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Credit Financing and Financial Performance of Joyful Women Group in Uasin Gishu County, Kenya.

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Abstract: *Women financial performance is the capacity of women to participate equally in existing markets; their access to and control over productive resources, access to decent work, contribute to and benefit from growth processes in ways that respect their contributions and dignity and make it possible to negotiate a fairer distribution of the benefits of growth. The specific objective for this study was to assess the influence of Local Purchase Order financing on the financial performance. The study employed exploratory research design, and semi-structured questionnaires in collecting primary data. The target population was 410 self-help groups in Uasin Gishu County beneficiaries of JOYWO. A sample of 132 women groups from 6 constituencies Uasin Gishu County was determined through random sampling to be the main respondents. Census surveys were used in the analysis. Descriptive statistics including mean, percentages and frequencies were used while inferential statistics that included; multiple regression model and product moment correlation were used to make population inferences using population data. The study findings revealed that there was a statistically significant positive effect of Local Purchase Order financing on the financial performance of JOYWO ($r=0.507$, $p<0.05$). The study concluded that that Local Purchase Order financing had a significant effect on financial performance. The study recommended that when assessing credit financing and financial performance of Joyful Women Group, Local Purchase Order financing should be considered.*

Key words: *Credit Financing, Financial Perfomance, Joyful Women Group, Kenya*

I. INTRODUCTION

Women's financial performance includes women's ability to participate equally in existing markets; their access to control over productive resources, access to decent work, and control over their own time, increases voice and meaningful participation in economic decision-making at all levels, empowering women is a new approach to poverty reduction that focuses on improving the financial security of low-income people (Magara, 2022). It is an evidence-driven set of interventions that have proven successful at both eliminating systemic barriers to the full financial inclusion of low-income people and providing enabling supports that help them to acquire and practice the financial skills and behaviors that tangibly improve their financial outcomes and build their financial security (Kariithi, 2021).

Women's financial performance and gender equality are believed to have strong bearings on poverty reduction, growth and human development. Therefore, addressing gender equality and women's financial performance issues across sectors is essential to the successful implementation of the value for money agenda (Narang, 2022). In regards to that, women access to productive resources boosts productivity, increases economic diversification and income equality in addition to other positive development outcome. Kenya Government's leads by example in Gender Equality and Women Empowerment It has established a women fund known as Constituency women enterprise scheme fund and policies such as the 30% procurement allocation for all government tenders so that more women may have an entry chance in such a competitive space and to give accessible and affordable credit to support women start and/or expand business for wealth and employment creation (Haque, Akter, & Laoubi, 2021). Some of the credit facilities provided by the Fund includes Constituency women enterprise scheme fund, local purchase order Financing, debt financing with affordable interest rates and Sacco lending this will enable women contribute significantly to the economy of the country both directly or indirectly and therefore stirring up the economy (Kabeer, 2015).

Private Sector Organizations have also set up programs to empower women economically, JOYWO of other women organization is a registered Non-Governmental Organization (NGO) founded in 2009 to empower Kenyan women financially (Graen & Uhl-Bien, 2015). The organization gives opportunities to women who have no access to conventional banking services that require collateral for credit accessibility and also provides financial solutions to Kenyan women with small and women enterprises hence providing financial resources to women to engage in livelihood projects through a scheme known as Local Purchase Order financing of other empowerment programs (Fletschner, 2018). Table-banking is a group-based funding strategy in which members save and borrow immediately during their meeting times. On a given date of the month, members meet, place their savings and other contributions such as insurance, educational savings, fines and penalties on the table and borrow immediately either as short term or long-term loans (Narang, 2022).

By accessing savings services and small loans through Local Purchase Order financing, members acquire income that enable them to meet their basic household consumption needs rather than accruing significant

debt which they could be unable to repay (Graen & Uhl-Bien, 2015). When they borrow through Local Purchase Order financing, loan sizes are generally small and manageable depending on individual's savings (Das, 2022). Local Purchase Order financing is becoming popular with women groups in rural areas. It attempts to overcome the difficulties women face in accessing finances by having women groups pool their savings in order to have a source of lending funds (Njuguna, 2015). Local Purchase Order financing is about providing financial services to the poor who are traditionally not served by the conventional financial institutions.

Informal sector microfinance institutions have comparative advantage in terms of small transaction costs achieved through adaptability and flexibility of operations (Crombrugghe, Tenikue, & Sureda, 2018). Local Purchase Order financing therefore is a new concept which tries to fill this gap because it has both formal and informal aspects which enable women to access finances especially in rural areas. It has simple structure, procedures, conditionality's and low interest rates that enable rural women to access finances for their socio-economic development (Chepkemoi, 2017). The challenges that work against women in assessment of credit include low self-esteem, low self-confidence, and low respect and social status. This situation is worsened by women's inadequate access to appropriate levels of capital to be invest in their small business, income levels and lack of ownership of land, business premises and production equipment; access to food, healthcare, water, sanitation, housing and energy (Haque, *et al*., 2021).

Undeniably credit financing to women is hardly prioritize by credit institution reason for of their lack of collateral that ascertains loan security (Cuberes & Teignier, 2016). Furthermore, the application of loan is a long and costly process which does not serve in the interest of small loans that women focus on. Henceforth, the key reason for low financial performance of women is lack of access to credit (Richard, 2008). With limitation to access financial services, there is a limitation of growth and development of women. Constraints associated with the denial of loans entail high-interest rates, collaterals, turnovers or cash flows (Chahayo, Bureti, Maende, Douglas, & Aketch, 2021). This study intended to establish whether there is relationship between credit financing and women financial performance in Uasin Gishu County and to figure out whether the credit financing and women financial performance is negative or positive in nature, that is, does it enhance or negate women financial performance and especially of JOYWO women group in Uasin Gishu County. The specific objective was to assess the influence of Local Purchase Order financing on financial performance of JOYWO in Uasin Gishu County, Kenya. The remainder of the article is as follows; section 2 covers literature review, section 3 research methodology, section 4 results & discussion and section 5 conclusions & recommendations.

II. LITERATURE REVIEW

2.1 Local Purchase Order Financing and Financial Performance

According to Orodho (2013), the Kenyan government has had an uphill task for women groups to play in the big-ticket leagues of public procurement as they may not have the financial wherewithal. Fortunately, there are a host of financial instruments being offered by various institutions, including local purchase order financing and invoice discounting. Another factor affecting women participation in public procurement is Financial Access. According to Ganbold (2008), the ability of SMEs to grow depends highly on their potential to invest in innovation and qualification. All of these investments need capital and therefore access to finance is critical in public procurement.

Moreover, prevailing social and cultural gender-based inequalities and biases weigh heavily against women (Barwa, 2003). Knowledge and resources are culturally embedded and influences availability of resources for exploitation of potentials of women entrepreneurs. Entrepreneurs in Kenya put up with lack of confidence, lack of strong individual involvement and unwillingness to take risks. The Kenyan government recognizes that women entrepreneurs have not been on an equal footing when it comes to their access to opportunities and assets but it has yet to effectively address the barriers facing women in business (Athanne, 2011). According to Musgrave et.al. (2007), public procurement can be an important source of business for women owned SMEs. However, access to public sector contracts by smaller entities is often seen as a problem at national and global level for many in the 17 sector. While sustaining development impacts is fundamental, it is the majority at grassroots that accelerate and sustain poverty reduction efforts.

Hence, there is need to target the rural poor to achieve overall economic growth by funding them to be able to access public procurement (Ramsay, *et al*., 2008). Snider (2006) argues that the high proportion of women in the poverty group in the third world makes efforts at development fruitless. This is because the investment threshold for the third world has been pushed far above the current levels of funding to a point where local level development is the only feasible alternative solution (Gómez & Santor, 2018). The evidence suggests that women owned SMEs often feel that they are excluded from public procurement contracts because they do not have the capacity to tender for the entire contract (European Commission, 2008).

This has been necessitated by high required levels of professional indemnity and company turnover; a perceived over-emphasis on price; long payment terms or late payments; and onerous administrative requirements (Inter-Trade Ireland, 2009).Nelson et al., (2007) noted that un-informed inefficient government suppliers provide poor value to their national government and are unlikely to engage in any meaningful private sector trading partnerships in the era of global competition (Zwicker & Ringheim, 2004). In this case, the primary source of information for these groups on what is to be awarded is the tender notices placed in the newspapers. But given the financial constraints faced by some of the procuring entities, these notices are generally posted only once (Ogada, 2008). Literature reviewed led to development of the following hypothesis statement.

H_{01}: *Local Purchase Order financing has no significant effect on the financial performance of JOYWO in Uasin-Gishu County, Kenya.*

III. RESEARCH METHODOLOGY

The study employed an exploratory research design. It was appropriate for this study because it played a role in answering the "what" and "which" questions that are similar to these studies. The design provides an analysis of explanations of a state of affairs as it is. It was used to establish the effect of credit structure on women empowerment of women group under JOYWO at Uasin Gishu County, Kenya. The unit of analysis was the JOYWO women group. Target population was 410 women self-help groups within the six constituencies in Uasin Gishu County beneficiaries of JOYWO formed the target population of the study. The sample size was 132 women groups from 6 constituencies Uasin Gishu County was determined through random sampling. Primary data was collected through questionnaires. This study adopted both content validity and construct validity. This study adopted internal consistency reliability since it is the most used measure of reliability in applied settings. Data collected was analyzed using both descriptive statistics and inferential statistics. The simple linear regression model for this study took the form:

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

Where; Y= financial performance, β0= Constant or intercept which is the value of dependent variable when LPO is zero, B_1 = coefficient for X_1, X_1= Local Purchase Order financing and ε = Stochastic or disturbance term or error term.

IV. Results & Discussions

4.1 Local Purchase Order Financing and Financial Performance

The specific objective of the study was to establish the effect of Local Purchase Order financing on the financial performance of JOYWO in Uasin Gishu County. The researcher was interested in the opinions of the respondents on the extent to which such constructs affect financial performance. The study findings were as shown in Table 4.1.

Table 4.1: Local Purchase Order Financing and Financial Performance

n=131		S. A	A	U	D	S. D	Mean	Std. Dev
Eligibility to LPO financing enhances the invention of new market skills.	F	82	35	14	0	0	4.52	1.115
	%	62.6	26.6	10.8	0.0	0.0		
Credit worthiness enhances	F	82	35	14	0	0	4.51	0.275

implementation of new business ideas on women in business.								
	%	62.6	26.6	10.8	0.0	0.0		
Procurement opportunities enable women participate in public procurement opportunities thus uplifting them financially.	F	78	39	14	0	0	4.48	0.45
	%	59.7	29.5	10.8	0.0	0.0		
Local Purchase Order financing provides technical relevance in credits this will increase their credit limits thus empowering them financially.	F	56	60	11	4	0	4.28	0.273
	%	42.4	46	8.6	2.9	0.0		

The respondents were asked to give their views on local purchase order financing and financial performance. The study results indicated that 131 (89.2%) of the respondents agreed that Eligibility to LPO financing enhances the invention of new market skills promoting women financial performance while 0(0.0%) disagreed. Eligibility to LPO financing was further established to affect financial performance with (mean= 4.52, std. Dev. = 1.1131). Findings resemble that of Orodho (2013) that eligibility to LPO financing affects financial performance. The study findings also revealed that 131(89.2%) agreed that credit worthiness enhances implementation of new business ideas on women in business while none of them disagreed. Credit worthiness was further established to affect financial performance with (mean= 4.51, std. Dev. = 0.275). The study is in tandem with that of Musgrave et.al. (2007) that Credit worthiness affects financial performance.

Furthermore, the respondents were asked to give their view on whether procurement opportunities enable women participate in public procurement opportunities thus uplifting them financially, 117(89.3%) agreed with the statement while none disagreed. Procurement opportunities were further established to affect financial performance with (mean= 4.48, std. Dev. = 0.45). Findings resemble that of Ramsay, et al. (2008) that procurement opportunities affect financial performance. On whether local purchase order financing enables women participate in public procurement opportunities thus uplifting them financially. The study results indicated that (89.2%) agreed that local purchase order financing enables women participate in public procurement opportunities thus empowering them financially, 116(88.5%) agreed with the statement while 4(2.9%) disagreed with the statement. Local purchase order financing was further established to affect financial performance with (mean= 4.28, std. Dev. = 0.273). The study agrees with Ogada (2008) that Local purchase order financing affects financial performance.

4.4 Inferential Analysis

In this section, the study sought to test the relationship between the study variables.

4.4.1 Correlation Analysis

Pearson correlation analysis was used to test the association between the study variables. Pearson correlation was used to measure the extent of correlation between variables of the study and to show the strength of the linear relationship between variables in the correlation ranges between +1 and – 1, where r >0.7 indicates a strong positive relationship, r=+0.5 and below 0.7 indicates a moderate relationship and where r =+0.49 and below indicates a weak relationship between study variables. Where r=0 indicates that there is no relationship. The study findings were as tabulated in Table 4.3.

Table 4.3: Correlation analysis

		Financial performance	LPO financing
Financial performance	Pearson Correlation		
	Sig. (2-tailed)	1	
LPO financing	Pearson Correlation	.507*	
	Sig. (2-tailed)	0.000	1

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

The study findings indicated that there was a statistically significant positive effect of Local Purchase Order financing on the financial performance of JOYWO (r=0.507, p<0.05). This implies that a unit change in Local Purchase Order financing leads to a 50.7% change in the financial performance of JOYWO. When Local Purchase Order financing is positive, financial performance is also positive. Therefore, JOYWO should promote and enhance Local Purchase Order financing as a positive element as they work towards achieving financial performance. These findings were supported by Mutua (2018) who revealed that a positive relationship exists between Local Purchase Order financing and financial performance of JOYWO.

4.4.2 Simple Linear Regression Analysis

The study used simple linear regression analysis to determine the combine linear relationship between the dependent variable (Financial performance) and the independent variables (Local Purchase Order financing. The study results were as tabulated in table 4.4, 4.5 and 4.6.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921[a]	0.891	0.812	0.0812

a. Predictors: Local Purchase Order financing

The model indicated the simple correlation was 0.921 which indicates a degree of correlation. The total variation (the adjusted R^2 of the study model is 0.812 with the R^2 = 0.891) in the financial performance of JOYWO was 89.1% explained by credit financing (R Square=0.891, Standard Error=0.0812). This means that the linear regression explains 89.1% of the variance in the data. This implies that there was no first-order linear auto-correlation in the multiple linear regression data. This further implies that 89.1% of the variation in financial performance is accounted for by credit financing (Local Purchase Order financing) in the study while 10.9% of the financial performance is accounted for by other factors out of the study. Analysis of variance was used to determine if the multiple regression model was fit for the data. The results were shown in Table 4.5.

Table 4.5: ANOVA

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.338	1	3.835	66.853	.000[a]
	Residual	4.302	130	0.057		
	Total	19.64	131			

a Predictors: (Constant), Local Purchase Order financing
b Dependent Variable: Financial performance

The next output table is the F-test. The linear regression's F-test has the null hypothesis that the model explains zero variance in financial performance (F=66.853, p=0.000[a]). The F-test is highly significant; thus, it is assumed that the model explained a significant amount of the variance in financial performance. This implies that the multiple regression model was fit for the data and hence Local Purchase Order financing affects financial

performance of JOYWO. ANOVA model predicted the financial performance of JOYWO significantly well ($p=0.000^a$). This indicated the statistical significance of the regression model that was run and that overall, the regression model statistically significantly predicted the financial performance of JOYWO (it was a good fit for the data). T-test of the statistical significance of each regression coefficient was conducted in order to determine the beta which indicates how strongly each independent variable affects the dependent variable. Table 4.6 shows the results.

Table 4.6: Regression coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.369	0.224		1.648	0.207
Local Purchase Order financing	0.170	0.026	0.304	6.604	0.000

a. Dependent Variable: Financial performance of JOYWO

The Local Purchase Order financing coefficient parameter is 0.170 meaning that for every adjustment in one unit of Local Purchase Order financing, it would result in a 0.170 change in the financial performance of JOYWO while all other variables are kept constant. The null hypothesis postulated that Local Purchase Order financing has no significant effect on the financial performance of JOYWO in Uasin Gishu County. The study findings indicated that there was a positive and significant effect of Local Purchase Order financing on the financial performance of JOYWO ($\beta=0.170$, $p<0.05$). The study, therefore, rejected the null hypothesis and accepted the alternate hypothesis which showed that there was a statistically significant effect of Local Purchase Order financing on the financial performance of JOYWO in Uasin Gishu County. This implies that a positive change in Local Purchase Order financing leads to a positive change in the financial performance of JOYWO. These findings were also supported by Mutya (2018) who revealed that a positive relationship exists between Local Purchase Order financing and financial performance of JOYWO.

V. Conclusions & Recommendations

The study concluded that that Local Purchase Order financing had a significant effect on financial performance. A purchase order from an acceptable buyer is a key ingredient in motivating the finance in addition to the ability of the seller to perform under contract with the buyer. Once payment is collected from the buyers who signed the purchase orders, the purchase order financing company was reimbursed for its outlays and collects its fee. Purchase order financing is a variation on factoring, which is typically based on invoices. The study recommended that when assessing credit financing and financial performance of Joyful Women Group, Local Purchase Order financing should be considered. JOYWO credit and saving institution services to women's financial performance should be improved by working with town administration women's affair office and other non-government organization which are working on women financial performance. This study carried out an investigation of credit financing in JOYWO in Uasin Gishu County. The study focused on credit financing applied by JOYWO, and the measures that improve credit structuring in these institutions. The study recommended similar studies to be carried out in other organizations within the SACCO sector within the country.

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