statement	Mean	Std. Deviation
Family life has improved as a result of women being able to invest in loans Micro Finance Institutions	1.19	.544
A man should have a job and a woman should take care of the household and the family	4.00	1.414
By creating jobs and generating income as a result of investment using credit from MFIs, there has been an increase in wellbeing of women in rural wards of Kisumu East Sub- County	1.94	1.124
Credit borrowed from MFIs has been used for consumption smoothing	1.63	1.258
Women are involved in purchase decisions such as purchase of foodstuff, clothing and toiletries	2.06	1.652
Access to microfinance products and services have facilitated women's purchase of foodstuff, clothing and toiletries	1.50	1.155
Overall Score	**2.05**	**1.191**

Key: 1.0-1.4 Strongly Agree; 1.5-2.4 Agree; 2.5-3.4 Undecided or Neutral; 3.5-4.4 Disagree; 4.5-5.0 Strongly Disagree

Table 1 shows respondents strongly agreed family life improved as a result of women investing in Micro Finance Institutions Loans (mean=1.19; std. deviation=.544); agreed by creating jobs and generating income as a result of investment on credit from MFIs, and there has been an increase in wellbeing of women in rural wards of Kisumu East Sub- County (mean=1.94; std. deviation=1.124); agreed credit borrowed from MFIs has been used for consumption smoothing (mean=1.63; std. deviation=1.258); agreed Women are involved in purchase decisions such as purchase of foodstuff, clothing and toiletries (mean=2.06; std. deviation=1.652); and agreed access to microfinance products and services have facilitated women's purchase of foodstuff, clothing and toiletries (mean=1.50; std. deviation=1.155). However, the respondents were undecided whether a man should have a job and a woman should take care of the household and family (mean=4.00; std. deviation=1.414). The overall score revealed that respondents agreed micro-credit influence livelihood of women beneficiaries in Kisumu East Sub-County (mean=2.05; std. deviation=1.191).

Participants in the nine member FGDs were asked to respond to questions related to microfinance credit and livelihoods of women beneficiaries. Specifically, participants were asked to respond to the set of questions. Question one was, 'what type of credit do you access?' To a large extent, participants were responsive to the question. During the FGDs, three of the nine participants suggested access to group lending, which prompted the others to echo the same. In the words of the three participants were captured thus:

"Group lending is what I access" **[Respondents 3, 5 and 7]**

Question two was, 'what type of credit do you access?' Generally, participants were responsive to the question. However, some participants were somewhat hesitant in providing responses. Nevertheless, during the FGDs, with the support of the others, two of the nine participants suggested cash as the main type of credit. Extract from two of the nine participants was:

"…cash credit is what we access." ***[*Respondents 6 and 9]**

Question three was, ‘what benefits do you gain from using micro-credit?’ The response was impressive as eight of the nine-member group actively answered the question. However, one member was not sure. The uncertain member responded:

“I am not sure but I just feel I benefit.” **[Respondent 4].**

Nonetheless, it was clear after FGDs that participants felt empowered financially as they gained financial stability from such investments. Sampled responses of five participants were:

> *“I feel empowered at the household level because the poorer a household, the more likely it is to rely on women’s earnings as its most important source of income. Female entrepreneurs are more likely to be widows, female heads of households, or younger, childless women who are either the sole income earners for their families or sources of much needed supplemental income. By turning income into assets, financial services can increase the range of strategies we have to choose from in managing the family’s resources, thus shoring up precarious household security. I feel empowered at household level”* **[Respondents 1, 3 and 6]**

> *“Financial stability from the chicken rearing business I started…. chicken farming, in the long run, empowered me as a rural woman by providing women with economic independence and power of decision making* **[Respondents 5 and 7]**

Question four was, ‘what changes have you experienced in your household because of credit utilization?’ There were excellent responses to the question as the nine participants deliberated effectively. During FGDs, there was unanimous deliberation that improved expenditure and financial freedom have been experienced in the households. Extracts from the two sampled participants’ responses were:

> *“My expenditure level has improved……. my spending has increased on education, meat and fish purchases, and festivals and ceremonies. Follow-up research suggests that financial access among these unbanked female heads of household led to an increase in schooling levels of my daughters and the education aspirations I have for them. MFC has also helped my household better respond to health emergencies. I have witnessed a smaller drop in income after a health shock and a corresponding increase in health-related expenditures unlike when I did not access credit from micro credit finance institutions* **[Respondent 4]**

> *“Financial freedom has been realized”* **[Respondent 10]**

Question five was, ‘is it useful for people to access micro-credit facilities?’. The response to the question was generally high as seven out of nine members participated actively. During the FGDs, while two of the active seven participants suggested it useful for people to access micro-credit facilities to some extent, five of the seven concurred it is a useful venture. Extracts of the sampled responses were:

> *“To some level- not 100% as some people cannot repay loans”* **[Respondent 1]**

> *“Yes, it is useful for people to access credit facilities ……..Access to credit has the potential to increase women’s economic empowerment and women’s business growth as it initiates a virtuous spiral of social, economic and political empowerment and well-being* **[Respondents 5 and 7]**

Question six was, ‘how do you rate your household income before and after using micro-credit facilities?’ Generally, participants were responsive to the question. However, two participants out of nine were somewhat hesitant in providing responses. The two hesitant ones responded:

> *“I think of …it is good rate.”* **[Respondents 4 and 5].**

Nevertheless, during the FGDs, seven of the nine FGDs participants suggested there was economic change of their households. Extracts from sampled voices of participants were:

> *“My household income has truly increased since I began accessing micro credit” “As a woman I focus on small stock production in my village. “I have built my capacity as a lender and I now qualify for more loans and grants from County Government and financial institutions.”. “My businesses are profitable, I have good records and I can repay the loans.”* **[Respondent 3]**

> *“There is some economic change for example I was able to buy some households goods such as electronics”* **[Respondent 2]**

Question seven was, ‘what problems did you experience in using micro credit facility?’. Generally, participants were responsive to the question. Nevertheless, during the

FGDs it was revealed that while six participants experienced no problems utilizing credit, three had had issues of repaying installment money on time. The following statements were sampled:

> *"I experienced no problem in utilizing micro credit"…… Most of my Microcredit loans are not used to fund consumption to cover short term emergencies but to address long-term economic growth.* **[Respondents 1and 9]**

> *"Sometimes I never had installment money on time…. but microcredit services and products have enabled me to have regular income and that equally microcredit services and products have enabled me to be aware and access income generating opportunities* **[Respondent 4]**

Those who had issues with installment money were asked, "How do you sort out instalment issues?" After FGDs, it was revealed that they sort out their problem by using their merry go round cash to settle the loans. The statement below sampled from two participants:

> *"I used my merry go round cash to settle the loan"* **[Respondent 3 and 4]**

Last, the question, "suggest ways that can be adopted in using micro credit facilities to enhance household income?" Generally, participants were responsive to the question. However, some participants were somewhat hesitant in providing responses. The few hesitant one's respondent, "I don't know whether use of profit can solve…" Nevertheless, during the FGDs, there seemed to be a consensus that use of only profits to buy households items and MFIs increasing amounts loaned out could enhance household income. Sampled statements were as follows:

> *"Use only profits to buy household goods before reinvesting the capital."* **[Respondent 5]**

> *"MFIs should consider increasing amounts loaned out in order to enhance household income"* **[Respondent 4]**

These findings concurred with Khan and Azam (2019) who established that MFI have helped women groups and self-help groups (SHGs) to increase their economic power by investing loans in productive activities which additionally supports them in asset possession. These authors observed changes in financial position of poor households and has increased social mobility in women SHGs. Moreover, the findings agreed with Armendáriz and Roome (2008) who argued that micro-finance empowers women by strengthening their economic roles in households which can be tied to the contributions of MFIs.

5. Conclusion and Recommendations

5.1 Conclusion

Micro-credit activities influenced livelihood of women beneficiaries in Kisumu East Sub-County. This is because women beneficiaries felt empowered financially as they gained financial stability from such investments. Additionally, women beneficiaries gained financial freedom and therefore were in a position to buy some households goods on their own without depending on their spouses.

5.2 Recommendations

The study recommended that women should enhance their participation in micro-credit activities so as to feel more empowered financially and gain financial stability for investments.

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