

**EFFECT OF COMMUNITY-BASED MICROFINANCE SERVICES IN FINANCIAL
EMPOWERMENT OF SMALL-SCALE WOMEN TRADERS IN KISUMU WEST
SUB-COUNTY, KENYA**

BY

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DECLARATION

DECLARATION BY THE CANDIDATE

This project report is my original work and has not been presented for a degree in any other university.

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This project report has been submitted for examination with my approval as University supervisor.

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DEDICATION

I dedicate this work to my family for your continued support encouragement and prayers.

ABSTRACT

Kenya's microfinance outreach continues to grow steadily, playing a vital role in the 15% share that Sub-Saharan Africa contributes to global microfinance. Among its most transformative impacts is the empowerment of women: over 80% of women engaged in microfinance programs report increased financial independence. These women are twice as likely to start or expand a small business, and many experience greater autonomy in both family and community decision-making—marking microfinance not just as a financial tool, but as a catalyst for social change. Previous studies have focused on formal microfinance institutions, overlooking community-based models that play a critical role at the grassroots. This study examined the effect of community-based microfinance services on the financial empowerment of small-scale women traders in Kisumu West Sub-County, Kenya. Kisumu West Sub-County was selected due to its high poverty levels, limited formal financial access, and the strong dependence of women traders on informal financial systems like savings groups and rotating credit schemes—making it an ideal setting to assess the impact of community-based microfinance on financial empowerment. Specifically, the study assessed the effect of access to credit, financial literacy, and effect savings on financial empowerment of small-scale traders in Kisumu west sub-county. The study was anchored on the Empowerment Theory and further guided by financial inclusion and financial literacy theories. The target population was 484 small-scale women traders benefiting from community-based microfinance initiatives. A descriptive research design was adopted, with a sample of 400 respondents selected through simple random sampling. Data was collected using structured questionnaires, tested for validity and reliability, and analyzed using both descriptive statistics-frequencies, percentages, means, standard deviations and inferential analyses-correlation, linear regression, and multiple regression with SPSS. Findings revealed that community-based microfinance significantly contributes to women's financial empowerment. Access to credit was positively associated with improved financial outcomes ($\beta = 0.101$, $p < 0.05$), financial literacy had a strong impact ($\beta = 0.305$, $p < 0.05$), and savings mobilization demonstrated the greatest effect ($\beta = 0.399$, $p < 0.05$). Collectively, these factors enabled women to increase household income, expand their businesses, and strengthen decision-making power both economically and socially. The study concludes that community-based microfinance is a vital avenue for empowering women traders in Kisumu West Sub-County. It recommends strengthening loan management to reduce defaults, enhancing financial literacy training, and adopting digital savings mechanisms to improve accountability. Policymakers and development actors should leverage community-based models as complementary frameworks to formal microfinance institutions in addressing poverty and promoting gender equity.

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ABBREVIATIONS AND ACRONYMS

MDGs:	Millennium Development Goals
MFBs:	Microfinance Banks
MFI:	Microfinance Institutions
NGO:	Non-Governmental Organization
NHG:	Neighborhood Help Groups
SHG:	Self Help Groups (SHGs)
SPSS:	Statistical Package for Social Sciences
VSLA:	Village Savings and Loan Associations

OPERATIONAL DEFINITION OF TERMS

Access to credit:	Being able to get loans from group members and banks.
Community-based microfinance:	Community centered credit, financial literacy, and saving mobilization services
Financial empowerment:	Equipping small scale women traders with financial knowledge, skill, and resources
Financial literacy:	Knowledge of basic book keeping, budgeting skills, saving mobilization etc., which improves business management.
Savings mobilization:	Pulling together to accumulate savings
Small scale women traders:	Women operating micro-enterprises i.e. “Jua Kali” enterprises with 0 to 5 employees operating mostly in the “open air”, with no fixed worksite

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, increase in gender equity and financial empowering of small scale women traders is considered to be important for economic growth and development of human welfare (Hansen *et al.*, 2021). Women form about a half (50%) of the world population and they contribute significantly to global economy in different sectors (Richardson, 2018). The impact of family income on economic development is noteworthy, as it has altered the standard of life for millions of individuals worldwide, particularly for women residing in developing nations (Ayam *et al.*, 2020).

The microfinance has been identified as one of major techniques to financially empower women in society by providing microfinance services for business enterprises and to eradicate poverty (Varghese & Menon, 2023). Indian scholars Chatterjee *et al.*, (2020), holds the exposition that financially empowering small scale women traders, can improve economic growth and alleviate poverty by increasing their income. In Kisumu West Sub-County, this study aimed to ascertain the impact of community-based microfinance services on the financial empowerment of small-scale female traders.

In the United States of America, microfinance initiatives have focused on marginalized people where formal financial institutions like banks, may not consider their needs. The initiatives aim to financially empower individuals by providing startup capital or grow their small businesses, enhance income generation, and improve financial inclusion (Mandy, 2023). In Srilanka microfinance lending facilities have been recognized for their role in economic development of

the poor (Chandrathilaka *et al.*, 2023). In the context of Bangladesh, microfinance has enabled women in rural areas acquire credit, thus increasing their income-generating activities, improving their financial independence, and contribute to poverty reduction (Mandy, 2023). In India, microfinance targets communities at the lower level with the aim of uplifting them from poverty by improving their quality of life and enhance rural job creation (Fuentes, 2023). This has been demonstrated by Varghese and Menon (2023), in a study that revealed that microfinance services through Self Help Groups (SHGs) and Neighborhood Help Groups (NHGs) contributed to socioeconomic empowerment of rural women in Kerala, India. The proposed study intends to establish how community-based microfinance services contributes to financial empowerment of small scale women traders in Kisumu West Sub-County.

In Tanzania, the role of community-based microfinance in financial empowerment of vulnerable families, is demonstrated in the study in Mgbuwe, Tanzania, that revealed that women based micro-lending groups enabled the women to take care of their “children’s education, health, and livelihoods” (Kesanta & Andre, 2015:8). The Village Savings and Loans Associations (VSLA) model was found to be appropriate model poverty reduction to the economically vulnerable, mostly women, that integrates them in accessing credits and savings in in order to alleviate poverty (Kesanta & Andre, 2015). A study conducted in Ethiopia by Mengesha and Mishra (2023), revealed microfinance institutions had significant positive impact on women’s empowerment through income, saving, consumption, and decision-making power. It also reduced domestic violence.

Eletta *et al.*'s study from Nigeria in 2021 showed that the NGOs' beneficiaries' formation of entrepreneurial ventures was highly impacted by financial empowerment. Another study conducted in Uganda by Mwijukye (2020) found a strong correlation between the socioeconomic

empowerment of vulnerable individuals and local savings and loan societies. He added that group-based microcredit initiatives enhanced household welfare and significantly reduced poverty for women (Mwijukye, 2020). In the contrary, Wanjiru and Njiru (2016), found that microfinance services had no significant effect of financially empowerment of small scale women traders. According to Richardson (2018), women form close to 50% of the worldwide population. Additionally, they greatly contribute to both national and global development in a variety of economic sectors. The United States of America thought of women's empowerment as the fifth of the seventeen Millennium Development Goals (MDGs) in 2015, along with equality promotion and women's education (Miotto et al., 2019). Women have numerous disadvantages in poor nations, where they typically assume managerial roles in homes relative to men. These disadvantages include low income, few funding options, restricted decision-making ability, and limited control over resources (Patel, 2017). According to Ayam (2020), microfinance gives women without access to commercial banking services and low-income households without collateral the ability to access savings accounts and loans.

Studies on women empowerment in various countries, as the case of Kenya (Adero & Kariuki, 2020); Ghana (Owusu-Yeboah *et al.*, 2020); India (Fuentes, 2023); and various developing countries (Aninze *et al.*, 2018), found that one of the challenges to women financial empowerment is failure in getting the services of microfinance institutions due to high interest rates, demand for guarantors, as well as collaterals for loans. It has been recognized that financial empowerment of small scale women traders is a potential solution to address these challenges (Adhariani, 2022). Financial empowerment contributes majorly to business entrepreneurial undertaking among small scale women traders (Eletta *et al.*, 2021).

This study defines small scale women traders as those operating micro-enterprises, also referred to as “Jua Kali enterprises with 0 to 5 employees operating mostly in the open air”, with no fixed worksites (Small Enterprise Programme, 2008:24). The small scale women traders (Jua Kali micro-enterprisers) do operate unregistered (informal) businesses, they possess little formal education, mainly primary level and do not have entrepreneurial and business knowledge. In addition to having limited access to credit, small-scale female merchants are often not well-informed about markets and prospects (Varghese & Menon, 2023). Their marital position as wives who need permission from their husbands to attend trade shows or training inhibits them, as do their household duties (Small Enterprise Programme, 2008:24).

Community-based microfinance is a self-help group that mobilizes towards getting services that include accessing loans, mobilizing savings, and raining in business skills (Meaux et al., 2016). In a study, Varghese and Menon (2023), it was demonstrated that microfinance services through Self Help Groups (SHGs) contributed to socioeconomic empowerment of rural women. The role played by community-based microfinance is fundamental in financial empowerment of small scale women traders (Varghese & Menon, 2023). Yulistiyono *et al.*, (2023), contend that the role of community is crucial to community-based enterprises. The notion is supported by Mahato (2022), who reasons that social capital, that includes trust, norms, and networks, is fundamental in promoting communal action and collaboration within communities. Chandrathilaka et al., (2023:42) describes Community-based microfinance as involving “the provision of savings services, credit and business training to individuals in growing and improving their enterprises”. They are empowered to make decision and to become productive, therefore, gaining respect at home and within their communities (Chandrathilaka *et al.*, 2023).

Although several studies on microfinance institutions and women empowerment have been conducted, such as the studies by (Ali & Mwaura, 2022; Mwangi, 2015; Ondoro & Omena, 2012; Rotich *et al.*, 2015; Wanjiru & Njiru, 2016), the approach of community-based microfinance as an alternative model of microfinance targeted at small scale women traders has been neglected. Hence, it is not clear whether small scale women traders are benefiting from community-based microfinance as a way of financially empowering them. Thus, the study aims to examine the role of community-based microfinance in financial empowerment of small scale women traders in Kisumu West Sub-County.

The Microfinance sector in Kenya started in the late 1960s with NGOs taking lead in setting up pilot programs which were mainly driven by donor supported/funded credit services (CBK, 2016). In Kenya, the official and informal financial sectors make up the wider financial system, which includes the microfinance sub-sector (CBK, 2016).

Although, the subsector plays a significant role in the economy, there seems to be no data on Community-based Microfinance (CBK, 2016). There was need therefore, to investigate the role they play in financial empowerment of small scale women traders.

In Kenya, while several studies including the studies by (Ali & Mwaura, 2022; Mwangi, 2015; Ondoro & Omena, 2012; Rotich *et al.*, 2015; Wanjiru & Njiru, 2016), have majorly focused on how microfinance services offered by microfinance institutions have been used to economically empower the women, small scale farmers, the youth, small and medium enterprises, no known study have been conducted on financial empowerment of small scale women traders in Kisumu West Sub-County. This study seek to address the gaps by examining the Effects of Community-

Based microfinance services on financial empowerment of small scale women traders in Kisumu West Sub-County.

It is indicated in the Kisumu County Integrated Development Plan II, 2018-2022, that small scale women traders in Kisumu West Sub-County face various challenges that impede their growth and development, including: the inability of small scale businesses to enjoy economies of scale; restricted access to credit facilities; inadequate business skills, and poor marketing infrastructure (County Government of Kisumu, 2018). Majority of the small scale traders operate the businesses from temporary business structures on road reserves. A study conducted by Atieno (2013) in Kisumu West Sub County, involving a sample size of 368 women revealed that small scale women traders do not have the necessary skills to run their business progressively. The findings are supported by Maina and Gichura (2016) who suggested that women may not manage their business successfully if they do not possess relevant skills and information.

Microfinance is defined as the provision of a wide range of financial services such as “deposits, loans, payment services, money transfers, insurance coverage, and business development services to low-income households and micro businesses’ (Adero & Kariuki, 2020:34). Similarly, Aninze, *et al.*, (2018) defines microfinance as providing financial resources to poor individuals of very low incomes, engaged in their own small business ventures. microfinance has also been defined as “microfinance is characterized by the provision of small loans under social collateral, group liability, peer monitoring, and early/frequent repayments to reduce costs and default risks” (Babajide *et al.*, 2022).

Microfinance targets low-income households and entrepreneurs who are not stable financially with no collateral who may not access conventional bank loans to help them expand their businesses

and overcome poverty by diversifying their activities (Doering & Wry, 2022). The purpose of microfinance is to create financial independence and economic empowerment. The focus is mainly to develop sustainable livelihoods of communities, and provision of social services such as, literacy, healthcare, and development of the infrastructure (Adhariani, 2022).

According to Omondi and Jagongo (2018:12) the Consultative Group to Assist the Poor (CGAP) defines a Microfinance Institution (MFI) as “an organization that provides financial services to the poor in form of credit, savings and insurance”. Micro-finance also refers to “financial services provided in form of small loans to the poor to provide them with startups and enable them to expand their small businesses” (Jones-Esan, 2022:28). This has a multiplier effect to their living standards by increasing their incomes thus enabling them to make sound economic decisions and alleviate poverty” (Jones-Esan, 2022:29). Firms and people operating under the names "Accumulating Savings and Credit Associations (ASCAs)," "Rotating Savings and Credit Associations (ROSCAs)," "Merry-Go-Round Groups (MGRGs)," and "Welfare and Clan Groups (WCGs)" are considered to be part of the informal sector (Central Bank of Kenya & FSD Kenya., 2013:26). They go by other names as suppliers, employers, moneylenders, unofficial organizations, and shopkeepers (Central Bank of Kenya & FSD Kenya., 2013:26). Among other financial empowerment programs, NGOs offer grants, cash loans, and subsidies (Eletta et al., 2021).

Access to credit is one of the strategies used to financially empower the poor. Microcredit refers to the provision of credit to low-income customers (Eletta *et al.*, 2021). A study by Kwilasa (2017), revealed that families that have access to credit and savings are more food secure than families that have no access to credit. They use money from credit to buy inputs, either by group share out, or by acquiring loans or credit from the Village Savings and Loan Associations

(VSLAs). With the money from microcredit support, families of vulnerable children can start to start income generation activities (Akhter & Cheng, 2020). However, Worakul (2018) contend that majority of poor households cannot access financial credit from formal financial institutions because they do not have collateral, costs of small transactions which are high, and due to geographic isolation. (Worakul, 2018), as such they are seeking loans from NGOs who do not ask for collateral and provable credit history. Frithjof (2018) in a study have proven that the loans in form of cash given to individuals by NGOs contribute to financial inclusion. The loans are given as startups for small businesses, and financial empowerment (Frithjof, 2018). On the other hand, a study, earlier conducted in Bangladesh by Mallick (2012), showed that microcredit, put many borrowers into debt traps instead of alleviating poverty.

Financial literacy as defined as the “blend of mindfulness, information, aptitudes, mentalities and practices important to settle on strong money related choices and in the long run accomplish individual monetary prosperity” (Lewis and Lindley, 2015:89). Lusardi *et al.*, (2017) argue that financial literacy empowers poor individuals in the rural areas with knowledge and skills which enables them to evaluate financial services offered by financial institutions.

Mwaniki (2019) came to the conclusion that SMEs need to be trained in bookkeeping, budgeting, and debt management in order to achieve improved performance and growth. The study examined the role that financial literacy played in the growth of SMEs in Nyeri County, Kenya. The same was confirmed by Otieno (2021), who discovered that small-scale women merchants' improved sales and effective business management were largely dependent on their level of financial literacy, which was measured by their proficiency with budgeting, bookkeeping, and credit management. Low-income families that participate in community-based microfinance are more

likely to save money, which helps them deal with unplanned costs and shocks to the economy (Mandy, 2023). Matovu et al. (2020), suggests that group based microfinance interventions have led to the growth, as well as, income and savings for group members, hence contributing to poverty alleviation and financial empowerment.

Despite the growth of the microfinance sector in Kenya, financial exclusion remains a challenge for many rural women. Nationally, the poverty rate stands at 32% (KNBS, 2022), while in Kisumu County it is higher at 33%. Women traders in Kisumu West Sub-County face multiple barriers, including irregular incomes, lack of collateral, and low financial literacy (Ojola, 2013). The 2020 World Bank report highlighted that only 15% of women entrepreneurs in Kenya access credit from formal banks, a statistic that is even lower in rural areas.

1.1.1 Financial empowerment

Many microfinance interventions are aimed to empower women financially (Akhter & Cheng, 2020). Especially, those considered “weak, susceptible, and burdened in the manner in which their decisions, well-being, prosperity, as well as opportunities can be shaped by authority” (Bawah et al., 2023:40). As per Jones-Esan (2022), microfinance services are given to the impoverished in the form of small loans, which help them with starting capital and small business expansion. As a result, the living standards of the poor are raised by the increased income, which empowers them to make wise financial decisions and reduces poverty. Small-scale female traders that are financially empowered are better equipped to handle their financial obstacles. They can accomplish their objectives, which include increased household income, product and service delivery, and profitability, by skillfully applying their financial knowledge, aptitude, and resources (Sabri, 2020).

1.2 Statement of the Problem

Several studies by researchers have revealed that microfinance services have financially empowered women, small scale farmers, the youth, and small and medium enterprises. However, these studies basically focused on Micro Finance Institutions (MFIs) that provide micro-credit and micro-loans, but did not take a different approach of community-based microfinance as an alternative model of microfinance. It is also not clear whether small scale women traders are benefiting from community-based microfinance as a way of financially empowering them. Thus, the study aims to examine the Effects of Community-Based microfinance in financial empowerment of small scale women traders in Kisumu West Sub-County. Despite the growth of the microfinance sector in Kenya, financial exclusion remains a challenge for many rural women. Nationally, the poverty rate stands at 32%, while in Kisumu County it is higher at 33%. Women traders in Kisumu West Sub-County face multiple barriers, including irregular incomes, lack of collateral, and low financial literacy. A World Bank report highlighted that only 15% of women entrepreneurs in Kenya access credit from formal banks, a statistic that is even lower in rural areas. Although community-based microfinance groups have emerged to bridge this gap, little empirical research has been conducted to assess their effectiveness in empowering women in Kisumu West Sub-County. Existing studies have focused largely on formal institutions such as KWFT and Equity Bank, leaving a conceptual and contextual gap regarding grassroots financial models. This study was therefore motivated by the need to investigate whether and how community-based microfinance services specifically access to credit, financial literacy, and savings mobilization enhance the financial empowerment of women traders in Kisumu West.

1.3 Objectives of the Study

The objective of the study is to examine the Effects of Community-Based microfinance services on financial empowerment of small scale women traders in Kisumu West Sub-County.

1.3.1 Specific Objectives

- i. To assess the effect of access to credit on financial empowerment of small scale women traders in Kisumu West Sub-County.
- ii. To establish the effect of financial literacy on financial empowerment of small scale women traders in Kisumu West Sub-County.
- iii. To determine the effect savings mobilization on financial empowerment of small scale women traders in Kisumu West Sub-County.

1.4 Research Hypothesis

HO_1 . There is no statistically significant relationship between accesses to credit on financial empowerment of small scale women traders in Kisumu West Sub-County.

HO_2 . There is no statistically significant relationship between financial literacy on financial empowerment of small scale women traders in Kisumu West Sub-County

HO_3 . There is no statistically significant between savings mobilization on financial empowerment of small scale women traders in Kisumu West Sub-County.

1.5 Scope of the Study

The scope of this study is presented under geographical and subject coverage, with justification for each. Geographical Scope- The study was conducted in Kisumu West Sub-County, Kisumu County, Kenya, which lies between latitude $0^{\circ}02'$ South and $0^{\circ}20'$ South and longitude $34^{\circ}30'$ East and $34^{\circ}50'$ East. The Sub-County comprises five wards: South West Kisumu, Central

Kisumu, North Kisumu, West Kisumu, and North West Kisumu. The area was purposively selected because of its high concentration of small-scale women traders, the prevalence of poverty, and the dominance of community-based microfinance (CBMF) initiatives such as merry-go-rounds, table banking, and savings groups. These conditions made it a suitable setting for investigating how CBFM services contribute to financial empowerment.

Subject Scope- The study focused on the effects of community-based microfinance services on the financial empowerment of small-scale women traders. The independent variables were access to credit, financial literacy, and savings mobilization, while the dependent variable was financial empowerment, measured through indicators such as household income, business expansion, profitability, and decision-making power. The unit of analysis was women traders operating micro and small enterprises (MSEs) within Kisumu West Sub-County, with a target population of 484 traders actively participating in CBFM groups.

Justification of the Scope- Geographically, Kisumu West Sub-County was chosen because it represents a typical rural–urban setting where financial exclusion is pronounced, yet informal CBFM mechanisms are vibrant. Subject-wise, the study addressed an existing literature gap, as most prior studies in Kenya have focused on formal microfinance institutions, overlooking community-driven financial models. By narrowing down to CBFM services and their effect on financial empowerment, the study aligns with Maseno University’s research requirements, ensuring that findings contribute both to academic knowledge and to policy and practice in the local context.

1.6 Justification of the Study

Empirical study is required to determine how community-based microfinance contributes to the financial empowerment of small-scale female traders. Stakeholders including the government and non-governmental organizations, and participants of community-based microfinance, and the community of Kisumu West Sub-County will understand how community-based microfinance empowers small scale women traders.

Microfinance institutions and community-based microfinance providers will be able to empower vulnerable groups, and this will increase their financial independence, self-efficacy, and control of household resources. In turn this will reduce their dependence on cash transfer and dependence on handouts.

Government of Kenya and other policymakers will use the information from this study, to formulate policies and guidelines for microfinance to be properly used to empower small scale women traders, and similar initiatives aimed at empowering various groups. This will ensure that microfinance services are used to achieve the intended purposes.

Lastly, academicians and researchers can use the study findings to build the literature and as reference in their studies. From the study, they can identify study gaps for further research in the areas of community-based microfinance and financial empowerment. In this way, the study will contribute to the body of knowledge pertaining to microfinance services.

1.7 Conceptual Framework

According to Creswell & Creswell (2018), the conceptual framework demonstrates the relationship that exists between the independent and dependent variables.

The framework illustrates how community-based microfinance services (Independent variable) affects the financial empowerment (dependent variable).

Independent Variables

Financial Access-Access to microfinance institutions, savings groups, or mobile money platforms provides women with the entry point into the financial system. Improved access ensures that traders can open accounts, join savings groups, or borrow without traditional collateral barriers.

Savings Mobilization-Savings play a dual role. On one hand, they enhance financial discipline, resilience against shocks, and accumulation of capital. On the other hand, mobilized savings provide the financial base for investment in business activities, such as expanding stock, diversifying products, or meeting operational expenses. Hence, savings directly link to investment and indirectly foster business growth and empowerment.

Credit Access-Access to affordable credit complements savings by providing additional capital for scaling businesses. Credit allows traders to undertake larger investments that may not be possible through savings alone. However, sustainable borrowing depends on savings discipline and financial literacy to avoid over-indebtedness.

Financial Literacy-Financial literacy is the moderating factor that strengthens the effectiveness of savings and credit. Women with stronger financial skills can budget, record transactions, evaluate investment options, and manage loans responsibly. Literacy ensures that both savings and credit are directed towards productive investment rather than consumption.

Dependent Variable: Financial Empowerment

Financial empowerment manifests through : Improved household income, Increased ability to invest in and expand businesses, Enhanced decision-making capacity over financial resources and Strengthened resilience against financial shocks.

Interrelationships

Savings → Investment → Empowerment: Savings accumulation forms the basis for small-scale investments in stock, equipment, or diversification, leading to business growth and empowerment.

Savings + Credit → Larger Investments: When mobilized savings are combined with access to credit, women traders can undertake larger, riskier, but potentially more profitable investments.

Financial Literacy → Efficient Use of Savings and Credit: Literacy enhances the productive use of both savings and credit, ensuring that resources are channeled into sustainable investments rather than unproductive uses.

Access → Utilization of Savings & Credit Mechanisms: Without access (membership in groups, mobile wallets, microfinance institutions), savings and credit opportunities cannot be realized .Figure 1.1 depicts the conceptual framework.

Independent variables

Dependent variable

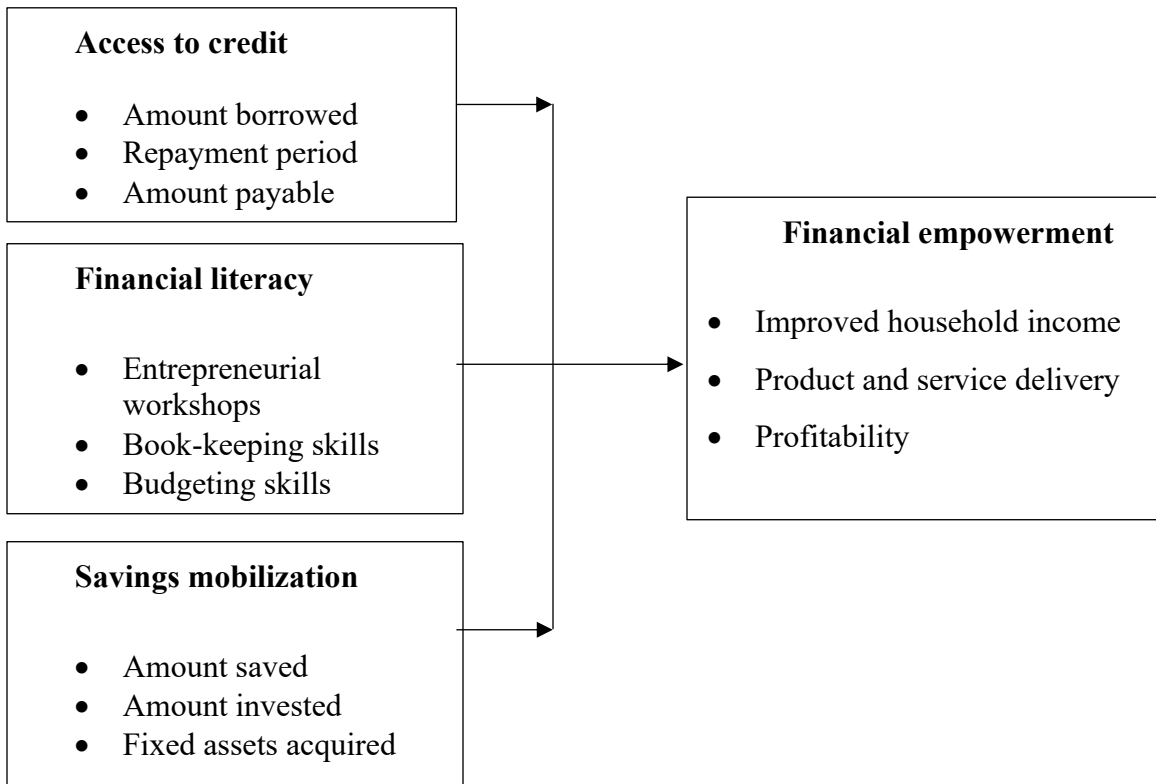


Figure 1: Conceptual Framework

Source: Adapted from Bawah *et al.*, (2023). Assessing the Impact of Microfinance Schemes to Meet the Challenging Needs of Women in Human Resource Development

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Empowerment Theory

This study is anchored on Empowerment Theory, which posits that empowerment involves gaining control over one's life, resources, and decisions in ways that enhance self-reliance, agency, and socio-economic well-being (Zimmerman, 2000; Narayan, 2005). The theory emphasizes access to resources, participation in decision-making, and improvement in individual capabilities as pathways to empowerment. In the context of women small-scale traders, empowerment is reflected in their ability to mobilize resources, invest in businesses, and improve household welfare. This makes Empowerment Theory the most appropriate anchor, as the dependent variable of the study is financial empowerment. The Empowerment Theory provides a framework for understanding how individuals and groups gain greater control over their lives, access resources, and participate meaningfully in decision-making processes. In the context of microfinance, empowerment is not only about access to financial resources but also about enhancing women's confidence, skills, and capacity to influence household and community outcomes.

According to Alsop and Heinsohn (2020), empowerment involves expanding people's assets and capabilities to make purposeful choices and transform those choices into desired outcomes. Empowerment is multi-dimensional, covering social, economic, political, and psychological aspects. For women traders, financial empowerment manifests in their ability to access and

control credit, make independent financial decisions, and reinvest savings into business or household welfare.

Key components of empowerment relevant to this study include: Participation – Women’s involvement in decision-making processes both in households and in financial groups. Effective participation improves confidence and bargaining power (Mosedale, 2019). Control over resources – Access to credit and savings enhances women’s ability to invest in business ventures and improve livelihoods (Kato & Kratzer, 2019). Decision-making power – Financial empowerment allows women to influence household expenditures, education of children, and healthcare choices (Kumar et al., 2020). Capacity building – Empowerment is strengthened through financial literacy, skills training, and knowledge-sharing within community groups (Malhotra & Schuler, 2021).

Empowerment Theory is therefore crucial in understanding how community-based microfinance services influence women’s ability to expand businesses, manage household resources, and achieve greater socio-economic independence. In Kisumu West Sub-County, where women dominate the informal trade sector but face financial exclusion, the theory provides a useful lens to evaluate the transformative potential of savings groups, credit access, and financial training.

2.1.2 Financial Inclusion Theory

Financial Inclusion Theory supports Empowerment Theory by explaining how access to affordable and appropriate financial services (savings, credit, insurance, payments) facilitates participation in the economic system (Demirgüç-Kunt et al., 2022; CGAP, 2023). It provides the structural perspective: women's empowerment is unattainable without inclusive financial mechanisms that reduce barriers to participation.

This theory postulates the significance of enabling marginalized groups and low income groups to access microfinance services, in order to lessen the poverty and improve economic development (Demirguc-Kunt et al., 2018). The theory's assumption is that there is a positive association between financial access and financial empowerment; and also assumes that credit, as well as savings and insurance, would protect individuals from sinking into poverty at times of financial distress, hence facilitating easier consumption (Ozili, 2020). According to Ozili (2020) financial inclusion targets vulnerable groups (i.e. small-scale women traders) with the aim of reducing the financial exclusion problem. He goes further to suggest that the vulnerable members in the community can be recognized by the extent of their vulnerability, level of income, gender, age, and other demographic characteristics(Ozili, 2020).

However, critiques of financial inclusion theory argue that it might not work when the market is saturated. The saturation may push prices down, therefore, driving individuals to work for longer hours at lower pay (Guérin, D'Espallier, & Venkatasubramanian, 2015). They say that the theory does not consider that the marginalized individuals may be lacking specialized skills or adequate capital to increase the low levels of productivity (Taylor, 2012). There is less empirical evidence that financial inclusion does reduce poverty (Duvendack & Mader, 2019);

in some cases it has been revealed that access to microcredit might instead lead to over-indebtedness (Kaffenberger & Totolo, 2018). The theory is relevant to all the three research objectives since it focuses on financial inclusion through microfinance services that include access to credit, financial literacy, and savings mobilization (Demirgüç *et al.*, 2016).

Financial Inclusion Theory posits that equitable access to financial services is a driver of economic development, poverty reduction, and social empowerment. It emphasizes not only *access* to financial services (e.g., savings, credit, insurance, payments) but also their *use*, *affordability*, and *quality*. In the context of women small-scale traders, inclusion ensures that marginalized groups can participate in the financial system, mobilize savings, and access credit for business growth, thereby fostering empowerment.

2.1.3 Financial Literacy Theory

The Financial Literacy Theory further reinforces the anchoring framework by highlighting the cognitive and behavioral competencies required for sound financial decision-making (Lusardi, 2019; Kaiser *et al.*, 2022). Access to financial services alone does not guarantee empowerment; individuals must possess the literacy needed to utilize savings and credit effectively, manage debt responsibly, and plan for future investments. Consequently, financial literacy serves as a critical enabling factor that bridges the gap between mere access to financial services and the realization of tangible empowerment outcomes.

The Financial Literacy Theory was postulated by Swiecka Beata (2017). The theory consists of three key components: financial knowledge, financial skills, and financial attitudes and behavior. Financial knowledge refers to the understanding of financial concepts and

procedures that can be applied to solve financial problems. According to Lusardi (2015), the theory assumes that financial skills enable entrepreneurs to make informed economic decisions through analysis, evaluation, and choice-making. This implies that financial skills empower small-scale women traders to address finance-related challenges effectively. Another assumption of the theory is that with the right financial attitudes, small-scale women traders can leverage their knowledge and skills to respond appropriately to diverse business situations. Furthermore, Kovács and Terták (2019) emphasize that adequate financial literacy equips individuals with the ability to make sound decisions regarding saving, spending, planning, and budgeting, thereby promoting better financial outcomes.

According to Willis (2011), there are many obstacles to financial literacy, raising questions about its ability to significantly or meaningfully improve financial inclusion. He lists the following difficulties: First, selecting the financial literacy programs that best suit the needs of various beneficiaries in terms of financial education, along with their associated costs; determining the length of time and cost of each program; selecting the format of financial literacy programs, such as seminars, lectures, group projects, or counseling sessions; determining whether financial education will cover non-financial topics, such as spotting fraudulent activity online or how to have positive social interactions, etc.; and finally, determining the cost of each program.

Second, a significant barrier to financial education and literacy is the rapid changes in business processes and financial product offers. The female traders may need to undergo reeducation in order to learn about new financial product offers, which will come at a cost. Financial

knowledge has a limited shelf life, as evidenced by the way financial product offerings are constantly changing. Thirdly, one barrier to financial literacy is a lack of enthusiasm in learning about or taking part in financial education.

The financial literacy theory has been criticized (e.g., Gale & Levine, 2010; Willis, 2011) on the grounds that it is a fallacy because it fails to demonstrate how financial education improves financial behavior, raises financial literacy, or improves financial outcomes due to biases and other non-rational influences on financial decisions. Otieno's (2021) study, which investigated the impact of financial literacy on the economic empowerment of small-scale female merchants, was grounded in the theory of financial literacy. Since financial literacy helps achieve the financial literacy goal, the notion is pertinent to the research.

In conclusion, while Empowerment Theory provides the overarching lens of the study, Financial Inclusion Theory and Financial Literacy Theory provide supportive explanatory depth, making the framework holistic. Together, the theories capture not only access to resources but also the capability to utilize them effectively, both of which are essential for women's financial empowerment in Kisumu West Sub-County.

2.2 Empirical Literature Review

2.2.1 Access to credit and financial empowerment

A study in Kerala, India by Varghese and Menon (2023), on how microfinance services such as Self Help Groups (SHGs) and Neighborhood Help Groups (NHG) affected the economic empowerment of rural women, found that microfinance services positively affected the

economic empowerment of rural women. The study used exploratory and descriptive research designs. Data was gathered using a structured questionnaire from rural women who participated in SHG and NHG microfinance services. Convenience sampling technique was used to select a sample of 100 women. Data analyses methods used will involve descriptive and regression including ANOVA test. The study concluded that the microfinance services empowered the rural women in Kerala socially and economically. The methodological and conceptual gaps were identified in the study since a small sample of 100 participants was used and the study considered economic empowerment and not financial empowerment. The current study will fill the gaps by using a bigger sample and study financial empowerment.

A study conducted in Ethiopia by Mengesha and Mishra (2023), sought to analyze how microfinance institutions affect women's empowerment in Wolaita Zone, southern Ethiopia, revealed microfinance institutions had significant positive impact on women's empowerment through income, saving, consumption, and decision-making power. It also reduced domestic violence. The study also showed that participating in microfinance, increased their income, saving, and consumption by more than 54.8% compared to when they had not started receiving the services. The study adopted descriptive statistics together with binary logistic regression. The participants included 399 households, mostly women, selected from five branches of microfinance institutions. The contextual gap was found as the study considered formal microfinance institution and not community-based microfinance. Also conceptual gap since the study considered women empowerment in general, and methodological gap since the study used binary logistic regression. This only compared their level of income before and after they started receiving microfinance services. To fill the gaps, the study focused on community-based microfinance and how it affects financial empowerment. By The study used multiple

linear regression to examine the relationship between community-based microfinance services and financial empowerment of women.

Kesanta and Andre (2015) explored how economic empowerment impacted women among their families and their communities. The study was carried out in Mgubwe, Tanzania, and consisted of 83 respondents who represented 12 Village Savings and Loans Associations (VSLAs). Participants were picked from smallholder farmers and those who owned both small businesses and farms. The methods of collecting data were Focus Group Discussions (FGD), study questionnaires, and in depth interview. The study findings showed that women based micro-lending associations positively impacted the education, health, and livelihoods of their children (Kesanta & Andre, 2015). The findings also revealed that there was lack of collective participation in community information between members of community-based micro-savings and loans groups, yet this could encourage development practitioners to promote and improve the community-based savings group model as a major intervention for eradication of poverty. Literature review exposed conceptual gap as the study considered how economic empowerment impacted women among their families and communities. Contextual gap as the study considered included smallholder farmers. The methodological gap was also identified in use of small sample, which limits the generalizability of the study findings. To address the gaps, the study examined how community-based microfinance affects financial empowerment of small scale women traders. The study will also use a bigger sample.

Adero and Kariuki (2020) examined how microfinance interventions affected financial empowerment of women in Mombasa County. The study by Adero and Kariuki (2020) focused on women who benefited from microfinance services for both business and household needs. The study was anchored on financial constraint theory supported by the empowerment theory

and joint liability theory. The study also adopted the Grameen Bank Model. The study design was causal-comparative research design and targeted women 877 Self Help Groups (SHGs) based in Mombasa County. Simple random sampling technique was used to 275 SHGs. Questionnaires were used to gather information from group leaders of SHGs using convenient sampling. Descriptive and multivariate regression model were used for data analysis. The study found that all the four microfinance services (Lending services, Savings services, Micro insurance services, and financial training) had significant and positive relationship with financial empowerment of women in Mombasa County. Methodological gap was identified as the study used causal-comparative and panel data that fails to address autocorrelation, cross-sectional dependence, and heteroscedasticity issues hence making the results unreliable (Doku *et al.*, 2019). The study gaps was filled by examining how community-based microfinance affects financial empowerment of small scale women traders. The study will also use descriptive research design.

2.2.2 Financial literacy and financial empowerment

Eletta *et al.* (2021) examined the relationship between beneficiaries of non-governmental organizations (NGOs) in Kwara State, Nigeria, and the establishment of entrepreneurial ventures. The study was anchored on empowerment theory and employed a linear regression model for data analysis. A sample of 358 respondents was drawn from a population of 5,354 using a simple random sampling technique, and both descriptive and inferential statistics were applied. The findings revealed a strong and positive relationship between financial empowerment and entrepreneurial venture creation. Specifically, cash loans and subsidies were found to positively influence entrepreneurial activity, whereas grants had a negative effect. The authors recommended that NGOs review business plans thoroughly before

disbursing loans, grants, or subsidies to ensure that only innovative and viable business ideas are supported. They further emphasized the need to provide beneficiaries with business skills training to enhance sustainability. The study revealed a conceptual gap by focusing only on financial empowerment as the independent variable (IV) and entrepreneurial venture creation as the dependent variable (DV), and a contextual gap as it concentrated exclusively on NGO interventions. The present study addresses these gaps by investigating how community-based microfinance (CBMF) influences the financial empowerment of small-scale women traders.

Madonda et al. (2020) investigated the effect of microfinance economic empowerment training on youth entrepreneurs in Masasi District Council, Tanzania. The study established that microfinance interventions improved beneficiaries' business skills, income levels, and asset ownership, thereby enhancing their living standards. Access to start-up capital from microfinance institutions enabled the youth to engage in small-scale business and agricultural activities. The researchers used a sample of 40 youth respondents who participated in microfinance and income-generating activities. Data were collected through interviews and analyzed using qualitative thematic content analysis. The study concluded that access to microfinance services empowered youth entrepreneurs by reducing financial constraints. However, the study focused solely on the effect of training skills on youth empowerment, thereby creating a conceptual gap, and relied on a small qualitative sample, resulting in a methodological gap. The current study addresses these gaps by adopting a quantitative approach, using a larger sample size and primary data to examine CBMF as the IV and financial empowerment of small-scale women traders as the DV. Otieno (2021) examined the relationship between financial literacy and the economic empowerment of small-scale female traders in South Mugirango Sub-County, Kenya. Guided by financial literacy theory, the study

adopted a descriptive research design and focused on credit management, bookkeeping, and budgeting practices among beneficiaries of the Equity Group Foundation (EGF) project. Respondents were selected using a random sampling technique, and data were collected using structured questionnaires supplemented by key informant interviews with EGF credit officers. Analysis was performed using ANOVA (F-statistics) and Chi-square tests. The findings showed that budgeting skills, bookkeeping practices, and credit management practices had a significant positive influence on business performance and management among the traders. However, the study observed that many traders did not keep proper financial records, which hindered their ability to monitor business performance effectively. Conceptual and contextual gaps were identified because the study focused exclusively on financial literacy skills and on participants in a formal institutional project, rather than community-driven initiatives.

The present study addresses these gaps by investigating CBMF as the IV and financial empowerment as the DV, incorporating access to credit and savings mobilization as predictors. Wanjiku (2020) conducted a study in Olkalou Constituency to investigate the effect of microfinance services on women's economic empowerment. The study employed a descriptive research design and targeted women who had been utilizing microfinance services. Quantitative data were collected using questionnaires from a sample of 120 women drawn from various microfinance institutions. The results revealed that access to credit had no significant effect on women's economic empowerment, suggesting that simply providing loans may not be sufficient to improve women's economic outcomes.

2.2.3 Savings mobilization and financial empowerment

Anwaar *et al.*, (2022) investigated the role of micro financing institutions on improvement of standard of living. The study in particular, sought to determine how interest rate, insurance programs, credit programs, and saving mobilization from microfinance institutions affect the living standards. The study was anchored on Grameen Models, and adopted quantitative study methods. It also used correlation and regression analyses. The study revealed that savings mobilization significantly improved the standard of living standards. The literature review identified contextual gap as the study focused on formal microfinance institution and standard of living. The current study addresses the gap by examining how community-based microfinance affects financial empowerment. The study adopted a descriptive research method using quantitative data.

According to a study conducted in Ethiopia by Duguma and Han (2018), the variables related to deposit mobilization—deposit to loan ratio, deposit to total asset ratio, volume of deposits, and demand deposit ratio—had a direct and significant impact on financial sustainability. The study employed panel regression estimates. Information was taken from the income statement and balance sheet of the audited financial statements. 166 rural savings and credit cooperatives' quantitative and qualitative data from 2014 to 2016 were the basis of the study's mixed research methodology. The study only looked at depot mobilization and financial sustainability, therefore there are conceptual and methodological gaps. Additionally, the study only employed secondary data. The study employed financial empowerment as the DV and community-based microfinance as the IV to close the gap.

Mwijukye (2020) carried out a study in Uganda to investigate the effect of Village Savings and Loan Associations (VSLAs) on the socioeconomic empowerment of those who are vulnerable.

Specifically, the impact of savings, credit access, and social fund on socio-economic empowerment of vulnerable individuals. The study was carried out in Uganda's Kabale District's Kamuganguzi Sub County. The study used a combination of qualitative and quantitative methods in a cross-sectional research design. Questionnaires and interviews were used to collect data. VSLA group members and employees of LADA Uganda made up the target population of 255. The study indicated that there was a substantial relationship between village savings and loan associations, with socio-economic empowerment of vulnerable people.

The study highlighted the need to enhance the health status of women and children in families since they are seen as most vulnerable; improving nutrition and food supply to all families; boost family income, and empower women by extending loan accessibility to enable them establish companies. The gaps revealed were contextual gap since the study only focused on vulnerable people. Conceptual gap as the study focused on socio economic empowerment. The study is intended to fill the gaps by studying how community-based microfinance affects financial empowerment of small scale women traders. Nakabugo et al.'s (2022) study in Uganda also examined the moderating effect of government laws on the success of smallholder coffee businesses as a result of microfinance services. The resource-based view served as the study's foundation, and the contingency and dynamic capability theories provided support. The study participants were 400 Ugandan coffee entrepreneurs. Multiple linear regression was used to analyze data. The findings showed that the performance of smallholder coffee businesses was positively impacted by microfinance services, which included financial training, microcredit, saving mobilization, and farm inputs (Nakabugo et al., 2022). However,

government regulations had a negative moderating influence on the connection between microfinance services and performance of smallholder coffee entrepreneurs. The literature review exposed contextual gap as the study focused on vulnerable people and formal microfinance institutions. The gap was addressed by studying how community-based microfinance affects financial empowerment of small scale women traders.

Lomongin *et al.*, (2023), whose main objective was to determine how table banking (used to mobilize savings) has contributed to socio-economic empowerment of households in Turkana County, Kenya. Specifically, the study examined how table banking awareness contributed to socio-economic empowerment of households. The study was anchored on group joint liability theory, supported by capability theory, together with Social capital theory. Descriptive research design was adopted and where data collected using both interviews and questionnaires for primary data, and content analysis for secondary data used to validate the primary data. Simple random sampling technique was used to draw a sample of 398 respondents from a population of 2,700 members of table banking from Kalobeyei and Kakuma wards, Turkana West Sub-County. The study used correlation and multiple regression analyses. The IV consisting of financial accessibility, awareness of table banking, group participation, as well as, credit risk management strategies had positive correlations. The results of the study demonstrated a strong favorable correlation between household socioeconomic empowerment and table banking.

The conceptual gap was revealed as the independent variables were financial accessibility, awareness of table banking, group participation, and credit risk management strategies, while

the dependent variable was socioeconomic empowerment. It also identified the contextual gap since the study considered households.

2.3 Research Gaps

A review of both theoretical and empirical literature revealed that most studies on microfinance and women empowerment have concentrated on formal microfinance institutions (MFIs) and their impact on socio-economic or economic empowerment (Anwaar, Ali, & Saleem, 2022; Matovu et al., 2020; Odhiambo & Asee, 2019). Few studies have examined community-based microfinance (CBMF) and its direct influence on financial empowerment of small-scale women traders at the grassroots level. This leaves a conceptual and contextual gap that the current study sought to fill.

Conceptual Gaps; Several reviewed studies, such as those by Kesanta & Andre (2015), Madonda et al. (2020), and Mwijukye (2020), focused on economic empowerment or socio-economic empowerment, overlooking financial empowerment as a distinct construct. Other studies narrowly examined single components of microfinance, such as savings mobilization (Kesanta & Andre, 2015), training (Madonda et al., 2020), or access to credit (Otieno, 2021), rather than adopting a multidimensional approach. The present study addresses this conceptual gap by focusing specifically on financial empowerment and considering all three key CBMF services — access to credit, financial literacy, and savings mobilization — in one model.

Contextual Gaps; Several studies were conducted in contexts different from the current study area, such as Tanzania (Kesanta & Andre, 2015), Ethiopia (Mengesha & Mishra, 2023), Uganda (Mwijukye, 2020), and Nigeria (Eletta et al., 2021). In Kenya, most research has concentrated on urban or peri-urban settings and on formal MFIs such as KWFT and Equity

Bank (Wanjiru & Njiru, 2016; Adero & Kariuki, 2020), leaving out rural and semi-rural settings where CBMF initiatives like merry-go-rounds, table banking, and savings groups dominate. The current study bridges this gap by focusing on Kisumu West Sub-County, which represents a rural–urban mix and has a high prevalence of community-based financial initiatives.

Methodological Gaps; Some prior studies used small sample sizes (Kesanta & Andre, 2015; Madonda et al., 2020; Varghese & Menon, 2023), which limits generalizability. Others relied exclusively on qualitative designs (Madonda et al., 2020) or used binary logistic regression focusing only on before-and-after scenarios (Mengesha & Mishra, 2023). Some failed to control for potential econometric issues such as heteroscedasticity and multicollinearity (Adero & Kariuki, 2020). This study addressed these methodological gaps by employing a descriptive cross-sectional design with a large sample of 400 respondents, using quantitative methods, and applying multiple linear regression analysis after testing all classical assumptions (linearity, normality, multicollinearity, heteroscedasticity, and autocorrelation).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study adopts a descriptive, cross-sectional, quantitative design with an explanatory (correlational) component. This design is appropriate for describing the prevalence and intensity of community-based microfinance (CBMF) services (access to credit, financial literacy, and savings mobilization) among small-scale women traders at a point in time as well as testing hypothesized relationships between CBMF services (independent variables) and financial empowerment (dependent variable) using inferential statistics

Creswell and Creswell (2018), describes research design as a plan and structure that guides a research in order for the researcher to get answers to the research questions. The study will adopt a descriptive research design, using quantitative data. The study being descriptive, it focused on determining and measuring the cause and effect relationships between community-based microfinance services and financial empowerment of small scale women traders in Kisumu West Sub-County (Cooper & Schindler, 2014). The descriptive research design will involve gathering data to produce and test the study hypotheses in order to answer the research objectives (Bryman & Bell, Business Research Methods , 2015). As recommended by Bryman and Bell (2015), the study design was chosen because it will enable the researcher to gather in depth information from the respondents without bias.

3.2 Study Area

The study area is Kisumu West Sub-County, located in Kisumu County. Participants in the study were drawn from each ward of the 5 wards of Kisumu West Sub-County, namely; “South

West Kisumu; Central Kisumu; North Kisumu; West Kisumu; and North West Kisumu”. Small scale women traders in Kisumu West Sub-County have been chosen for the study because as typical of women in developing countries; where women in most cases are the managers in households compared to their male counterparts, are disadvantaged in various ways including limited control over resources, minimal funding opportunities, low income, and restricted decision-making power as suggested by (Chakrabarty, 2023; Patel, 2017; UN Women, 2022).

3.3 Target Population

The target population will involve 484 small scale women traders in Kisumu West Sub-County, who are benefiting from community-based microfinance services (County Government of Kisumu, 2018).

3.4 Sampling Frame

The sample frame comprises of 484 small-scale women traders benefiting from community-based microfinance services. Table 3.1 presents the distribution of the sampling frame.

Table 3.1: Distribution of the sampling frame

Population	Frequency	Percent
Small scale women traders	484	100.0%
Total	484	100.0%

Sources: (AMPATH, Kenya., 2021; County Government of Kisumu, 2018)

3.4.1 Sample size

The sample size of the respondents is computed based on the Yamane’s (1967) formula as show:

$$N = \frac{N}{1 + N(e^2)}$$

Where, n=Sample Size, N=Population, 1=Constant, and e- error margin = 0.05

$$N = \frac{484}{1 + 484(0.05^2)}$$

$$N = 400$$

Table 3.2 presents the summary of the sample size distribution

The basic random sampling technique was used in this investigation. To give each member of a group an equal opportunity of taking part in the study, simple random sampling is a technique used to select individuals at random from the group (Mugenda & Mugenda, 2004). Where e- error margin = 0, N = population, n = sample size, and 1 = constant. In 2004 (Mugenda & Mugenda). A sample of 400 small-scale female traders who benefited from community-based microfinance services was employed in the study. The sample size distribution is shown in Table 3.2.

Table 3.2: Distribution of the sample size

Participants		Sample size	Percent
Small	scale	400	100
traders			
Total		400	100

3.5 Data Collection Methods

3.5.1 Sources of Data

The study relied on primary data as the main source of information. Primary data was collected directly from the target population — small-scale women traders in Kisumu West Sub-County — using a structured questionnaire designed specifically for this study. Primary data was chosen because it provides first-hand, specific, and up-to-date information that directly addresses the study objectives (Kothari, 2014). This ensured accuracy, minimized recall bias, and allowed for collection of detailed data on access to credit, financial literacy, savings mobilization, and financial empowerment indicators such as income, business growth, profitability, and decision-making power. Collecting primary data was also necessary for testing the research hypotheses using statistical techniques, including correlation and regression analysis, which require reliable and original datasets.

3.5.2 Data Collection Tools

Semi-structured questionnaires were used to collect data from the small scale women traders benefiting from the programme. The questionnaire has the advantage of presenting standard questions from a large number of targeted respondents and collecting data at the same time (Mugenda & Mugenda, 2012). The questionnaire is divided into 4 sections. Section A gathered socio demographic data pertaining to age, level of education, marital status, and business type. Sections B: Access to credit; Section C: Financial literacy, and C: Savings mobilization. The responses were rated on 5-point Likert scale ranging from 1= strongly disagree to 5= strongly agree.

3.5.3 Data Collection Procedure

The questionnaires were dropped and later collected from the respondents after they had been filled up. The exercise took three weeks (21 days). The questionnaire was self-administered but with some assistance for those who need assistance. For the purpose of administering the questionnaire and assisting the respondents who may help to fill the questionnaire, two assistants were employed. The research assistants were trained and must in be possession of Diploma in Business Management.

3.5.4 Pilot Test

A pilot study was conducted to pre-test the data collection instrument and ensure its clarity, reliability, and validity before administering it to the full sample. According to Isaac and Michael (1995), a pilot study should involve between 10% and 30% of the intended sample size, which is considered adequate for identifying weaknesses in the questionnaire. In this study, the pilot involved 40 respondents randomly selected from small-scale women traders in Siaya County, a neighboring sub-county that was not part of the main study area. This ensured that respondents shared similar characteristics with the study population while avoiding contamination of the main sample (Mugenda & Mugenda, 2012). The pilot exercise was conducted over one week (10th – 16th April, 2024). The objectives of the pilot test were to: Assess the clarity and comprehensibility of the questionnaire items, determine the average time taken to complete the questionnaire, identify and correct ambiguous, redundant, or missing questions. Pre-test the logistics of questionnaire administration and researcher assistance procedures. Feedback from the pilot participants was incorporated into the final questionnaire, improving its content validity and usability. The responses from the pilot test were excluded from the main data analysis.

3.5.5 Reliability Test for Data Collection Instruments

The reliability of the research instrument was assessed using Cronbach's Alpha coefficients. According to Hair et al. (2010) and Mugenda & Mugenda (2003), a Cronbach's Alpha value of 0.70 or higher is considered acceptable for social science research, as it demonstrates internal consistency among the items measuring a construct.

The results showed that: Financial Literacy had a Cronbach's Alpha of 0.703, indicating adequate reliability. Access to Credit recorded a coefficient of 0.756, reflecting good reliability. Savings Mobilization yielded an Alpha value of 0.755, also showing good internal consistency. Financial Empowerment (Dependent Variable) had the highest Alpha of 0.813, indicating strong reliability.

These results confirm that the data collection instrument was reliable and consistent in measuring the intended constructs. The values above the 0.7 threshold suggest that the questionnaire items were stable and would yield similar results if administered in similar conditions.

3.5.6 Validity Test for Data Collection Instruments

The questionnaire was tested for face validity, construct validity, and content validity. Face validity was done to ensure that the instrument is clear, comprehensible, and appropriate for to the participants (Tanner, 2018). Research consultants and the supervisor checked face validity and construct validity (Cooper & Schindler, 2014). They gave their views which was used to make the questionnaire effective for data collection.

Construct validity is making sure the questionnaire assesses the ideas it aimed to assess (Bryman, Social research methodology, 4th ed., 2012). Kaiser-Meyer-Olkin (KMO) was utilized to assess the sample adequacy, and confirmatory factor analysis (CFA) was employed to investigate if the questionnaire can measure the concepts (Watson & Thompson, 2006). For factor analysis, KMO uses a threshold of 0.5 (Tabachnick & Fidell, 2007). The suitability of the sample for factor analysis was assessed using Bartlett's test of sphericity (Burton & Mazerolle, 2011). According to Tabachnick and Fidell (2007), Bartlett's test results ($p < 0.05$) are considered appropriate for factor analysis models.

The findings, as indicated in Table 3.4, demonstrate that all of the variables' KMO values were higher than the suggested cutoff point of 0.5 and that the Bartlett's test statistics were statistically significant at p-values of 0.00. This suggests that were thought to be suitable and so appropriate for the factor analysis models, as proposed by Tabachnick and Fidell (2007). The CFA results are shown in Table 3.2.

3.6 Data Analysis

Data analysis was conducted using descriptive and multiple linear regression statistics.

3.6.1 Descriptive Statistics

Descriptive statistics involving percentages, frequency, mean and standard deviation was used to describe the socio-demographic attributes and the study variables in relation to the dependent variable.

3.6.2 Multiple Linear Regression

The association between the research variables was ascertained by correlation analysis, and the relationship between the dependent and independent variables was established using regression analysis (Bryman, 2012). In accordance with a particular hypothesis, multiple linear regression and ANOVA was employed to ascertain the significance of the association between community-based microfinance services and the empowerment of small-scale women merchants (Creswell & Creswell, 2018). Moreover, the null hypotheses was tested at 5% significance level using the t-statistic (Bryman, 2012).

The following is the derivation of the study's regression model:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where

Y = Financial empowerment

X₁ = Access to credit

X₂ = Financial literacy

X₃ = Savings mobilization

a = Constant (Regression coefficient)

β = Slope or gradient of regression line

ε = Standard error

3.7 Data Presentation

Version 24 of the Statistical Package for Social Sciences (SPSS) assisted in the data analysis, which was displayed as frequency, tables, and graphs.

3.8 Assumption of the Linear Regression

3.8.1 Linearity Test

In order to quantify the skewness of the distribution, Bryman and Bell (2015) state that the linearity assumption is that there is a linear relationship between the independent and dependent variables. The statistical P-P plot was used to measure the linearity test. The degree of relationship between the independent and dependent variables is measured by the P-P plot. According to Bryman (2012), a linear relationship between the dependent variable and predictor factors is necessary for multilinear regression results to be correct.

Regression analysis results, however, are deemed to be underestimated when the relationship is nonlinear (Bryman, 2012).

3.8.2 Normality Test

Normality testing was conducted to determine whether the data for the study variables were approximately normally distributed, which is a key assumption for regression analysis (Field, 2017). A Kolmogorov-Smirnov (K-S) test was performed because the sample size ($n = 320$) was greater than 50, making it appropriate for large-sample normality testing (Ghasemi & Zahediasl, 2012). The results reveal that all study variables had p-values greater than 0.05,

leading to the acceptance of the null hypothesis that the data are normally distributed. This implies that the data met the normality assumption required for parametric tests, including Pearson correlation and multiple regression analysis (Bryman & Bell, 2015). Additionally, visual inspection of histograms and Normal P-P plots confirmed that the data followed a reasonably straight diagonal line, further supporting the assumption of normality. Therefore, no data transformation was necessary.

3.8.3 Multicollinearity Test

O'Brien and Sharkey (2012) state that multicollinearity happens when there is a significant correlation between the explanatory factors. High levels of multicollinearity have the potential to alter the independent variable's statistical significance, which can produce inaccurate regression analysis results (Kim, 2019). In order to determine if a predictor variable is significantly correlated with other predictor variables, a multicollinearity test was carried out using Variance Inflation Factor (VIF) values. Regarding this, Bryman and Bell (2015) and Ghozali (2016) posit that multicollinearity does not exist when VIF values fall between 1 and 10, but does exist when VIF values are less than 1 or greater than 10 (Ghozali, 2016).

3.8.4 Heteroscedasticity Test

Knaub (2007:28), describes heteroscedasticity as “a case where variances of the predictions that are determined by regression differ”. Similarly, Field (2013:41), proposes that heteroscedasticity occurs when there is variance of error term, therefore “making residuals not to uniformly align along the horizontal line and this weakens the analysis of type 1 error”. Field (2017:49), states that residuals plots are used to determine “whether or not there is a problem with heteroscedasticity”. He further states that heteroscedasticity is detected “when the spots

are diffused with no clear specific arrangement or pattern” (Field, 2017). The study used scatter plot as suggested by Knaub (2007) to test if heteroscedasticity exists in the data.

3.8.5 Auto-correlation

Autocorrelation indicates that observations or elements of sample or population are related to each other consecutively (Field, 2017). According to Field (2017:58), autocorrelation occurs when the statistics for Durbin Watson “lie between 0 and 4, whereby 2 signifies negative autocorrelation; but when it lies between 0 and 2<, it represents positive autocorrelation; and when it is > 2 it symbolizes negative autocorrelation”. But when it lies between 1.5 and 2.5 it is considered “normal and hence acceptable, whereas values below 1 or beyond 3 are not acceptable” (Field, 2009:34). Durbin Watson statistics was used to test autocorrelation (Field, 2017).

3.9 Research Ethics

Saunders *et al.*, (2019), suggests that certain ethical considerations including integrity, ethics in research, and legal requirements to be observed. This protects the rights of participants as well as the validity and representativeness of the research (Davis & Lachlan, 2017). The study ensured that the participation was voluntary and individuals’ rights and personal integrity were observed by anonymity, confidentiality, and privacy. The participants were also allowed to withdraw from the study unconditionally (Bryman & Bell, 2015). This involved not disclosing personal particulars on the questionnaires, respecting the laws of the Republic of Kenya concerning how to conduct research involving the public.

CHAPTER FOUR

DISCUSSIONS AND FINDINGS

4.1 Introduction

The results of the data analysis are presented in Chapter 4. Two steps of statistical inferential and descriptive analysis were performed on the data. The initial phase involves a descriptive analysis of the study variables and background data. Standard deviation, mean, percentage, and frequency were all used in descriptive statistics. Regression diagnostics and regression analysis, which tested the study hypotheses, were a part of the second stage of inferential and regression statistics.

4.1.1 Response rate

For the objectives of this study, 400 people made up the study sample; however, 320 questionnaires were collected and used for analysis, which indicates an 80% response rate. Table 4.1 displays the response rate for the study.

Table 4.1: Response rate

	Frequency	Percent
Questionnaires dispatched	400	100
Questionnaire retrieved	320	80
Questionnaires not returned	80	20

4.2: Background information

The descriptive analysis in Table 4.2 indicates that majority, 147 (45.9%) of the respondents were married, followed distantly by 62 (19.4%) who were single, then 60 (18.8%) divorced, and lastly 51 (15.9%) were separated. Implying that majority had families, hence people to take care of. Analysis of education showed that majority, 122 (38.1%) of participants had attained secondary level, followed by 96 (30%) with college diploma, then 63 (19.7%) with primary certificate, and those who had attained university education were 8 (2.5%). However, only a small number, 31 (9.7%) had no formal education. This implies that majority of the respondents had formal education hence they understood matters related to community-based microfinance services financial empowerment of small scale women traders. Statistics on age of respondents indicated that 124 (38.8%) belonged to 40 - 50 years, followed by 94 (29.4%) who belonged to 29 - 39 years, then 71 (22.2%) were aged over 50 years, and lastly 31 (9.7%) who belonged to 18 - 28 years of age. This implies that majority of the women who are managing small scale enterprises are relatively young and active.

Years of operating business have indicated that majority of the small scale women entrepreneurs, 107 (33.4%) have had their businesses for 5-10 years, followed by 77 (24.1%) who have managed the business for between 11 and 15 years, and lastly, 61 (19.1%) who have had businesses for over 15 years. As to how long they have accessed community-based microfinance services, majority 113 of small scale women traders who account for 35.3% of the total respondents in the study had accessed microfinance services for over 15 years, they were followed by 103 (32.2%) who have accessed the services for 5 to 15 years, then 71 (22.2%) who have accessed the services for 11 to 15 years, and those who have accessed the microfinance services for less than 5 years were 33 (10.1%). This suggests that the majority of

Kisumu West Sub-county's small-scale female traders are sufficiently knowledgeable about the function of community-based microfinance services and how those services might give them financial independence. The relevance of demographic information validates the generalizability of the study findings since the sample is representative of the study population. It also indicates that the findings represents different perspectives. Table 4.2 presents demographic information of the respondents.

Table 4.2: Descriptive analysis of respondent demographic variables

Background information	Grouping	Frequency	Percentage
Marital status	Single	62	19.4
	Married	147	45.9
	Separated/Divorced	51	15.9
	Widowed	60	18.8
Highest level of education	None	31	9.7
	Primary	63	19.7
	Secondary	122	38.1
	College	96	30
	University	8	2.5
Age of respondents	18 - 28 years	31	9.7
	29 - 39 years	94	29.4
	40 - 50 years	124	38.8
	Over 50 years	71	22.2
Years of operating business	Less than 5 years	75	23.4
	5 to 10 years	107	33.4
	11 - 15 years	77	24.1
	Over 15 years	61	19.1
Years of accessing community-based microfinance services.	Less than 5 years	33	10.1
	5 to 10 years	103	32.2
	11 to 15 years	71	22.2
	Over 15 years	113	35.3

Source: Survey data

4.3 Descriptive statistics

4.3.1 Access to credit and financial empowerment of small scale women traders in Kisumu West Sub-County.

The first objective sought to assess how access to credit affected financial empowerment of small scale women traders in Kisumu West Sub-County. The respondents therefore indicated the extent of their agreement or disagreement with the statements concerning access to credit by small scale women traders in Kisumu West Sub-County. As to whether the cases of non-performing loans are many; more than half of the respondents 189 (59.1%), agreed, followed distantly by 63 (19.7%) who strongly agreed, then 42 (13.1%) were not sure, 22 (6.9%) disagreed, and only 4 (1.3%) strongly disagreed. The mean of 3.89 (SD=0.840), implying that majority the small scale women traders agreed that cases of non-performing loans are many among small scale women traders in Kisumu West Sub-County. As to whether loans extended to a member was guaranteed by other members in the group; more than a half of the respondents 213 (66.6%) agreed, followed distantly by 50 (15.6%) who strongly agreed, 28 (8.8%) were not sure, 25 (7.8%) disagreed, while 4 (1.3%) strongly disagreed. The mean of 3.88 (SD=0.809) suggests most respondents agreed that loans extended to a member was guaranteed by other members in the group.

Additionally, they indicated the extent of their agreement or disagreement with whether the group provides lower interest rates on its loans compared to the banks; majority 210(65.6%) agreed, 42 (13.1%) strongly agreed, 28 (8.8%) were not sure, 35 (10.9%) disagreed, and 5 (1.6%) strongly agreed. The mean of 3.78 (SD=0.866) indicating that the group provides lower interest rates on its loans compared to the banks. They also gave their opinion of whether the rate of interest is lower compared to bank rate; 185 (57.8%) who were the majority strongly

agreed, followed by 54 (16.9%) who agreed, a big number 43 (13.4%) were not sure, 29(9.1%) disagreed, while 9 (2.8%) strongly disagreed. A mean of 3.77 (SD=0.932) showing that majority of the women agreed that the rate of interest provided by community-based microfinance services is lower compared to bank rate. As to whether the amount payable weekly or monthly is affordable, they responded as follows: more than half of the respondents, 204 (63.8%) agreed, 28 (8.8%) strongly agreed, 56 (17.5%) were not sure, 30 (9.4%) disagreed, and only 2 (0.6%) strongly disagreed. The mean of 3.71 (SD, 0.781) indicating that majority of the respondents agreed that the amount payable weekly or monthly is affordable.

Furthermore, they also indicated whether they had been able to expand their business from the loan they acquired from the community-based microfinance services. They responded as following: 192(60.0%) who were the majority agreed, followed distantly by 62(19.4%) who were not sure, then 35(10.0%) who strongly agreed, while 27(8.4%) disagreed, and 4(1.4%) strongly disagreed. A mean of 3.71 (SD=0.819) suggesting that majority were of the opinion that they had been able to expand their business from the loan they acquired from the community-based microfinance services. Lastly, they indicated whether the repayment period for loans taken are sufficient: Majority 186 agreed (58.1%), followed by 50 (15.6%) who were not sure, 43 (13.4%) disagreed, 38 (11.9%) strongly agreed, and 3 (0.9%) strongly disagreed. A mean of 3.67 (SD=0.887) implying that majority agreed that the repayment period for loans taken from community-based microfinance services are sufficient.

Based on the overall mean 3.77 (SD=0.848) and the responses from the statements, it can be suggested that access to credit affected the financial empowerment of small scale women traders in Kisumu West Sub-County. The results conform to that of Varghese and Menon (2023) who found that microfinance services positively affected the economic empowerment

of rural women in Kerala India. The findings are in the same line with the finding by (Adero & Kariuki, 2020; Akhter & Cheng, 2020; Mengesha & Mishra, 2023), which found that microfinance services positively affected the economic empowerment of women. However, the findings contradicted that of Wanjiru and Njiru (2016) which found that credit access had no significant impact on economic empowerment. Table 4.3 show the descriptive statistics for access to credit. Table 4.3 presents descriptive statistics for access to credit.

Table 4.3: Descriptive statistics for access to credit

Statements	SA	A	NS	D	SD	M	SD
Cases of non-performing loans are many	63 (19.7%)	189 (59.1%)	42 (13.1%)	22 (6.9%)	4 (1.3%)	3.89	0.840
Loans extended to a member is guaranteed by other members in the group	50 (15.6%)	213 (66.6%)	28 (8.8%)	25 (7.8%)	4 (1.3%)	3.88	0.809
The group provides lower interest rates on its loans compared to the banks	42 (13.1%)	210(65.6%)	28 (8.8%)	35 (10.9%)	5 (1.6%)	3.78	0.866
Rate of interest is lower compared to bank rate	54 (16.9%)	185 (57.8%)	43 (13.4%)	29(9.1%)	9 (2.8%)	3.77	0.932
Amount payable weekly/monthly is affordable	28 (8.8%)	204 (63.8%)	56 (17.5%)	30 (9.4%)	2 (0.6%)	3.71	0.781
I have been able to expand my business from the loan	35(10.0%)	192(60.0%)	62(19.4%)	27(8.4%)	4(1.4%)	3.71	0.819
Repayment period for loans taken are sufficient	38 (11.9%)	186 (58.1%)	50 (15.6%)	43 (13.4%)	3 (0.9%)	3.67	0.887
Overall mean						3.77	0.848

Source: Survey data (2024)

4.3.2 Financial literacy and financial empowerment of small scale women traders in Kisumu West Sub-County.

The second objective sought to establish the effect of financial literacy on financial empowerment of small scale women traders in Kisumu West Sub-County. The respondents therefore indicated the extent of their agreement or disagreement with the following statements: “The financial literacy skills I got have enabled me to improve my business”; more than half 221 (69.1%) agreed, followed by 63(19.7%) who agreed strongly, then 28(8.8%) who were not sure, while 7(2.2%) disagreed and 1(0.3%) strongly disagreed. A mean of 4.06 (SD=0.631) suggesting that the financial literacy skills they got have enabled them to improve their business. As to whether they had acquired adequate budgeting skills, they responded as follows; 180 (56.3%) who were the majority agreed, followed by 74 (23.1%) who were not sure, 23(7.2%) strongly agreed, while 38(11.9%) disagreed and 5(1.6%) strongly disagreed. The mean of 3.88 (SD=0.952) implying that the majority agreed that the budgeting skills acquired by small scale women traders were adequate.

As to whether the community-based microfinance services organizes entrepreneurial workshops for members; majority 202 (63.1%) agreed, followed distantly by 54 (16.9%) who strongly agreed, 29(9.1%) were not sure, same to 29(9.1%) who disagreed, and 6(1.9%) who strongly disagreed. The mean of 3.84 (SD=0.876) indicates that community-based microfinance services organizes entrepreneurial workshops for the members. As to whether they had attended entrepreneurial workshops; majority 182(56.9%) agreed, 60(18.8%) were not sure, 52(16.3%) strongly agreed, 23(7.2%) disagreed, and 3(0.9%) strongly disagreed. A mean of 3.8 (SD=0.828) suggesting that most small scale women traders in Kisumu West Sub-County are had attended entrepreneurial workshops.

Lastly, asked if they had learnt book-keeping skills; majority 141(44.1%) strongly agreed, followed by 90(28.1%) who disagreed, 68(21.3%) agreed, 17(5.3%) disagreed, and 4(1.3%) strongly disagreed. The mean of 3.56 (SD=1.146) suggests that majority had learnt book-keeping skills. Overall mean of 3.83 (SD=0.887) suggests that financial literacy has effect on financial empowerment of small scale women traders in Kisumu West Sub-County. Table 4.4 presents some descriptive statistics for financial literacy.

Table 4.4: Descriptive statistics for financial literacy

	SA	A	NS	D	SD	M	SD
The financial literacy skills I got have enabled me to improve my business.	63(19.7%)	221(69.1%)	28(8.8%)	7(2.2%)	1(0.3%)	4.06	0.631
I have acquired adequate budgeting skills	74 (23.1%)	180 (56.3%)	23(7.2%)	38(11.9%)	5(1.6%)	3.88	0.952
Organizes entrepreneurial workshops for members	54 (16.9%)	202 (63.1%)	29(9.1%)	29(9.1%)	6(1.9%)	3.84	0.876
I have attended entrepreneurial workshops	52(16.3%)	182(56.9%)	60(18.8%)	23(7.2%)	3(0.9%)	3.80	0.828
I have learnt book-keeping skills	68(21.3%)	141(44.1%)	17(5.3%)	90(28.1%)	4(1.3%)	3.56	1.146
Overall mean						3.83	0.887

Source: Survey data (2024)

4.3.3 Savings mobilization and financial empowerment of small scale women traders in Kisumu West Sub-County.

The third objective was to determine the effect savings mobilization on financial empowerment of small scale women traders in Kisumu West Sub-County. The respondents indicated their agreement or disagreement with the statements savings mobilization. As to whether members get loans from the bank using the group's savings as collateral: close to a half of the respondents 156 (48.8%) agreed, 106(33.1%) strongly agreed, 48(15.0%) were not sure,

6(1.9%) disagreed, and 4(1.3%) strongly disagreed. The mean of 4.11 (SD=0.812) means that majority agreed that members get loans from the community-based microfinance using the group's savings as collateral. "The amount invested determines the amount of loan given to members"; a very big number 208(65.0%) agreed, 71(22.2%) strongly agreed, 24(7.5%) were not sure, 15(4.7%) disagreed, while only 2(0.6%) strongly disagreed. The mean of 4.03 (SD=0.736) implying that majority agreed that the amount invested determines the amount of loan given to members. As to the amount of savings mobilized are adequate to members who apply for loans; most members strongly agreed 121(37.8%), same number with those who agreed 121(37.1%), followed by 41(12.8%) who were not sure, 28(8.8%) disagreed, and 9(2.8%) strongly disagreed. The mean of 3.99 (SD=1.055) implies that majority agreed that the amount of savings mobilized are adequate to members who apply for loans.

Additionally, they responded to the statement as to whether the group collects deposits from its members on daily/weekly/monthly basis; More than half 187(58.4%) agreed, 52(16.3%) strongly agreed, 47(14.7%) disagreed, 33(10.3%) and 1(0.3%) respondent strongly disagreed. The mean of 3.76 (SD=0.908) indicates that the group collects deposits from its members on daily/weekly/monthly basis. Lastly, as to whether the loans from the group can only be used for business activities; more than half 179(55.9%) agreed, 69(21.6%) were not sure, 31(9.7%) disagreed, 29(9.1%) strongly agreed, 12(3.8%) strongly disagreed. The mean of 3.57 (SD=0.921) implies that the majority of the respondents agreed that the loans from the group can only be used for business activities. Overall mean 3.892 (SD=0.886) indicates that majority were of the opinion that savings mobilization affected financial empowerment of small scale women traders in Kisumu West Sub-County. The findings are in conformity to the findings by Anwaar et al., (2022) that savings mobilization significantly improved the standard of living

standards by economically empowering them. It also supports Duguma and Han (2018), whose study revealed that deposit mobilization had a direct and significant impact on sustainability of rural savings and credit cooperatives. It further supports Mwijukye (2020) who revealed that there exists a substantial relationship between village savings and loan associations, with socio-economic empowerment of vulnerable women. Table 4.5 illustrates the descriptive statistics for savings mobilization.

Table 4.5: Descriptive statistics for savings mobilization

	SA	A	NS	D	SD	M	SD
Members get loans from the community-based microfinance using the group's savings as collateral	106(33.1%)	156(48.8%)	48(15.0%)	6(1.9%)	4(1.3%)	4.11	0.812
The amount invested determines the amount of loan given to members	71(22.2%)	208(65.0%)	24(7.5%)	15(4.7%)	2(0.6%)	4.03	0.736
The amount of savings mobilized are adequate to members who apply for loans	121(37.8%)	121(37.1%)	41(12.8%)	28(8.8%)	9(2.8%)	3.99	1.055
The group collects deposits from its members on daily/weekly/monthly	52(16.3%)	187(58.4%)	33(10.3%)	47(14.7%)	1(0.3%)	3.76	0.908
Loans from the group can only be used for business activities	29(9.1%)	179(55.9%)	69(21.6%)	31(9.7%)	12(3.8%)	3.57	0.921
Overall mean						3.892	0.886

Source: Survey data (2024)

4.3.4 Financial empowerment

Finally to determine the extent of financial empowerment, the respondents were asked to indicate the extent of their agreement or disagreement with statements regarding financial empowerment of small scale women traders in Kisumu West Sub-County. The responded as

follows: Whether their business had improved in product and service delivery; 131(40.9%) strongly agreed, followed closely by 130(40.6%) who agreed, while 32(10.0%) were not sure. Those who disagreed were 21(6.6%) and those who strongly disagreed were 6(1.9%). The mean of 4.12 (SD=0.964) suggesting that majority of the respondents were of the view that their businesses had improved in product and service delivery. As to whether profitability of their business had increased; majority 138(43.1%) agreed, followed by 110 (34.4%) who strongly agreed, 45(14.1%) were not sure, 23 (7.2%) disagreed, and 4 (1.3%) strongly disagreed. The mean of 4.02 (SD=0.942) showing that majority of the respondents agreed that the profitability of their business had increased. Lastly, they indicated their agreement or disagreement on whether they had observed improvement in their household income. More than half 230 (71.9%) of the respondents agreed, 35(10.9%) were not sure, then 28(8.8%) strongly agreed, 23(7.2%) disagreed, while 4(1.3%) strongly disagreed. Mean of 3.80 (SD=0.747) indicates that majority observed improvement in their household income. Overall mean 3.98 (SD=0.884) implying that majority agreed that they had been financially empowered. Table 4.6 show the descriptive statistics for financial empowerment.

Table 4.6: Descriptive statistics for financial empowerment

	SA	A	NS	D	SD	M	SD
My business has improved in product and service delivery	131(40.9%)	130(40.6%)	32(10.0%)	21(6.6%)	6(1.9%)	4.12	0.964
Profitability of my business has increased.	110(34.4%)	138(43.1%)	45(14.1%)	23(7.2%)	4(1.3%)	4.02	0.942
I have observed improvement in my household income	28(8.8%)	230(71.9%)	35(10.9%)	23(7.2%)	4(1.3%)	3.80	0.747
Overall mean						3.98	0.884

Source: Survey data (2024)

4.4 Regression diagnostics or assumptions

For regression analysis to produce the correct results, the assumptions of linearity, normality, multicollinearity, heteroscedasticity, and auto correlation were conducted to ensure that the assumptions are not violated.

4.4.1 Linearity

Bryman and Bell, (2015), asserts that there must be a linear association of dependent variable with independent variables. Figure 4.1 presents Normal PP Plot of financial empowerment to test linearity.

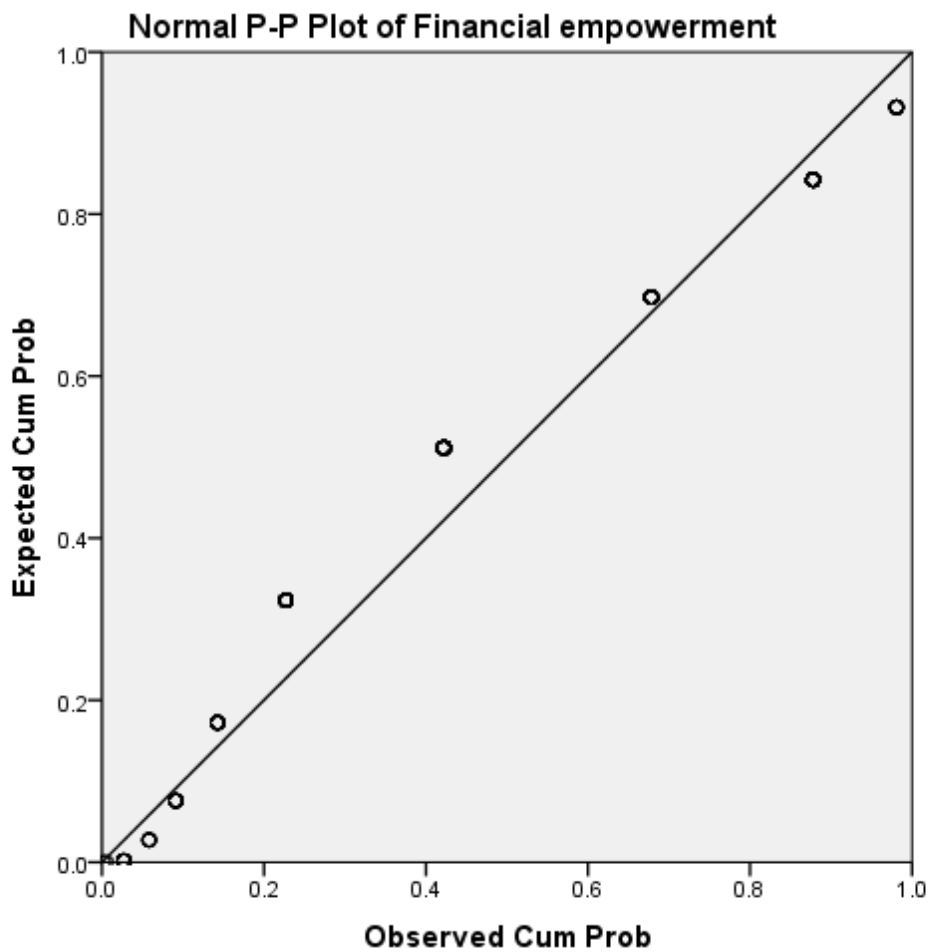


Figure 4.1: Linearity test

4.4.2 Normality

To show normal distribution, the histogram be symmetric around the mean of the distribution, which is -6.46. It can be observed that the distribution seems to be skewed negatively skewed to the left.

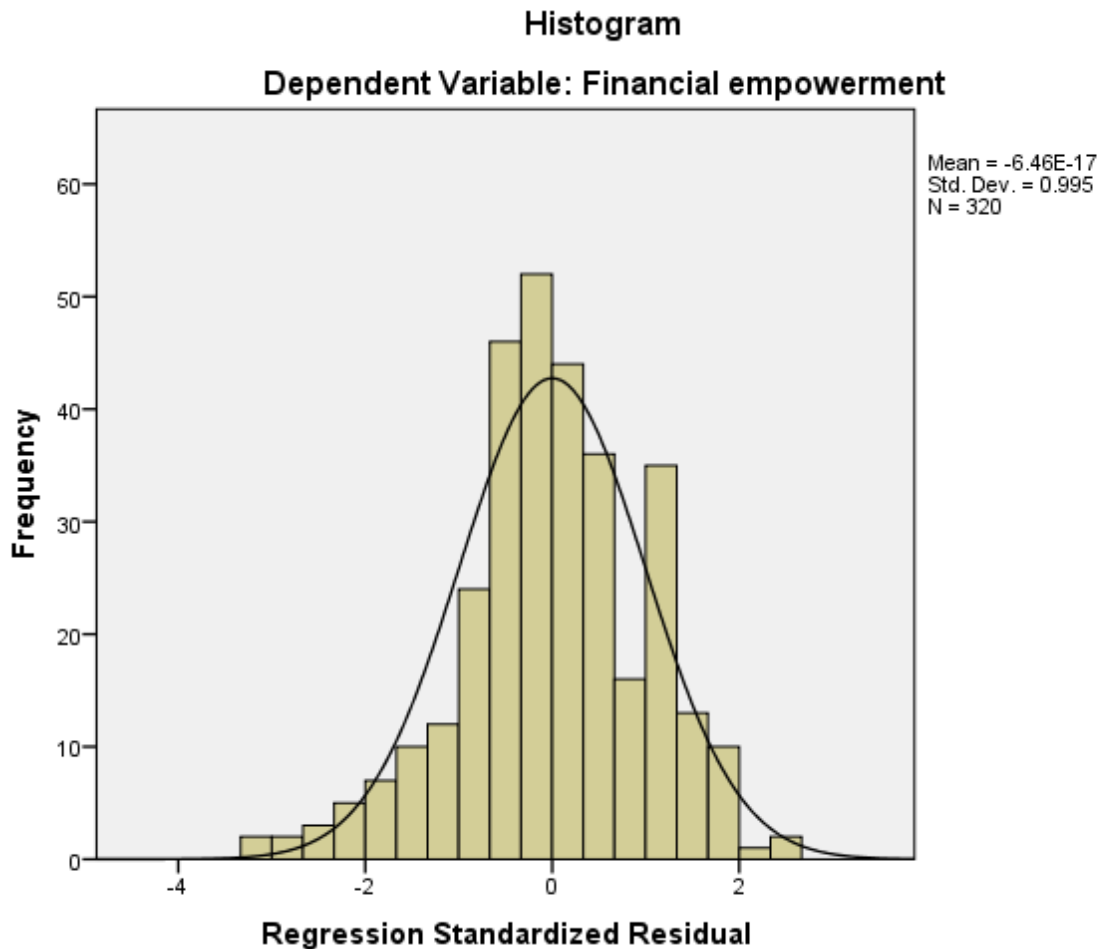


Figure 4.2: Histogram for normality test

The Kolmogorov-Smirnov test was performed to evaluate the null hypothesis, which states that the data used for analysis came from a normal distribution. The values of the degrees of freedom and Kolmogorov-Smirnov statistic were 0.230 and 320, respectively, depending on the amount of data points. Table 4.7 indicates that a p-value of 0.00 (<0.001) indicates a normal

distribution of the data. The fact that the null hypothesis, according to which the data set is not regularly distributed, was rejected suggests that the data were. Table 4.7 presents Kolmogorov-Smirnov for normality test.

Table 4.7: Kolmogorov-Smirnov for normality test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Financial empowerment	.230	320	.000	.868	320	.000

a. Lilliefors Significance Correction

Source: Survey data (2024)

4.4.3: Multicollinearity (VIF or Tolerance)

The multicollinearity test was conducted to determine whether the independent variables (access to credit, financial literacy, and savings mobilization) were greatly correlated to each other, and with dependent variable (Young, 2017:124). As shown in Table 4.8, the VIF for all the variables are between 1 and 10, therefore multicollinearity did not exist: Access to credit (1.612); Financial literacy (1.905); and Savings mobilization (2.107). Since there is no multicollinearity, it can be suggested that the results of the study are good (Osborne & Waters, 2002). According to Bryman (2015), when the VIF values are <1 or >10 then there is multicollinearity. Table 4.8 presents the results of multicollinearity test.

Table 4.8: Multicollinearity test

		Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.118	.263		-.447	.655		
	Access to credit	.169	.085	.101	2.002	.046	.620	1.612
	Financial literacy	.373	.067	.305	5.590	.000	.525	1.905
	Savings mobilization	.522	.075	.399	6.942	.000	.475	2.107

a. Dependent Variable: Financial empowerment

Source: Survey data (2024)

4.4.4: Heteroscedasticity

Field (2013), proposes that heteroscedasticity occurs when there is variance of error term, therefore making residuals not to uniformly align along the horizontal line and this weakens the analysis of type 1 error. Residuals plots are used to determine whether or not there is a problem with heteroscedasticity, in which case, heteroscedasticity is detected when the spots are diffused with no clear specific arrangement or pattern. When the pattern is cone or fan shaped, it shows that there is heteroscedasticity. As this is not the case in Figure 4.3 we can conclude that there is no issue of heteroscedasticity. The study used scatter plot to test if heteroscedasticity exists in the data. Figure 4.3 presents scatter graph for heteroscedasticity.

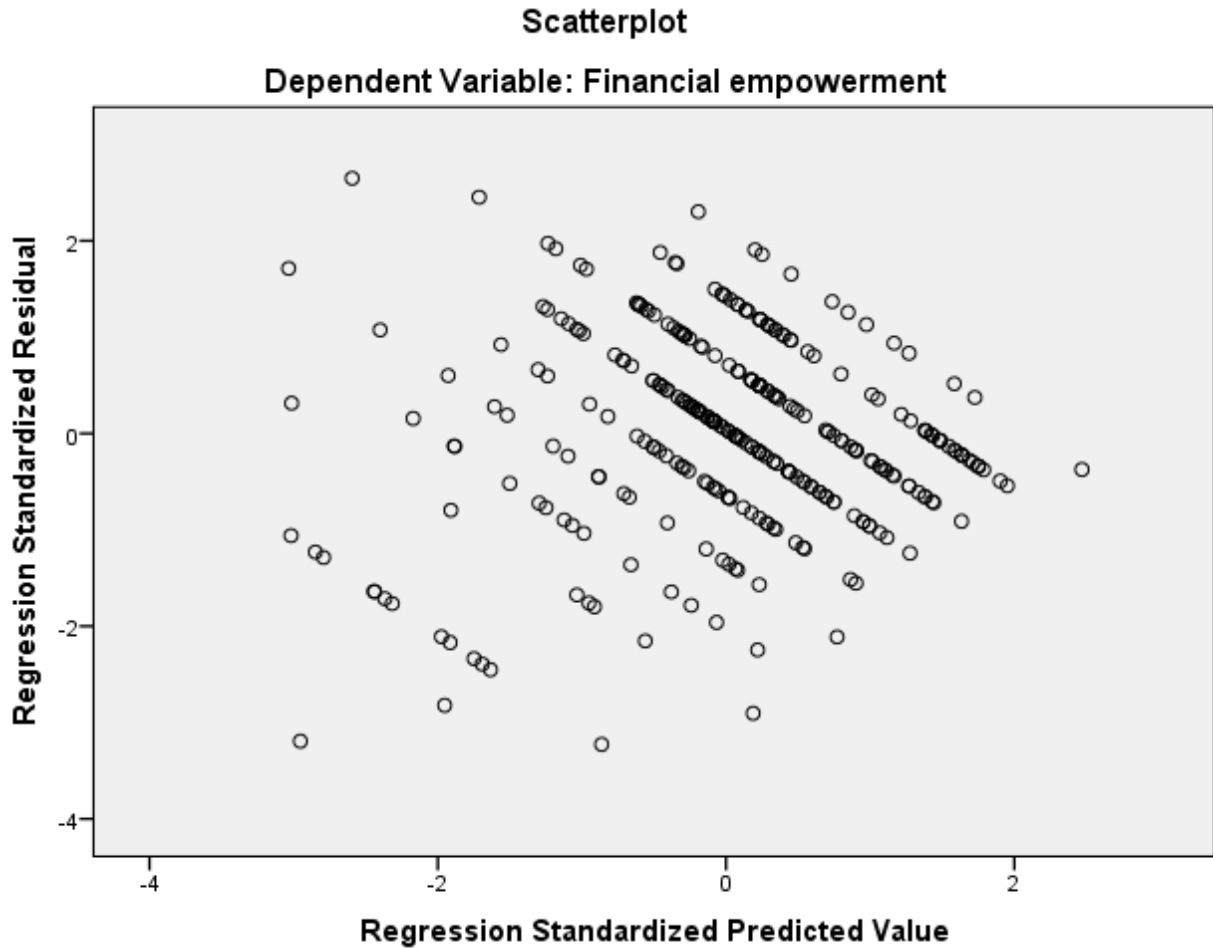


Figure 4.3: Scatter plots for heteroscedasticity

4.4.5: Auto Correlation-Durbin Watson

Autocorrelation was tested using the Durbin-Watson test. If Durbin Watson value less than 1.5, shows positive autocorrelation, but when the value is greater than 2.5, it shows negative autocorrelation (Curwin & Slater, 2008). Since the statistic falls between 1.5 and 2.5 (i.e. 1.501), it indicates absence of autocorrelation (Curwin & Slater, 2008), therefore, the statistics can be used for regression model. Table 4.9 presents the results of Auto Correlation-Durbin Watson test.

Table 4.9: Auto Correlation-Durbin Watson

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.711 ^a	.505	.500	.484	1.501

a. Predictors: (Constant), Savings mobilization, Access to credit, Financial literacy

b. Dependent Variable: Financial empowerment

Source: Survey data (2024)

4.5 Correlation analysis

Table 4.10: Correlation analysis

		Financial empowerment	Access to credit	Financial literacy	Savings mobilization
Financial empowerment	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	320			
Access to credit	Pearson Correlation	.497**	1		
	Sig. (2-tailed)	.000			
	N	320	320		
Financial literacy	Pearson Correlation	.625**	.528**	1	
	Sig. (2-tailed)	.000	.000		
	N	320	320	320	
Savings mobilization	Pearson Correlation	.662**	.590**	.669**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	320	320	320	320

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey data (2024)

To determine the pairwise association between the study variables, Pearson's Product Moment Correlation Coefficient was computed. Correlation analysis assesses the strength and direction of the linear relationship between variables (Crossman, 2013). The results indicate that all independent variables are positively and significantly correlated with financial empowerment: Access to Credit: $r = 0.497$, $p < 0.01$, indicating a moderate positive relationship. This means that as access to credit increases, financial empowerment of small-scale women traders also increases. Financial Literacy: $r = 0.625$, $p < 0.01$, showing a strong positive correlation. Higher financial literacy levels are strongly associated with greater financial empowerment. Savings Mobilization: $r = 0.662$, $p < 0.01$, showing the strongest positive correlation among the three predictors. This implies that savings mobilization plays a key role in enhancing financial empowerment. The correlation coefficients among the independent variables are also positive and significant, but all fall below 0.80, suggesting no multicollinearity problem (Hair et al., 2010). This satisfies a key assumption for multiple regression analysis and justifies the use of regression in the subsequent sections.

4.6 Regression analysis

Multiple regression analysis was conducted to determine the combined effect of access to finance, financial literacy, and savings mobilization on the financial empowerment of small-scale women traders in Kisumu West Sub-County. This analysis assessed the extent to which the three independent variables jointly explained the variation in financial empowerment among the respondents.

4.6.1 Access to credit and financial empowerment of small scale women traders in Kisumu West Sub-County.

The correlation value of 0.397 in Table 4.11 indicates a modest linear link between loan availability and financial empowerment. It also shows that the independent variable, loan availability, accounts for 64.7% of the change in financial performance (the dependent variable), with a goodness of fit (R²) of 0.647. With an adjusted R square of 64.7%, this illustrates the importance of loan availability and its benefits to financial empowerment. It is implied that the availability of credit has a 64.7% impact on the financial empowerment of small-scale female traders in Kisumu West, with other variables not included in the regression model accounting for the other 35.3%. A strong explanatory power for loan availability is shown by the F value of 104.202, which is significant at .000 (Table 4.11). It so indicates that the model is trustworthy.

Table 4.11: Model summary for access to finance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.497 ^a	.647	.244	.595

The model's strength was demonstrated using the analysis of variance (ANOVA). ANOVA's F-value of 104.202 clearly shows that the result is statistically significant. The significance value of $0.00 < 0.05$ significant level attests to this. The model is noteworthy because it demonstrates that financial empowerment of small-scale female traders in Kisumu West was positively impacted by loan availability in a statistically significant way. As a result, the null

hypothesis—which states that there isn't a statistically significant correlation between small-scale women traders' financial empowerment and their ability to obtain credit is rejected.

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The findings are contradicting that of Wanjiru and Njiru (2016) which found that credit access had no significant impact on economic empowerment. Table 4.12 presents the ANOVA for access to finance.

Table 4.12: ANOVA for access to finance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.853	1	36.853	104.202	.000 ^b
	Residual	112.466	318	.354		
	Total	149.319	319			

a. Dependent Variable: Financial empowerment

b. Predictors: (Constant), Access to credit

B value of 0.836 implies that 1% increase in access to credit will bring about 83.6% increases in financial empowerment of small scale women traders of Kisumu West, Kisumu County.

Table 4.13 indicated that by holding access to credit constant, financial empowerment was at 1.827. But a unit increase in access to when holding any other variable constant, financial empowerment would be at 0.836. Table 4.13 presents the results of coefficients for access to finance.

Table 4.13: Coefficients for access to finance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.827	.311		2.663	.008
	Access to credit	.836	.082	.497	10.208	.000

a. Dependent Variable: Financial empowerment

Source: Survey data (2024)

4.6.2 Financial literacy and financial empowerment of small scale women traders in

Kisumu West Sub-County.

The model's strength was demonstrated using the analysis of variance (ANOVA). ANOVA's F-value of 104.202 clearly shows that the result is statistically significant. The significance value of $0.00 < 0.05$ significant level attests to this. The model is noteworthy because it demonstrates that financial empowerment of small-scale female traders in Kisumu West was positively impacted by loan availability in a statistically significant way. As a result, the null hypothesis which states that there isn't a statistically significant correlation between small-scale women traders' financial empowerment and their ability to obtain credit is rejected.

Table 4.14: Model summary for financial literacy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.625 ^a	.791	.389	.535	1.319

a. Predictors: (Constant), Financial literacy

b. Dependent Variable: Financial empowerment

Source: Survey data (2024)

The model's strength was demonstrated using the analysis of variance (ANOVA). ANOVA's F-value of 104.202 clearly shows that the result is statistically significant. The significance value of $0.00 < 0.05$ significant level demonstrates that financial empowerment of small-scale female traders in Kisumu West was positively impacted by loan availability in a statistically significant way. This suggests that financial empowerment was positively impacted by financial literacy. The findings conform to that of Otieno (2021) who found that women become more economically empowered through literacy in credit management, bookkeeping, and budgeting techniques. The results also support those of (Kesanta & Andre, 2015; Mwijukye, 2020) who revealed that financial literacy influenced economic empowerment of small scale women traders. In contrast, Willis (2011), suggested that there are many obstacles to financial literacy, raising questions about its ability to significantly or meaningfully improve financial inclusion.

Table 4.15: ANOVA for financial literacy

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	58.389	1	58.389	204.197	.000 ^b
	Residual	90.930	318	.286		
	Total	149.319	319			

a. Dependent Variable: Financial empowerment

b. Predictors: (Constant), Financial literacy

Source: Survey data (2024)

Table 4.16 presents the results of a simple linear regression model examining the effect of financial literacy on the financial empowerment of small-scale women traders in Kisumu West Sub-County. Constant (B = 1.054): This implies that if financial literacy were held constant (zero), the baseline level of financial empowerment would be 1.054 units. Unstandardized Coefficient (B = 0.765): For every one-unit increase in financial literacy, financial

empowerment increases by 0.765 units, holding other variables constant. Standardized Coefficient (Beta = 0.625): The Beta value indicates that financial literacy has a strong and positive standardized effect on financial empowerment — among the independent variables studied, this is a major predictor. Significance ($p = 0.000$): Since $p < 0.05$, the relationship is statistically significant. This means financial literacy is a significant determinant of financial empowerment among the women traders. Overall Conclusion: The findings suggest that improving financial literacy — such as training in bookkeeping, budgeting, and entrepreneurship — is likely to lead to greater financial empowerment. This supports past studies (Otieno, 2021; Kesanta & Andre, 2015) which established that women with better financial literacy are more capable of managing credit, increasing business profits, and supporting household welfare.

Table 4.16: Coefficients for financial literacy

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.054	.207		5.095	.000
Financial literacy	.765	.054	.625	14.290	.000

a. Dependent Variable: Financial empowerment

4.6.3 Savings mobilization and financial empowerment of small scale women traders in Kisumu West Sub-County.

The study sought to establish the effect of savings mobilization on the financial empowerment of small-scale women traders in Kisumu West Sub-County. Regression analysis was performed and the results are presented in the model summary, ANOVA, and coefficients tables. The model produced a correlation coefficient (R) of 0.662, indicating a strong positive association between savings mobilization and financial empowerment. The coefficient of determination (R^2) was 0.439, implying that 43.9% of the variation in financial empowerment can be explained by savings mobilization, while the remaining 56.1% is attributable to other factors not included in the model. The Durbin–Watson statistic (1.798) indicates that there was no serious autocorrelation problem in the model residuals. The model summary for mobilizing savings is shown in Table 4.17.

Table 4.17: Model summary for savings mobilization

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.662 ^a	.439	.437	.513	1.798

a. Predictors: (Constant), Savings mobilization

b. Dependent Variable: Financial empowerment

Source: Survey data (2024)

The F value of 248.657, significant at 000, is shown by the ANOVA at the 95% level of significance, indicating a substantial explanatory power of savings mobilization (Table 4.18). It so indicates the model's dependability. Financial empowerment was positively impacted by savings mobilization in a statistically significant way, as indicated by the p value of 0.000 <0.05. As a result, the null hypothesis which holds that there isn't a statistically significant

correlation between small-scale women merchants in Kisumu West Sub-County's financial empowerment and savings mobilization is rejected. The results are in line with those of Kesanta and Andre (2015), who found that women's economic empowerment through microlending groups had a beneficial impact and enabled them to support their children's upbringing, health, and education. The same conclusions were drawn from a study carried out in Uganda by Mwijukye (2020), which discovered that the socioeconomic empowerment of disadvantaged people was impacted by savings, loan availability, and social funds through Village Savings and Loan Associations (VSLAs). The ANOVA for savings mobilization is displayed in Table 4.18.

Table 4.18: ANOVA for savings mobilization

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	65.523	1	65.523	248.657	.000 ^b
	Residual	83.796	318	.264		
	Total	149.319	319			

a. Dependent Variable: Financial empowerment

b. Predictors: (Constant), Savings mobilization

Source: Survey data (2024)

Table 4.19 indicated that by holding savings mobilization constant, financial empowerment was at 0.607. But a unit increase in savings mobilization when holding any other variable constant, financial empowerment would be at 0.867. Table 4.19 presents the coefficients for savings mobilization.

Table 4.19: Coefficients for savings mobilization

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.607	.216		2.810	.005
	Savings mobilization	.867	.055	.662	15.769	.000

a. Dependent Variable: Financial empowerment

Source: Survey data (2024)

4.7 Overall Model of Regression Analysis

The multiple regression analysis established how access to finance, financial literacy, and savings mobilization, and affected financial empowerment of small scale women traders in Kisumu West Sub-County.

4.7.1 Model summary

The model's correlation value of 0.711, as shown in Table 4.20, shows a significant linear association between the independent variables (savings mobilization, financial literacy, and loan availability) and financial empowerment. The results also showed that (R²) is 0.505, meaning that the independent variables (credit availability, financial literacy, and savings mobilization) account for 50.5% of the change in financial empowerment.

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meaning that the independent variables (credit availability, financial literacy, and savings mobilization) account for 50.5% of the change in financial empowerment.

Table 4.20 presents the overall model summary for community-based microfinance services and financial performance.

Table 4.20: Overall model summary for community-based microfinance services and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.711 ^a	.505	.500	.484	1.501

a. Predictors: (Constant), Savings mobilization, Access to credit, Financial literacy

c. Dependent Variable: Financial empowerment.

Source: Survey data (2024)

4.7.2 ANOVA for community-based microfinance services and financial performance.

The study employed analysis of variance (ANOVA) to determine the model's strength. An adequate explanatory power was indicated by the statistical significance of the F-value at 0.00, as demonstrated by the ANOVA's F-value of 107.492. The significance value of 0.00, which is less than a 0.05 significant level, supports this. The regression model is sound and cannot be ruled out based on the ANOVA results. Thus, it can be said that the financial empowerment of small-scale female traders in Kisumu West Sub-County is positively correlated with community-based microfinance services in a statistically significant way. The ANOVA for financial performance and community-based microfinance services is shown in Table 4.21.

Table 4.21: ANOVA for community-based microfinance services and financial performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	75.417	3	25.139	107.492	.000 ^b
	Residual	73.902	316	.234		
	Total	149.319	319			

a. Dependent Variable: Financial empowerment

b. Predictors: (Constant), Savings mobilization, Access to credit, Financial literacy

Source: Survey data (2024)

4.7.3 Coefficients for community-based microfinance services and financial empowerment.

Table 4.22: Coefficients for community-based microfinance services and financial empowerment

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.118	.263		-.447	.655		
	Access to credit	.169	.085	.101	2.002	.046	.620	1.612
	Financial literacy	.373	.067	.305	5.590	.000	.525	1.905
	Savings mobilization	.522	.075	.399	6.942	.000	.475	2.107

a. Dependent Variable: Financial empowerment

Source: Survey data (2024)

The study sought to establish how access to credit, financial literacy, and savings mobilization jointly influence the financial empowerment of small-scale women traders in Kisumu West Sub-County. Table 4.22 presents the coefficients for the overall multiple regression model. Access to Credit ($\beta = 0.101$, $p = 0.046$): Access to credit has a positive and statistically significant effect on financial empowerment. This implies that a one-unit increase in credit access is associated with a 0.169-unit increase in financial empowerment, holding other variables constant. The result aligns with Adero & Kariuki (2020) and Mengesha & Mishra (2023), who reported that microfinance credit significantly enhances women's empowerment, though it contrasts with Wanjiru & Njiru (2016) who found no significant effect. Financial Literacy ($\beta = 0.305$, $p < 0.001$): Financial literacy emerged as a strong positive predictor of financial empowerment. A one-unit increase in financial literacy is associated with a 0.373-unit increase in financial empowerment, holding other factors constant. This finding supports Lusardi (2015), Mwaniki (2019), and Otieno (2021), who found that financial education enables women to make better financial decisions and grow their businesses. Savings Mobilization ($\beta = 0.399$, $p < 0.001$): Savings mobilization had the highest standardized beta (0.399), indicating it is the most influential predictor. A one-unit increase in savings mobilization leads to a 0.522-unit increase in financial empowerment, holding other variables constant. This result agrees with Lusardi (2015) and Mwijukye (2020), who noted that collective savings schemes strengthen women's financial stability and investment capacity.

The regression model of the study was fitted follows:

$$Y = -0.118 + 0.169X_1 + 0.373X_2 + 0.522X_3$$

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter five presents the summary of findings, the conclusions drawn from the findings, recommendations of the study, and areas for further research.

5.2 Summary of findings

The study investigated the effect of community-based microfinance on the financial empowerment of women small-scale traders in Kisumu West Sub-County. Four specific objectives guided the analysis: to determine the effect of financial access, savings mobilization, credit access, and financial literacy on financial empowerment. Both descriptive and inferential analyses were carried out.

5.2.1 Access to credit and financial empowerment

The initial goal was to evaluate how credit availability affected the financial empowerment of Kisumu West Sub-County's small-scale female traders. As a result, the responders gave their views on how much they agreed or disagreed with the claims made regarding small-scale female traders in Kisumu West Sub-County having access to credit.

According to the study, the majority of respondents stated that loans made to group members were guaranteed by other group members, that the interest rates charged by the groups were lower than those of the banks, that the interest rate charged by community-based microfinance services is lower than that of the banks, that the amount due on a weekly or monthly basis is

reasonable, that the loans they obtained from the community-based microfinance services allowed them to grow their businesses, and that the loan repayment terms were adequate.

However, they indicated that cases of non-performing loans are many among the small scale women traders in Kisumu West Sub-County. Based on the overall mean 3.77 (SD=0.848), it was suggested that access to credit affected the financial empowerment of small scale women traders in Kisumu West Sub-County.

The results of the regression analysis indicated a somewhat linear association between financial empowerment and loan availability, with a correlation value of 0.397. The results of the ANOVA showed a significance value of $0.00 < 0.05$ significant level, suggesting that the financial empowerment of small-scale female traders in Kisumu West was positively impacted by loan availability in a statistically meaningful way. Consequently, the null hypothesis is: Rejecting the notion that there is no statistically significant correlation between small-scale female traders' financial empowerment and their access to credit in Kisumu West Sub-County. The study findings support the study by (Adero & Kariuki, 2020; Akhter & Cheng, 2020; Mengesha & Mishra, 2023; Varghese & Menon, 2023) that found that microfinance services positively affected the economic empowerment of women, but contradicted by Wanjiru and Njiru (2016) which found that credit access had no significant impact on economic empowerment of women.

5.2.2 Financial literacy and financial empowerment

The second objective was to establish the effect of financial literacy on financial empowerment of small scale women traders in Kisumu West Sub-County. The descriptive statistics indicated that majority of the respondents agreed that the financial literacy skills they got had enabled

them to improve their business, budgeting skills acquired by small scale women traders were adequate, community-based microfinance services organizes entrepreneurial workshops for the members, smallest scale women traders in Kisumu West Sub-County had attended entrepreneurial workshops, and that majority had learnt book-keeping skills. Overall mean of 3.83 (SD=0.887) suggested that financial literacy had effect on financial empowerment of small scale women traders in Kisumu West Sub-County.

Regression analysis revealed a high positive link between small-scale women merchants' financial empowerment and financial literacy in Kisumu West Sub-County, with a coefficient of correlation R of 0.625. Financial empowerment was positively impacted by financial literacy in a statistically significant way, as evidenced by the ANOVA's p value of $0.000 < 0.05$. Consequently, the null hypothesis which held that there isn't a statistically meaningful connection between small-scale women merchants' financial empowerment and financial literacy in Kisumu West Sub-County was rejected.

This suggests that financial empowerment was positively impacted by financial literacy in a statistically meaningful way. The results are in line with those of Kesanta and Andre (2015), who found that women's economic empowerment through microlending groups had a beneficial impact and enabled them to support their children's upbringing, health, and education. This is supported by the studies by Mwijukye (2020) in Uganda that found that savings, credit access, and social fund through the Village Savings and Loan Associations (VSLAs) affected socio-economic empowerment of vulnerable people.

5.2.3 Savings mobilization and financial empowerment

The third objective sought to determine the effect savings mobilization on financial empowerment of small scale women traders in Kisumu West Sub-County. The descriptive statistics revealed that majority of the respondents agreed that members get loans from the community-based microfinance using the group's savings as collateral, the amount invested determines the amount of loan given to members, the amount of savings mobilized are adequate to members who apply for loans, the group collects deposits from its members on daily/weekly/monthly basis, and lastly, that the loans from the group can only be used for business activities. The overall mean 3.892 (SD=0.886) revealing that majority were of the opinion that savings mobilization affected financial empowerment of small scale women traders in Kisumu West Sub-County.

The results of the regression analysis showed that the small-scale female traders in Kisumu West Sub-County had a substantial positive association a coefficient of correlation R of 0.625 between financial empowerment and financial literacy. The statistically significant beneficial impact of savings mobilization on financial empowerment is indicated by the ANOVA with a p value of $0.000 < 0.05$. As a result, the null hypothesis which holds that there isn't a statistically significant correlation between small-scale women merchants in Kisumu West Sub-County's financial empowerment and savings mobilization is rejected.

The results of the multiple regression analysis showed that the financial empowerment of small-scale female traders in Kisumu West Sub-County was influenced by each of the following factors: mobilization of savings, financial literacy, and access to financing. The results are in line with those of Lusardi (2015), Mwaniki (2019), and Otieno (2021).

5.2.4 Community-based microfinance services and financial empowerment.

The overall objective of this study was to examine the combined effect of community-based microfinance services—access to credit, financial literacy, and savings mobilization—on the financial empowerment of small-scale women traders in Kisumu West Sub-County. The findings from the multiple regression model revealed a strong and statistically significant relationship between community-based microfinance services and financial empowerment, with a correlation coefficient (R) of 0.711 and an R² of 0.505. This implies that 50.5% of the variation in financial empowerment can be explained by the three components of community-based microfinance services.

Objective 1: Access to Credit

The first specific objective sought to assess the effect of access to credit on financial empowerment. The results indicated a positive and statistically significant effect of access to credit ($\beta = 0.101$, $t = 2.002$, $p < 0.05$). This implies that when women traders gain access to credit through community-based microfinance groups, they are able to expand their businesses, acquire working capital, and increase household income. These findings are consistent with Adero & Kariuki (2020), who reported that access to lending services significantly improved women's economic outcomes.

Objective 2: Financial Literacy

The second objective examined the effect of financial literacy on financial empowerment. The results showed that financial literacy had the strongest effect among the three predictors ($\beta = 0.305$, $t = 5.590$, $p < 0.05$). Women who participated in financial literacy training were better equipped to budget, keep records, and manage credit effectively, resulting in improved decision-making and business performance. This finding aligns with Otieno (2021), who found that financial literacy skills significantly improved sales and management practices for small-scale traders.

Objective 3: Savings Mobilization

The third objective aimed to determine the effect of savings mobilization on financial empowerment. The results revealed that savings mobilization had a positive and statistically significant impact ($\beta = 0.379$, $t = 7.256$, $p < 0.05$). This suggests that regular contributions to group savings enhance financial discipline, build a pool of funds for investment, and strengthen women's resilience against economic shocks. These results corroborate the findings of Kesanta & Andre (2015) and Mwijukye (2020), who observed that community savings groups improve household welfare and empower women to make critical financial decisions.

Overall, the results demonstrate that when community-based microfinance services are provided holistically—combining credit access, financial literacy, and savings mobilization—they produce significant improvements in women's financial empowerment, including business growth, increased income, and stronger decision-making power.

5.3 Conclusion of the study

Based on the study findings, the following conclusions are drawn: Financial Access-Access to microfinance services is a necessary but not sufficient condition for women's financial empowerment. While easier access enables women to join savings groups and obtain credit, empowerment outcomes depend on how effectively these services are used. Therefore, expanding access must be accompanied by mechanisms that ensure women actively and productively utilize financial services. Savings Mobilization-Savings mobilization is a key driver of empowerment. Savings cultivate financial discipline, provide collateral substitutes, and create a foundation for business investment. The study concludes that women who consistently save are better positioned to expand their businesses, withstand financial shocks, and enhance household welfare. Credit Access-Affordable credit significantly boosts empowerment by enabling women traders to make larger investments. However, challenges such as repayment difficulties highlight that credit must be carefully structured and monitored to prevent over-indebtedness. Thus, credit access contributes to empowerment when combined with sound financial management and repayment capacity. Financial Literacy-Financial literacy is the most influential factor in achieving empowerment. Women with higher literacy skills are able to budget, keep records, evaluate loan terms, and direct resources toward productive investment. This underscores that literacy is the enabling factor through which access, savings, and credit translate into empowerment. Overall Conclusion-The study concludes that community-based microfinance positively and significantly contributes to the financial empowerment of women small-scale traders in Kisumu West Sub-County. However, empowerment outcomes are maximized when access to services is complemented by savings mobilization, responsible credit, and strong financial literacy.

5.4 Recommendations of the study

Based on the study findings, the following conclusions are drawn: Financial Access-Access to microfinance services is a necessary but not sufficient condition for women's financial empowerment. While easier access enables women to join savings groups and obtain credit, empowerment outcomes depend on how effectively these services are used. Therefore, expanding access must be accompanied by mechanisms that ensure women actively and productively utilize financial services. Savings Mobilization-Savings mobilization is a key driver of empowerment. Savings cultivate financial discipline, provide collateral substitutes, and create a foundation for business investment. The study concludes that women who consistently save are better positioned to expand their businesses, withstand financial shocks, and enhance household welfare. Credit Access-Affordable credit significantly boosts empowerment by enabling women traders to make larger investments. However, challenges such as repayment difficulties highlight that credit must be carefully structured and monitored to prevent over-indebtedness. Thus, credit access contributes to empowerment when combined with sound financial management and repayment capacity. Financial Literacy-Financial literacy is the most influential factor in achieving empowerment. Women with higher literacy skills are able to budget, keep records, evaluate loan terms, and direct resources toward productive investment. This underscores that literacy is the enabling factor through which access, savings, and credit translate into empowerment. Overall Conclusion-The study concludes that community-based microfinance positively and significantly contributes to the financial empowerment of women small-scale traders in Kisumu West Sub-County. However, empowerment outcomes are maximized when access to services is complemented by savings mobilization, responsible credit, and strong financial literacy.

5.5 Areas for further research

Although the study provides valuable insights into the role of community-based microfinance in enhancing the financial empowerment of women small-scale traders in Kisumu West Sub-County, several areas warrant further investigation: Longitudinal Studies on Empowerment Outcomes-This study was cross-sectional, capturing data at a single point in time. Future studies should adopt longitudinal designs to assess how financial access, savings, credit, and literacy influence empowerment outcomes over time. Comparative Studies Across Counties and Regions-The research focused on Kisumu West Sub-County. Further studies could compare findings across different counties or rural-urban settings to establish whether the observed effects hold in other socio-economic and cultural contexts. Role of Digital Financial Services-While this study emphasized community-based microfinance, digital financial services (e.g., mobile money, digital credit, fintech platforms) are increasingly shaping access and usage in Kenya. Future research should examine how digital channels complement or substitute community-based mechanisms in empowering women. Household and Gender Dynamics-Empowerment is not only financial but also social and relational. Additional studies should explore how intra-household decision-making, spousal dynamics, and cultural norms mediate the impact of microfinance on women's empowerment. Sustainability and Over-Indebtedness Risks-Credit access was found to significantly influence empowerment, but repayment challenges and over-indebtedness risks were also noted. Further research should investigate the sustainability of microfinance interventions, including repayment capacity and mechanisms for responsible lending. Integration of Financial Literacy with Product Design-Since financial literacy emerged as the strongest predictor of empowerment, further studies should examine how different training models (e.g., digital literacy programs, peer learning, experiential training) can be integrated with microfinance products to maximize empowerment outcomes. Impact on Broader Empowerment Dimensions-This study focused on financial empowerment indicators. Future research could expand to assess how community-based microfinance influences social, political, and psychological empowerment dimensions among women traders.

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APPENDICES

APPENDIX I: LETTER OF TRANSMITTAL OF INSTRUMENTS

Phosa Omondi
P.O. Box 2073 – 40100,
Kisumu.

Dear Respondent,

RE: REQUEST FOR PARTICIPATION IN DATA COLLECTION

Dear Respondent,

I am a student at Maseno University a Master of Business Management (Finance Option) of the Maseno University. I am carrying out a research on the “*Effect of community-based microfinance on financial empowerment of small scale women traders in Kisumu West Sub-County*”, and you have been identified to participate in this study in providing information about the project you are associated with.

I hereby kindly request you to fill the attached questionnaire. The information gathered is meant for this study and will be treated with total confidentiality.

Thank you in advance for accepting to co-operate.

Yours Faithfully,

Phosa Odhiambo Omondi

Maseno University

0720307757

APPENDIX II: RESEARCH QUESTIONNAIRE

This questionnaire is meant to gather information on “Effect of community-based microfinance on financial empowerment of small scale women traders in Kisumu West Sub-County”

CONFIDENTIALITY CLAUSE:

The responses you provide will be used for academic purposes and will be strictly confidential.

SECTION 1: BACKGROUND DATA

1. Marital status

Single	Married	Separated/Divorced	Widowed
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Indicate your highest level of education.

No formal education	
Primary	
Secondary	
College	
University	

3. What is your age?

18 - 28 years	
29 - 39 years	
40 - 50 years	
Over 50 years	

4. For how long have you operated your business?

Less than 5 years	
5 years to 10 years	
11 years to 15 years	
Over 15 years	

5. For how long have you accessed community-based microfinance services?

Less than 5 years	
5 years to 10 years	
11 years to 15 years	
Over 15 years	

SECTION 2: Access to credit

6. Please indicate whether you agree or disagree with the following statements: Tick where appropriate.

	SA	A	N	D	SD
The group provides lower interest rates on its loans compared to the banks					
Repayment period for loans taken are sufficient					

Amount payable weekly/monthly is affordable					
Loans extended to a member is guaranteed by other members in the group					
Cases of non-performing loans are many					
Rate of interest is lower compared to bank rate					
I have been able to expand my business from the loan					

SECTION 3: Financial literacy

7. Please indicate whether you agree or disagree with the following statements: Tick where appropriate.

	SA	A	N	D	SD
Organizes entrepreneurial workshops for members					
I have participated in book-keeping skills					
I have acquired adequate budgeting skills					
I have attended entrepreneurial workshops					
The financial literacy skills I got have enabled me to improve my business.					

SECTION 4: Savings mobilization

8. Please indicate whether you agree or disagree with the following statements: Tick where appropriate.

	SA	A	N	D	SD
The group collects deposits from its members on daily/weekly/monthly					
The amount invested determines the amount of loan given to members					
Loans from the group can only be used for business activities					
Members get loans from the bank using the group's savings as collateral					
The amount of savings mobilized is adequate to members who apply for loans					

SECTION 5: Financial empowerment

9. Please indicate whether you agree or disagree with the following statements: Tick where appropriate.

	SA	A	N	D	SD
I have observed improvement in my household income					
My business has improved in product and service delivery					
Profitability of my business has increased.					

-END-

Thank you for your participation!

APPENDIX III: RESEARCH PLAN

ACTIVITY	September	January	February	March	April
Developing Proposal Document					
Literature Review					
Proposal Submission and Defense					
Pilot Study					
Data Collection					
Data Analysis					
Project Writing					
Project Submission and Defence					
Financial Project Submission					

APPENDIX IV: RESEARCH BUDGET

Item/Activity	Estimated Cost (Kshs)
Stationery	30,000
Printing/Photocopying	40,000
Transport	17,000
Binding	9,000
Data analysis	34,000
Publication	22,000
Miscellaneous	25,000
Total cost	177,000