



Financial Literacy Competencies of Women Entrepreneurs in Kenya

European Conference on Information Literacy (ECIL),
2017

Palais du Grand Large

Saint Malo, France

19th September, 2017



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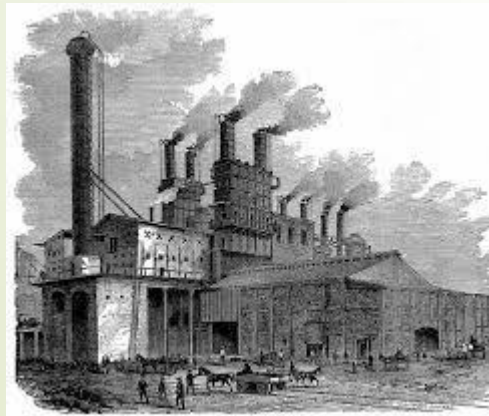




Interest in the subject

- 2007: 148,784 investors lost USD 81 million through 27 'Ponzi Schemes'
- 2007: Government pledge to fund women to the tune of USD 60 million
- 2017: A total of USD 105 million has been disbursed to 1,373,924 women organized in 75,000 groups.

Introduction: human civilization-numerous evolutions





Literacy is critical but what kind?

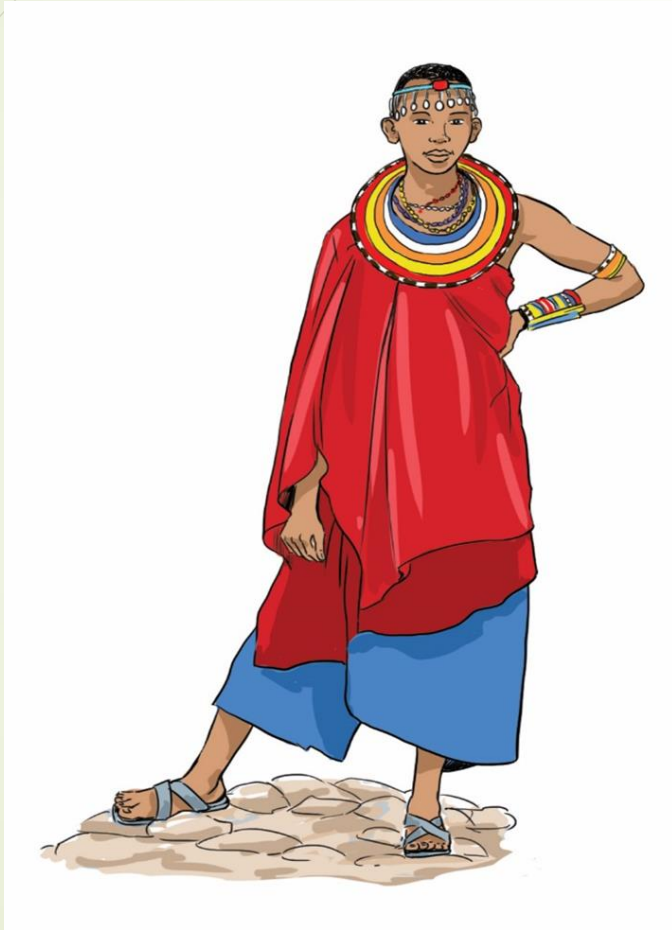
- Basic literacy read and write
- Functional literacy
- Information literacy or
 - the ability to know when information is needed;
 - formulation of an effective search strategy using a variety of sources;
 - critical evaluation of the content, accuracy, and source of the information retrieved
 - and the effective use of that information to meet one's goals.



Financial literacy (FL)

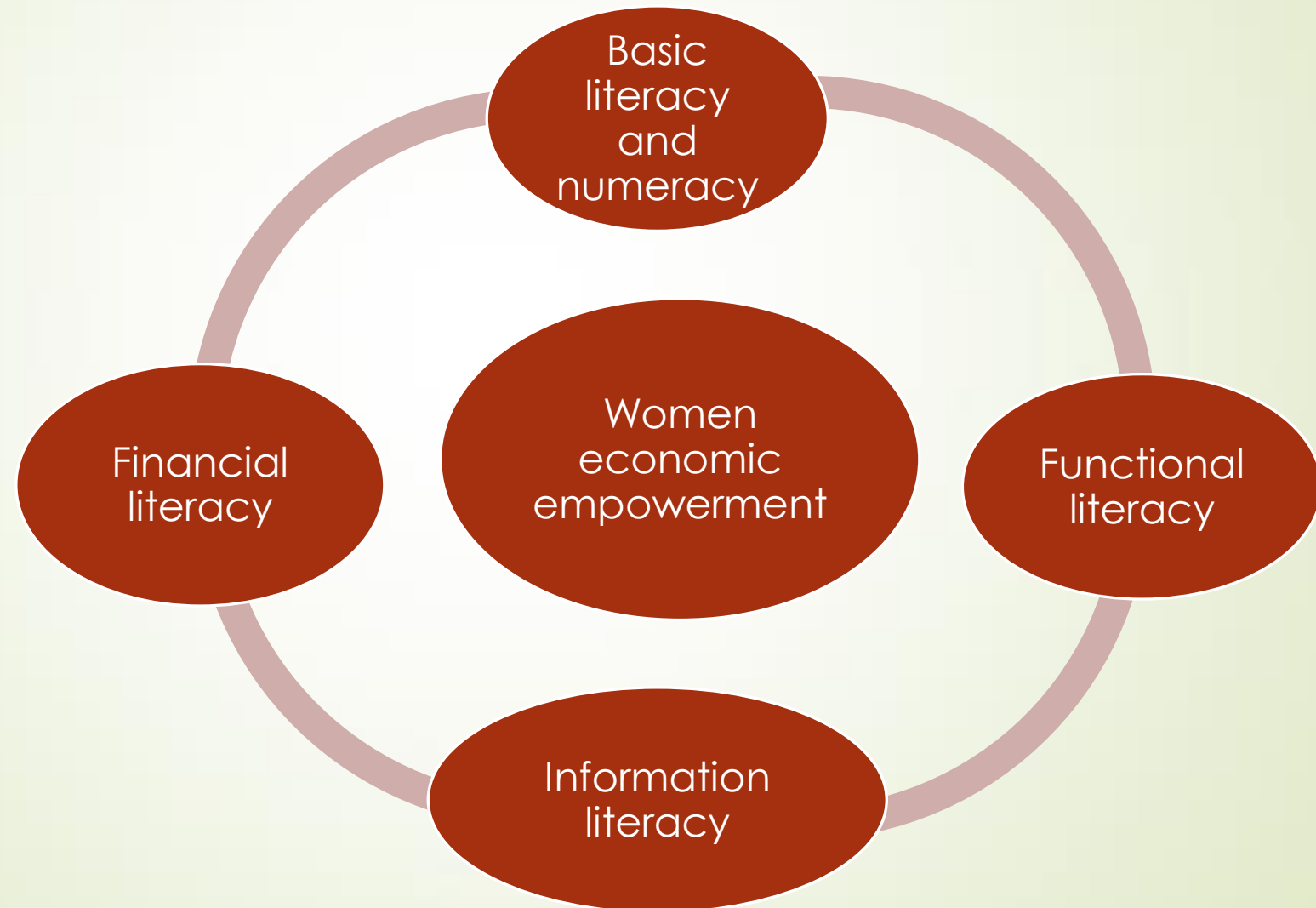
- ▶ Similar to IL, for an individual to be considered financially literate, it is assumed that the person has the intellectual **ability to understand, find, evaluate, and use information relating to finances, financial products and services from everyday banking through to borrowing, investing, and planning , risks, and any other information relating to his or her financial well-being**

Women economic empowerment



- ▶ No universal set of indicators of women's economic empowerment that cut across all cultures and regions
- ▶ Several characteristics across a range of contexts such as:
 - women's control over income;
 - relative contribution to family support;
 - access to and control of family resources;
 - women's access to employment;
 - ownership of assets and land;
 - access to credit and markets;
 - women's representation in high paying jobs;

Link between literacy, functional literacy, information literacy, financial literacy and women economic empowerment






Research Problem and Purpose of the Study

- ▶ 49 percent of adults between 45-49 years are illiterate.
- ▶ 21% of women between 15 and 49 years were illiterate (Kenya National Bureau of Statistics, 2016)
- ▶ Information overload
- ▶ There is a very high correlation between financial literacy and economic outcomes.
- ▶ Women who are not financially literate are excluded from low cost, fair, and safe financial services that are offered by mainstream financial providers such as banks making it impossible for them to achieve sustained economic empowerment.
- ▶ No comprehensive data on women entrepreneurs' FL skills making design of targeted interventions a near impossibility.



Aim of the study

1. Establish the financial literacy competences of women entrepreneurs in Kenya
 2. Determine the impact of financial literacy on their economic empowerment.
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Research Design and Methodology

- The study used the mixed method approach that is normally associated with a Pragmatic paradigm.
- The study combined the Positivist/postpositivist that is associated with quantitative data and
- Constructivist approaches that emphasizes the socially constructed nature of reality and is therefore associated with qualitative data.
- The study was carried out using the survey research design because of its ability to capture the complexities of the issues under study using only a small sample of the population.
- Purposive sampling was used to select 105 women's groups who had obtained loans from the Uwezo Fund in Chuka Constituency in the 2013/2014 financial year.

Sampling and Sampling Size

- Both random and stratified sampling technique was applied to select 400 women entrepreneurs.

- Three stage sampling:

1. Krejcie's model of sample size determination $n = \frac{x^2 Npq}{d^2 (N-1) + x^2 pq}$ (1)

was used to determine the sample size which came to 80 women's groups out of 105 women's groups who had received Uwezo Fund in the financial year 2013/2014 in Chuka Constituency

Sampling and Sample size (Cont'd)

2. Businesses are categorized into three groups: trade 38; service 17; and agriculture 50. The following formula was used:
- Sample size $n = 80$
 - Population $N = 105$
 - Trade population $N_1 = 38$. To calculate the sample, 80
 $(38/105) = 29$
 - Service population $N_2 = 17$. To calculate the sample 80
 $(17/105) = 13$
 - Agriculture population $N_3 = 50$. To calculate the sample 80
 $(50/105) = 38$
 - Random sampling was then used to select the samples using chits



Sampling and sample size cont'd

3. Each group had an average of 10 women entrepreneurs who met regularly.

From each group, a total of 5 women entrepreneurs or 50 percent of the members were randomly selected using chits to participate in the survey.



Data Collection

- ▶ The main instrument for data collection was a questionnaire for the women entrepreneurs.
- ▶ The detailed questionnaires had both structured and open-ended questions.
- ▶ A second interview guide was administered to officers working for the Uwezo Fund.




Data analysis

- Discrete data was analyzed using the Statistics and Data (STATA) package to generate descriptive statistics such as frequencies (counts) and percentages to describe data on the various variables.
- Cross-tabulation analysis to analyze the relationship between two or more variables in the study.
- Causal analysis that is concerned with the study of how one variable affects changes in another variable was used to determine how financial literacy skills affect women economic empowerment.
- A chi-square test of independence was then carried out to assess the degree of association between these variables.


Results and Discussions: Financial Literacy Skills

Rank	Skill	% of women entrepreneurs with skills
1	Understanding of the need to diversify business	91.93
2	Knowing when information is needed	91.92
3	Being the ultimate decision maker	79.55
4	Shopping for Uwezo loan	78.78
5	Checking account transactions/statements	77.02
6	Understanding of business ventures	59.34
7	Shopping for financial products and service from different financial providers	51.26
8	Not investing in a risky business venture	33.33
9	Basic numeric skills	33.08
10	Considering costs before taking a loan	25.95
11	Feeling of being in control of financial status	20.32
12	Feeling of being very comfortable with the current debt status	16.41




Relationship between women's financial literacy and women economic empowerment

- Some financial literacy skills had a greater impact than others.
- There were some contradictions where women demonstrated certain financial literacy skills but their actions or attitudes did not reflect this.
- For example 235 (59.34 percent) respondents agreed with the statement that a business with a high return is likely to have higher than average risks but 39 (9.85 percent) of the total respondents still said that they would invest heavily to maximize their return and only 132 (33.33 percent) of the total respondents said they would consider the investment "too good to be true" and not invest.



Relationship between women's financial literacy and women economic empowerment cont'd

- Access to credit is one of the measures of economic empowerment.
- The only challenge is that 21.21 percent indicated that they did not shop around for products and services.
- Main source of information was friends and family. This information may not be accurate or objective.
- For the additional loan it was the bank officials who are also not objective as most likely the officers would have been marketing their products thereby serving their own interests.




Relationship between women's financial literacy and women economic empowerment cont'd

- Women entrepreneurs were aware of financial concepts like budgeting and saving but appeared to have had some difficulty in implementing this knowledge effectively.
- Seven (5.34 percent) respondents took a loan simply because of its availability and only 5 (3.82 percent) of the respondents considered their financial need at hand.
- Only 30.89 percent were so disciplined in terms of spending that they had a written record of their expenses.



Relationship between women's financial literacy and women economic empowerment cont'd

- There was a very high correlation between the financial literacy skill of checking financial statements and the economic indicator of feeling very comfortable about ones debt.
- Out of the 85 respondents who said they did not check their financial statements, 28 (32.94 percent) were very uncomfortable with their current debt, compared to 10 (11.76 percent) who were very comfortable with their current debt.



Relationship between women's financial literacy and women economic empowerment cont'd

- Being in control of household finances empowers women economically.
- For 251 (63.38 percent) respondents who said that they were mainly responsible for money management in their household, only 17 (6.11 percent) said they felt that their current financial situation was out of control ALL of the time.
- Positive feelings of one's financial status is one of the indicators of financial literacy skills.



Relationship between women's financial literacy and women economic empowerment cont'd

- The ability to check financial statements and keeping written records to keep an eye of all expenses are two financial literacy skills that are highly correlated.
- Keeping written records to keep an eye on all financial records is both a financial literacy skill and an indicator of women's economic empowerment.
- Out of the 85 respondents who said that they did not check their financial statements, 8 (9.41 percent) respondents said that they used written records to keep a close eye on expenses.
- In comparison, out of the 304 respondents who said that they did check their financial statements, 112 (36.84 percent) respondents said that they used written records to



Conclusion

- ▶ Willingness to invest in risky business venture at (49.62 percent),
- ▶ lack of basic numeric skills at (66.92 percent), and
- ▶ taking loans without considering the cost at (74.05 percent)

was undermining women's economic empowerment which is demonstrated by the fact that

- ▶ 79.68 percent of the respondents felt that their financial status was out of control and
- ▶ 83.59 percent felt uncomfortable about their current debt status.



Asante

joycekinyanjui30@gmail.com