

## ABSTRACT

Access to financial services is essential to generate income, create assets, raise productivity and attain food security for the poor people within a country. Micro-Financial Institutions (MFIs) have been established with the aim of reducing rate of poverty through empowering people to have increased access to credit facilities. Currently in Kenya, there are 100 MFIs fully established and registered and Kisumu City having a total of eleven. Women play an important role in the socio-economic development of their families and communities as most of them engage on entrepreneurial activities to support their families. However, they face obstacles such as poverty, unemployment and societal discrimination. While there is a general consensus of MFIs, their potential for the empowerment of women has been much debated. The study therefore evaluated the effect of Micro-Finance Institutions on Women's Enterprise Development in Kisumu, Kenya. The study was guided by the following objectives; to assess the relationship between MFIs and Women's Enterprise Development (WED), to establish association between role of capacity building of MFIs and WED, and lastly to determine the relationship between MFIs regulatory framework and WED establishment. The study used co-relational research design guided by Adam's Smith Economic Theory and McKinsey's Theory of Capacity Building. The target population was 1200 MFI clients. A 10% sample size of 120 respondents was used. Probability and non-probability sampling was used to select a representative sample due to large targeted population and inaccessibility to remote locations. The study used both primary and secondary data. The study utilized survey structured and unstructured questionnaire to get responses from women entrepreneurs, and secondary data obtained from MFIs. The researcher used test re-test to test reliability while pilot testing was done to assess validity of instruments for the study. Data analysis involved use of percentages and mean ratings for discrete data. Hypothesis was tested using chi-square test and correlations. Research findings would help women entrepreneurs, development agencies and the government of Kenya with crucial information. The study findings could also significantly contribute to the body of knowledge. Findings showed 95% of women entrepreneurs felt that the loans from MFIs were important for their businesses because of increased startup capital and sales. It was evident that MFIs do provide capacity building to women entrepreneurs before and after loaning on management skills with findings posting a mean rating of 3.8 out of a possible 5 except for technological skills that posted a mean rating of 1.9. Research findings also revealed that there were less regulatory rules by the MFIs which increased uptake of credit facilities to 83% by women entrepreneurs. The study concluded that MFI clients were satisfied with MFIs hence accepting the hypothesis that; there is a positive stimulation of growth by MFIs on women's enterprise development. The study recommends that the MFIs are good initiative therefore women entrepreneurs should find out services offered by MFIs. Future research study should be done to establish what really motivate MFI clients and potential clients to borrow funds from MFIs, investigate whether MFIs are actually solving a poor person's problem or whether MFIs are exploitative and to assess other ways to measure business success for MFI clients other than use of income earned.