FACTORS AFFECTING MONITORING AND EVALUATION OF MICROFINANCE INSTITUTIONS’ (MFI's) PROJECTS IN KENYA. A CASE STUDY OF MURANG’A COUNTY.

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REG.NO.D53/OL/11062/2007

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY.

13th June 2012.
Declaration

This research Project is my original work and has not been presented anywhere else for consideration for a degree in any other university.

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Acknowledgement

I wish to acknowledge the much work that was done by lecturers at the undergraduate level who relentlessly mentored me in Business studies and Economics; Mrs. Harriet Kidombo (UoN), Dr. Gakuo (UoN) and Dr. Wawire (KU) who continued encouraging me in my studies. All my post-graduate lecturers of Kenyatta University, in my area of specialization; project Management. Last but not least very devoted supervisors; Mr. Paul Sang, Ms. Rosemary James and Ms. Gladys Kimutai for their guidance throughout this research process.
Dedication

To my late father, Mr. Benson Maina and my mother, Mrs. Beatrice Njeri, my dear Wife Catherine and daughter Shalom who together have inspired me to continue with my studies since I started in year 2002.
ABSTRACT
This study was motivated by the extensive interaction of the researcher and the rural folks who were the key target group by the ever increasing Microfinance Institutions (MFIs). After making frantic efforts to make enquiries on why most of those given the loans either ended up closing down their businesses or stagnating at the same economic status, considering that the poverty levels in Murang’a County was at 29% (internet), it was discovered that most of the financiers rarely followed up the intended projects with their clients. Through observation and oral interviews, it was discovered that most of those projects failed within the first one year due to lack of business and entrepreneurial skills. Lack of practical, step-by-step business and technology-enablement programs inhibited sustainable SME competitiveness and growth. This research therefore studied the factors that affected Monitoring and Evaluation of MFIs projects. The researcher sampled out eleven (11) out of all the financial Institutions with branches in the urban and rural areas, all based in Murang’a County Headquarters. Those eleven were purely MFIs. The researcher carried out a census to gather data from the top level management numbering fifty-five (55), of the selected MFIs. However, only thirty three responded, making 60% of the intended 100%. The research design used in this study was descriptive survey. Descriptive survey is the investigation in which quantity and quality data is collected and analyzed in order to describe certain phenomenon (Reid, 1998). According to Long, N. (1996), Qualitative research allows the subjects being studied to give much ‘richer’ answers to questions put to them by the researcher, and may give valuable insights which might have been missed by any other method. Not only does it provide valuable information to certain research questions in its own right but there is a strong case for using it to complement quantitative research methods.
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List of Abbreviations and Acronyms

MFIs- Micro-finance Institutions.
UN-United Nations
MDGs-Millennium Development Goals
M&E-Monitoring and Evaluation
OED-Oxford English Dictionary
SAP-Structural Adjustment Programs
NGOs-Non-Governmental Organizations
EBRD-European Bank for Reconstruction and Development
KWFT-Kenya Women Finance Trust
GNP-Gross National Product
DECSI- Dedebit Credit and Saving Institution
POCSSBO- Project Office for Creation of Small Scale Business Opportunities
BBK-Barclays Bank of Kenya
KCB-Kenya Commercial Bank
SMEP-Small Micro-Enterprise Program
REEP-Rural Economic Empowerment Program
ECLOF-Ecumenical Church Loan Fund
BIMAS- Business Initiative & Management Services.
SSA-Sub-Saharan Africa
AWP-Annual Work Plan
Definition of Terms

Monitoring: Monitoring can be broadly defined as the systematic collection and analysis of information to provide management and to the main stakeholders of a development Activity, with necessary information for decision-making.

Evaluation: Evaluation is the process of determining significance or worth, usually by careful appraisal and study. Evaluation is the analysis and comparison of actual progress vs. prior plans, oriented towards improving plans for future implementation.

Project formulation: Project formulation is the process of documenting the facility, identifying the eligible scope of work and estimating the costs associated with that scope of work.

Mission: The fundamental purpose of the organization. It defines the customer and the critical processes. It informs you of the desired level of performance.

Vision: A vision statement describes the ideal situation if the organization could fulfill its utmost wish.

Rapprochement: A re-establishing of cordial relations, as between two countries. The state of reconciliation or of cordial relations.

Archetype: A universally understood symbol or term or pattern of behavior, a prototype upon which others are copied, patterned, or emulated.

Capitalism: Capitalism is an economic system in which the means of production are privately owned and operated for profit, usually in competitive markets.

International trade: International Trade is usually referred to as the exchange of goods, and services across international borders or territories.

Dependent variable: A dependent variable is a variable dependent on another variable.

Independent variable: An independent variable is the variable you have control over, what you can choose and manipulate. It is usually what you think will affect the dependent variable.
‘Iddir’- Iddirs are indigenous voluntary associations established primarily to provide mutual aid in burial matters but also to address other community concerns, mainly in Ethiopia and Tanzania.

**Poverty**- Conditions where people's basic needs for food, clothing, and shelter are not being met.
CHAPTER ONE

1.0. Introduction

In the last few years microfinance has become a very important instrument for
confronting poverty worldwide and promoting the growth of small and medium
enterprises (SMEs). The vast majority of International Organizations (World Bank)
involved in fighting poverty are now conscious of the usefulness of microfinance in
rapidly improving life conditions of the beneficiaries of micro credits and other
financial services. Therefore, the number of microfinance projects increased quickly
in developing countries as well as in more developed Western countries and the
intermediaries involved in these projects have become increasingly diversified. In the
light of the above, microfinance is ceasing to be a sort of informal “movement” and it
is more and more becoming a segment of the financial industry, which in some
countries include formal financial intermediaries (Christen, 2000).

1.1. Background of the study

The enlargement of the set of services provided by different kinds of actors involved
in microfinance is highlighting the importance of monitoring microfinance industry;
at the same time, the process of expansion of microfinance services and the capability
of microfinance institutions (MFIs) to reach as many people as possible, which is a
fundamental feature of microfinance, is threatened in some contexts by the lack of an
adequate regulation on MFIs’ sector. On the other hand, the environment in which
some microfinance projects are based and the countries where some MFIs are located
are sometimes so precarious that the weakness or the absence of microfinance
regulation on monitoring and evaluation could appear as a primary aspect in limiting
their expansion. However, it is not possible to imagine a single microfinance
regulatory framework suitable for deeply different countries located in all the
continents, this research work tries to focus on the possible guidelines that could affect a debate about monitoring and evaluation of microfinance projects as well as how to perform such activities, in order to foster the expansion and the sustainability of this new financial approach to poverty alleviation. (Sobhan, 2001).

In the absence of sufficient collateral to pledge, the poor generally have to rely on loans from informal moneylenders at high interest rates or from friends and family, whose supply of funds is generally limited (Weiss and Montgomery, 2004). In order to supply cheaper credit, many developing countries intensively implemented large-scale subsidized credit programs between the 1950s and 1970s. These programs were originally intended to target rural farmers with the hope that subsidized credit at below-market interest rates would not only increase their income but would also promote investment in agricultural modernization, such as in the diffusion of fertilizer and high-yielding crop varieties, thereby increasing food production and subsequently stimulating overall economic growth (Yaron and Benjamin, 2002).

A growing body of evidence suggests that the subsidized credit programs were unsuccessful in that they induced local political elites to take advantage of the below-market interest rates, leading to their rent-seeking activities, insufficient outreach to the rural poor farmers, very low loan repayment rates, and inefficiency in financial markets with excess demand (Adams, Graham, and Von P., 1984). As an alternative, microfinance has recently attracted growing attention as a means of overcoming such a situation (Morduch, 1999). Most microfinance institutions provide collateral-free small loans to low-income households, who have long been deemed to be unbankable. These loans are generally expected to be used for self-employment and
income-generating activities. Even though many MFIs rely on financial support from the state and donors to expand their outreach, in response to the widespread failure of government programs in the past, financial self-sustainability has also been of major concern, and appropriate pricing of loans is viewed as crucial for development (Zeller and Meyer, 2002).

The interest rate is generally set at the market level to cover operational costs and most microfinance programs across the world have extremely high repayment rates at around 90% to 98%. While the provision of credit is by far, the most important product of financial services, much progress has also been made by many MFIs offering a range of savings and insurance products, which has great potential for alleviating poverty and reducing vulnerability (Nourse, 2001). With enthusiasm for their ability to improve the welfare of the poor, the number of MFIs has rapidly grown, from 618 to 3,133 between 1997 and 2005, and correspondingly, the number of clients who benefitted from microfinance increased from 13.5 million to 113.3 million over the same period. (UN- 2004). Given this growth in the microfinance industry, the United Nations declared 2005 to be the “International Year of Microcredit” and attempted to link the microfinance movement with the achievement of the Millennium Development Goals. Furthermore, a leading MFI, the Grameen Bank, and its founder, Professor Yunus, received the Nobel Peace Prize in the year 2006 “for their efforts to create economic and social development from below.” In this way, microfinance is increasingly gaining popularity as an effective tool for poverty reduction, and its evolutionary process is often termed the “microfinance revolution.” Yet, microfinance is not without controversy (Daley-Harris, 2006).
Few recent ideas have generated as much hope for alleviating poverty in low-income
countries as the idea of microfinance (Morduch, 2000). The excitement expressed in
this statement is based on the experience from countries like Bolivia, Bangladesh and
Indonesia where Microfinance has raised the welfare level of thousands of poor
households above the poverty line by providing them with credit and other financial
services. Accordingly, the expectations have been sky rocketing as Microfinance
seems to offer the unique opportunity to combine large-scale poverty alleviation
projects with projects' profitability. The fact that the international Microfinance
movement is still neglecting African countries is interesting as Kenya, with its large
number of rural poor, at over 46% living below the poverty line (Kenya Integrated
Household Survey, 2006), would offer a huge potential for Microfinance to proof its
impact on poverty (Yaron 2002).

It is widely recognized that limited access to financial services is one of the major
bottlenecks preventing poor households from improving their livelihoods. The
underdevelopment of the financial markets is felt especially keenly by the rural poor
who live in low-density population areas and in riskier environments subject to
greater seasonal income fluctuations, and who generally demand smaller-sized loans
and have smaller savings accounts, all of which lead to high transaction costs
shouldered by financial institutions. Moreover, imperfect information significantly
increases default risks caused by adverse selection, moral hazard, and strategic default
(Stiglitz, 1990), which make formal banks reluctant to offer services to the poor who
cannot supply sufficient collateral to secure their loans. The eradication of poverty
continues to be a central political issue in most developing countries, despite serious
efforts by local governments as well as bilateral and multilateral donor communities
over the past few decades, many people still suffer from poverty. According to estimates by the World Bank (2008), more than 2.5 billion people were classified as extreme poor in 1997, living on less than one dollar a day (World Bank, 2008), subsequently, poor households tend to be excluded from formal financial services—not only borrowing but also savings and insurance which in turn prevents the poor from investing in various profitable projects, smoothing consumption, and improving their ability to cope with various unexpected shocks (Okten and Osili, 2004).

To combat pervasive poverty, the United Nations declared as the first of its Millennium Development Goals (MDGs) to halve the proportion of people who suffer from extreme poverty by 2015 compared with the 1990 level, and called for unprecedented commitment from nations worldwide. The recent development of impact evaluation techniques allows us to go in the direction of asking whether microfinance is actually good for the poor. Another strong belief bolstered by the success of the Grameen Bank has been that its lending scheme—characterized by non-collateralized, jointly liable, group-based lending—is effective to maintain the high repayment rate. However, recent theoretical as well as empirical studies have cast doubt on this and show there are other mechanisms underlying the high repayment rates. In addition, the belief that the increase in the number of MFIs relaxes credit constraints of the poor has come under challenge. There is also a growing concern that MFIs, often operated by non-governmental organizations, should put more effort into becoming regulated in M&E for-profit financial institutions that work to enhance financial sustainability instead of primarily pursuing services to the poor. This kind of commercialization of microfinance has gained momentum since the
1990s, but, it’s only subjected to some limiting factors in monitoring and evaluation of microfinance projects (Drake and Rhyne, 2002).

The debate on principles has focused on criticising those people who seek to earn a profit by doing business with a country’s poorest people. However, this view is mistaken. If someone intends to supply goods and services to those who have nothing (e.g. severely disabled people or children in a state of complete destitution), it is not reasonable to obtain anything from them because they have no possessions. However, if they can give something, it is reasonable to ask them for a little (e.g., people who go to charity-run community canteens should help in cleaning up afterwards), not to obtain a personal profit at their cost but to help them appreciate what they receive, to reduce costs (so that more people can benefit from the service) and to restore their human dignity. And such an argument would be even more justified if they are provided with resources that enable them to improve their situation, as is the case of the MFIs. Therefore, it seems reasonable for a MFI to require something in exchange from the microcredit’s beneficiaries (return of the capital and payment of interest). To say that these institutions earn profits at the cost of the poor, and not by helping the poor, is to ignore the very nature of business activity, portraying it as a predatory activity. However, this does not give a final answer to the question of the compatibility between sustainability and outreach. Much of the enthusiasm (about microfinance) rests on an enticing ‘win-win’ proposition: microfinance institutions that follow the principles of good banking will also be those that alleviate the most poverty” (Murdoch 2000, 617). Obviously, this is true for some organisations but it does not need to be true for all of them: many have not achieved this nor is it likely that they ever will, either because that is their chosen strategy or because they are
prevented from doing so by factors such as the policy framework, government attitudes, competition from other financial institutions or the impossibility of gaining access to cheaper sources of finance. In any case, a growing number of organisations are trying to make their social function compatible with operational sustainability. This can also mean a rapprochement to the traditional banking model, either as a result of a deliberate decision by the MFIs themselves or because they are forced to do so by the environment in which they operate. We do not know what effects this may have in the long run on the extent, depth and nature of the micro credits.

Monitoring and evaluation of any program or project entails the systematic gathering and analysis of data of projects and their activities. It identifies progress as well as difficulties that impact on implementation and assess the level of achievement of the projects’ objectives. Monitoring and evaluation also appraises an institution’s overall performance towards the achievement of the goals and objectives. Therefore, M&E is viewed as an integral element of management that helps to track implementation schedules and activities towards the completion and achievement of set or desired objectives. Thus this research paper tried to find out the factors that affected Monitoring and Evaluation of MFIs projects in rural Kenya, a case study of MFIs found in Murang’a County headquarters.
1.2. Problem Statement

The enlargement of the set of services provided by different kinds of actors involved in microfinance is highlighting the importance of entrenching M&E in this industry. At the same time, the process of expansion of microfinance services and the capability of MFIs to reach as many people as possible, which is their fundamental feature, is threatened in some contexts by lack of an adequate Monitoring and Evaluation strategies of their projects. To that end this paper sought to articulate and explain some of those factors that may have led to failure or lack of Monitoring and Evaluation in those projects. There were few in-depth studies of failed MFIs projects in those countries where microfinance is still emerging.

This situation of MFIs not being able to provide adequate M&E strategies for their projects caused failure of projects, thus increasing poverty levels among the citizens. According to the Informal Sector Survey 2009, there were growing numbers of MFIs that stopped operation due to mismanagement of their projects; this situation lead to the increase of poverty levels in the country. Most people ended up selling their hard acquired properties like household items, farm animals, which in many occasions was the only family source of livelihood, in order to repay the loan advanced when their intended projects failed. Many people were left poorer than they were before they had taken the loan. This scenario can be prevented by developing appropriate M&E strategies of the projects clients engage in so as to make them sustainable and offer the necessary interventions on time. This study therefore established the factors affecting M&E of MFI projects, and made the necessary recommendations so as to achieve their objectives. There are presently few in-depth studies of failed MFIs’ projects in those countries where microfinance is still emerging, just as it is in sub-Saharan Africa (SSA), and greater focus upon high profile performers in South Asia.
and Latin America, which leaves other developments in regions such as SSA much less represented. There are also significant disparities in the level of development and performance across different countries (MIX, 2010). While the developed microfinance institutions (MFIs) of South Asia and Latin America are challenged to become more commercially viable, emerging — often donor dependent - MFIs in sub-Saharan Africa can struggle to survive. Inexperienced staff, questionable working practices, poor internal controls, substandard governance (Mersland and Strom, 2009; Hartarska, 2005) and inadequate management information systems all contribute to African MFI underperformance (CGAP, 2009). In Nigeria, for example, a lack of competent and skilled ‘human capital’ has been identified as a particular failure (Microfinance Africa, May 2010).

1.3. General Objective

This study will sought to establish factors that affected monitoring and evaluation of MFIs projects in Kenya.

1.3.1. Specific Objectives

1. To determine the effects of staff skills on Monitoring and Evaluation of MFIs projects.

2. To assess the effects of resources allocation on MFIs projects.

3. To analyze the effects of institutional policies on MFIs projects.

4. To establish the effects of organization’s management style on Monitoring and Evaluation of MFIs projects.
1.3.2. Research Questions

1. How do staff skills affect Monitoring and Evaluation of MFI projects?
2. How does resource allocation affect Monitoring and Evaluation of MFI projects?
3. How do institutional policies affect Monitoring and Evaluation of MFI projects?
4. How does organization’s management style affect Monitoring and Evaluation of MFI projects?

1.4. The Significance of the Study

The results of this study will be used by various user groups among them, the government, and donor groups, MFI's, Academicians and Researchers.

a) **Government**: the government will use the findings of this research to make the necessary changes in the MFI regulatory policy on M&E. These changes will be necessary for effective planning and development of MFI projects leading to sustainability and economic empowerment of the people.

b) **Donor Groups**: since the donor agencies give their funds with an intention to empower the beneficiaries, this study will be used to gauge the levels of success of the funded projects. They will also be able to come up with the necessary mitigations, checks and balances to ensure prudent management of resources.

c) **MFI's**: Reports that will be developed on the factors affecting monitoring and evaluation of MFI projects will be used to reorganize their resource distributions and create the necessary departments/offices with the right personnel to assist their customers. This will enhance success of the funded projects hence sustainability of those projects consequently, improve the living conditions of individual citizens in a country through improved performance of the projects; particularly in the developing
countries. Benefits of this study are likely to be experienced by the public as it is aimed at enhancing economic empowerment of the citizenry.

d) **Academicians and researchers**: This study is worth since it bridges the gap in knowledge where very few studies have been carried out on factors affecting M&E of MFls projects. This will add to the very little information available in this field. The fact that this is a very new area of study, this will open up more room for further research.

1.5. **The scope of study**

This research focused on the MFls in Murang’ a County where a case study on eleven (11) MFls situated at the county headquarters was done.

1.6. **Limitations and Assumptions**

1.6.1. **Limitations**

The task of providing all the information required was partially fulfilled due to secrecy acts on customers’ information. This affected the outcome of the research. Lack of time by the top level management staff to respond, incomplete and non-return of questionnaires and policies on information sharing also affected the outcome. Majority of the respondents did not disclose their designations and therefore it was difficult to isolate them in levels of management.

1.6.2. **Assumptions**

The researcher assumed that all the selected MFls were representative of others in the county and that the information gotten from them was accurate and reliable. The researcher carried out the work and therefore cost was minimized.
CHAPTER TWO

2.0. LITERATURE REVIEW

2.1. Introduction

This chapter reviews literature relating to the study based on sub-thematic areas: Monitoring; Evaluation; Microfinance in the historical context of project development; Performance of Microfinance Projects; The Microfinance Movement; The rationale for Microfinance Projects; Poverty alleviation; Income-generating and vulnerability effect of Microfinance Projects; Empowerment of women and Financial sector development, empirical review, gaps in current situation and conceptual framework.

2.2. Theoretical literature review

2.2.1 Monitoring

In view of Kaplan and Norton, (1993), Control systems must be put in place to promote the achievement of targets. Performance must be continuously appraised, in the context of the strategy as a whole, not just from a narrow perspective. The strategy must be adjusted where necessary. A key aspect of success is the degree to which new ways of meeting the broader aims are thrown up by the strategy process itself. He further confirmed that for complex issues to be monitored, what is being monitored must be reduced to quantifiable quantitative indicators since it is much easier to compare what is measurable, whether the comparison is with past performance or the performance of competitors. Collins White (1970) further added that an individual character ensures that company’s strategic objectives are linked to adequate operative
measures. As a consequence, it provides even more than a controlling instrument for the implementation process. It is a comprehensive management system, which can support the steering of the implementation process as indicated by the balance score card below.

**Figure 2.1: Balance Score Card**


### 2.2.2. Evaluation

Fred R. David (1990) defined evaluation as a process that seeks to understand how and why the intervention has worked so well. If the project is unsuccessful, questions are raised as to what could have been done better or differently. He further added that an evaluation strategy keeps track of key outcomes and impacts related to the
different project components, assessing whether the objectives, aims and goals are being achieved. Project evaluation is vital to state and private Institutions as timely evaluation can alert management on problems or potential problems before a situation become critical. Evaluation includes three basic activities: Examining the underlying basis of a firm’s strategy; Comparing expected results with actual results; Taking corrective action to ensure that performance conforms to plans; Louise G. White (1990) inquired into the evaluation stages in an evaluation process. He then summarized his findings in a diagram as illustrated below:

Fig.2.2. Project Evaluation Process


According to White, (1990) in his book, *project management concepts and cases*, project evaluation is important because organizations face dynamic environments in
which key external and internal factors often change quickly and dramatically. Success today is no guarantee of success tomorrow! An organization should never be pulled into complacency with success; countless firms have thrived one year only to struggle for survival the following year.

2.2.3. Microfinance in the historical context of project development

The term “Microfinance” originally described the provision of very small loans, the so called “Microcredit”, to the poorer parts of the population in order to help them engage in productive activities and moving out of poverty. Over time, Microfinance has broadened its agenda and has included other financial services, such as savings and insurance. (Microfinance Gateway, 2004) Before turning to the objectives and the design of Microfinance programs in more detail, the evolution of post-war development strategies is briefly described in order to understand the historical and theoretical context in which Microfinance emerged.

As the first Microfinance programs evolved in the mid-1980s, it is quite a recent phenomenon. However, the emergence and the rapid expansion of Microfinance can be seen as a result of shortcomings of previous development strategies, particularly in the area of development finance. By providing financial services to poor people on a self-financing basis, Microfinance has overcome two main problems of all post-war approaches to development finance. These are namely the exclusion of the poorer parts of the population from access to financial services, as well as the political interference with development. The dimension of Microfinance loans can be roughly defined as amounts below the per capita income of a given country. Savings dimensions are considerably smaller (Marcus et al., 1999). During the 1950s and early 1960s, the prevailing development strategy was based on the modernization model,
which regarded economic growth as the main development objective and consequently demanded industrialization and large-scale investments as an engine of growth (Thorbecke, 2000). This modernization model of the early post-war years was strongly influenced by economic liberalism as it saw the main obstacles to development in domestic reasons, such as market imperfections in the developing countries.

The modernization model acknowledged that developing countries, in order to achieve self-sustaining economic growth, needed external financial assistance acting as a trigger. Accordingly, in this period development finance was mainly concerned with investments in infrastructure projects, such as railways, electric power and telecommunication. This bias towards big-scale industrialization is also reflected in the World Bank’s lending strategy during that period, (Badru, 1998). After some years it became obvious that the modernization strategy had largely failed to generate development in general and poverty reduction in particular. The expected trickle-down effect from the investment projects to the large number of poor people in developing countries did not happen as most of the capital was wasted for unprofitable projects or consumed by corrupt elites. In addition to the exclusion of the poorest people from the development progress, the liberal principles also led to a widening of gaps of development disparities between urban and rural areas (Badru, 1998).

The realization of growing poverty and inequalities in the least developed countries resulted in a significant change in the development strategy at the beginning of the 1970s. This assumption is theoretical underpinned by Rostow’s take-off theory which
identifies different stages of economic development and the Harrod-Domar model defining the need for a minimum of investment to GNP ratio in order to achieve a positive per capita income growth, (Thorbecke, 2000; Corbridge, 1993). The high indebtedness constraining many developing countries until today has its origin in the lending practices of this period. According to George, (1990), emphasizing poverty alleviation and rural development is closely linked to the advent of Robert McNamara as president of the World Bank in 1968. McNamara changed the World Bank's lending policy to what became known as the “basic human needs” approach to development. This concept was characterized by increased resource allocation to the previous neglected areas of rural and agricultural development (Ayres, 1983; Badru, 1998).

While the modernization model as the dominant development doctrine of the previous decades was influenced by economic liberalism, the change in development strategies and the focus on poverty alleviation was underpinned by the relative popularity of the radical neo-Marxist dependency theory in the second half of the 1960s, (Thorbecke, 2000). The 1970s also witnessed a surge in government-directed credit programs to rural sectors. These highly subsidized programs were aimed at promoting subsistence and small scale farming and thus helping to combat rural poverty, (Badru, 1998; Johnson and Rogaly, 1997). From today’s perspective, however, it can be determined that these subsidized rural credit programs largely failed to reduce income inequalities and alleviate poverty in rural areas. In all these strategies, there is no evidence that the new approaches to financing was followed up through M&E.
2.2.4. Performance of Microfinance Projects

The weak performance of subsidized rural credit programs is reflected in the fact that repayment rates of about 75 per cent were already regarded as a success. Consequently, most of the programs were not sustainable and disappeared after bearing heavy losses, (Adams and von Pischke, 1992). The failure of rural credit programs is mainly a result of three particular problems; firstly, the cheap government loans led to a distortion of incentives and were therefore not only used for productive investment but often wasted for unprofitable projects or simply used for consumption. Secondly, most of the money targeted the unemployed poor people who had no financial management knowledge and thirdly the other target group was the peasant farmers who relied on traditional farming methods resulting to heavy losses in times of unfavorable weather conditions. In 1968, at the beginning of McNamara’s presidency, the World Bank’s lending for agricultural and rural development projects accounted for 18.1 per cent of its total lending. By the time of the departure of McNamara in 1981, this figure had risen to 31 per cent (Ayres, 1983). The dependency theory takes the view that underdevelopment is a result of the structure of the international economy with a core of industrial countries and a periphery of developing countries. With this enormous amount of lending, the aspect of monitoring and evaluating the programs was inevitable but not available thus the predominant status quo of poverty.

The main problem that eventually caused the breakdown of many programs was the low repayment rate. The absence of any form of collateral provided borrowers with high incentives to default and transformed the loans effectively into grants (De Aghion et al., 2002). The whole development strategy of redistribution and basic
human needs including the rural credit programs was replaced by the Structural Adjustment Policies (SAP) of the 1980s. The debt crisis and the rise of neo-liberalism in the Western world forced the developing countries to introduce free market reforms and minimize government activities in many sectors (Thorbecke, 2000). According to this new development approach, the strategy of subsidized credit provision in rural areas was replaced by a more market-based approach. The dominant view at that time was that credit provision should be left entirely to the private sector charging non-subsidized market rates; however this did not factor in the necessary training of finance managers and the general staff. In this environment the idea of Microfinance slowly emerged as a way to provide self-financing financial services to poor people, (Johnson and Rogaly, 1997). However, an interpretation of Microfinance solely from this perspective would be misleading as Microfinance was driven to an equal part by the objective of poverty alleviation. In this context, the development strategy of the 1980s not only supported the Microfinance idea by promoting market-based credit provision but also cushioned the negative effects of SAPs on poverty and rural-urban disparities (Badru, 1998).

2.2.5. The Microfinance Movement

This is also reflected in the recent return to a broader vision of development expressed in the Millennium Development Goals (MDGs) as the current framework for development. Accordingly, the Microfinance movement was born out of a conflict of different ideas and ideologies that is still influencing Microfinance until today as there are existing contrary views about Microfinance’s appropriate role. This miss-targeting was due to a weak screening (monitoring and evaluation) efforts as well as the low interest rates making it attractive for wealthier clients to access these loans, (De Aghion et al., 2002). The main elements of a Structural Adjustment Program typically
consist of currency devaluation, trade liberalization, minimization of government intervention and removal of subsidies and artificial price regulations. The main objective of this strategy is to achieve macroeconomic stability through restoring balance-of-payment equilibrium and reducing budget deficits. (Thorbecke, 2000). The eradication of poverty and the empowerment of women as two of the eight MDGs are an example of the new emphasis of the human and social factors of development which also supports the Microfinance idea (World Bank, 2003).

The reason for the current popularity of Microfinance is that it has overcome the failures of previous strategies of development finance by two important innovations. The elimination of the need for collateral by the introduction of appropriate substitutes like group lending contracts has addressed the problem of excluding poor people from financial services. Besides, Microfinance has proven that financial services targeted to poor people can be profitable due to the development of specialized techniques, peer monitoring and evaluating and the charging of higher, market-based interest rates. The latter is justified by the assumption that poor people's main constraint is not the cost but rather the availability of credit. The idea of group-based lending was first realized by the Grameen Bank in Bangladesh which is regarded as the archetype of Microfinance Institutions (MFIs). The "Grameen Bank model" has been replicated many times and still exerts huge influence on the Microfinance debate today. While the described elements are common to most Microfinance programs, today there is a wide range of programs run by different institutions. Even though Non-Governmental Institutions (NGOs) have been the dominating form of MFIs so far, Microfinance is meanwhile also offered by financial
institutions, commercial banks, cooperatives or governments with each of them

Group lending is based on the idea that loans are not disbursed to an individual but to a
group where the members guarantee each other's loans. Besides reducing
administrative costs, the main effect is a high repayment rate due to mutual
monitoring and peer pressure. (Marcus et al., 1999) Typical characteristics of
Microfinance compared to traditional banking are a significant decentralization of
activities for the conditional loan disbursement, i.e. the delivery of higher credit
amounts with more favorable terms conditional on a sound repayment performance
(International Bank Academy, 2004). Another important element of the Grameen Bank is that it requires borrowers to meet frequently in public credit meetings to
discuss relevant issues. Generally, Microfinance has by far outperformed all previous
forms of development finance with repayment rates reaching an average of more than
90 per cent (Microfinance Gateway, 2004). The speed of expansion has dramatically
increased over the recent years. The aim set at the first Microfinance Summit in 1997
is to provide 100 million poor households with Microfinance by 2005. However, the
lack of major discord about the effectiveness of Microfinance is also a good reason
for caution (Murdoch, 1999).

As discussed in the following sub-thematic areas, many Microfinance programs are
still, at least partly, relying on external subsidies and their outreach to the poorest
clients is often limited by the pressure to achieve higher financial sustainability.
Besides, the real impact of credit provision on poor people's livelihood is still not
entirely investigated. The popularity and undisputable success of Microfinance should
therefore not mislead to the assumption that Microfinance can serve as a blueprint of an effective development tool that is applicable regardless of local circumstances, (Marcus et al., 1999).

2.2.6. The rationale for Microfinance Projects

2.2.6.1 Poverty alleviation

The lesson learnt from the experience of development finance so far is that poor people have often been excluded from financial services due to their inability to provide adequate collateral. This exclusion drives them into the informal financial sector in order to get access to credit. In many developing countries this sector is dominated by local moneylenders who are imposing very high interest rates that are often serviced by bonded labor while the debt itself is passed from generation to generation, (Harper, 1998). Consequently, the provision of official financial services has been an important tool for poverty alleviation in the development strategies since the 1970s, initially through the government-directed credit programs and later through Microfinance. Given the widespread application of credit provision as a tool for poverty alleviation, it is important to understand why and in what context credit provision can influence the livelihood of the poor. In general, two dimensions of poverty can be distinguished, namely the income dimension and the participation dimension. The former is an exclusive material dimension and is generally measured by annual household income. The policy objective in the context of this poverty dimension is to lift poor households from below the poverty line to above it (Holcombe, 1995).

The participation dimension on the other hand, moves beyond a material definition of poverty and takes a broader view on poverty, comprising many forms of deprivation.
that poor people experience, such as social inferiority, powerlessness, humiliation and isolation. (Hulme and Mosley, 1996). Although the income dimension of poverty is very limited and only an inadequate measurement of overall welfare, it has some significant advantages, especially in the area of measurement and quantitative comparison (Hulme and Mosley, 1996).

Accordingly, income-related poverty alleviation can be regarded as the first objective of Microfinance. The World Development Report (2000/2001), dedicated to global poverty, identified two ways by which the provision of financial services in general and Microfinance in particular can have an impact on poverty. Firstly, Microfinance can strengthen poor people’s economic activities by making investment in assets more affordable and thus allowing them to engage in profitable business opportunities. This is called the *income-generating effect*.

The second effect of Microfinance, the *vulnerability effect*, is based on the assumption that the availability of financial services can help to improve poor households’ risk management and reduce their vulnerabilities in the face of economic shocks such as illness, income volatility, price fluctuations or natural disasters. Even though both of these ways are trying to reduce income-related poverty, they are two different approaches. The income-generating effect aims at moving households from a stable “below poverty line situation” to a stable “above poverty line situation” by providing investment loans. The vulnerability effect, on the other hand, is understood as reducing the effects of income fluctuations or dramatic reductions in income by offering loans for emergency consumption or saving schemes. The desired impact of these approaches is illustrated below (World Bank, 2000).
2.2.6.2. Income-generating and vulnerability effect of Microfinance Projects

Evidence from various case studies confirms that the provision of loans in order to support self-employment can improve the incomes of poor people and also lift a significant number of poor people above official poverty lines. Famous examples are the above mentioned Grameen Bank in Bangladesh or the village branches of Bank Rakyat Indonesia. However, it has also been observed that after an initial increase in income, most borrowers were not able to continuously increase their income in the long run. As Microfinance has in recent years mainly focused on the provision of investment loans, the vulnerability effect has been clearly neglected. However, recent studies show that among poor people there is a huge unmet demand for consumption loans and saving schemes (Marcus et al., 1999). The main use of those is to alleviate the negative effects of an external shock which might cause a sudden and severe drop of income and consumption levels. Both instruments can protect the livelihood of poor households in such an event as drawing on savings or borrowing is generally the first response to compensate a decline in real value of life.

2.2.6.3. Empowerment of Women

According to the two poverty dimensions of income and participation, the approach of Microfinance is underpinned by a broader definition of poverty alleviation, comprising as well non-material and social development objectives. In this context, women empowerment is one of the most commonly used impact indicators for Microfinance programs beside the income-related poverty dimension. This enhanced understanding of poverty alleviation is based on the evidence that poor people’s lives are characterized by powerlessness and voiceless-ness limiting their opportunities and also complicating their interactions with employers, markets and other institutions. This in turn leads to lower self-confidence which is further increasing powerlessness
and isolation (Narayan, 2000). Empowerment is a strategy to break this vicious circle as it tries to promote sharing of control as well as entitlement and the ability to participate in decision making processes (Holcombe, 1995).

The strategy of empowerment is particularly targeted at women as they are disproportionately affected by poverty and lack of participation. This is mainly due to the fact that women, in addition to their unpaid work within the household, are often employed in subsistence farming or the informal sector, which are both low-paid and unregulated. The Structural Adjustment Policies of the 1980s put another heavy burden on women's situation in developing countries as the shift towards cash crop production increased landlessness among former subsistence farmers. Together with cuts in social expenditure this caused a significant decline of women's job base in these countries. Even though in some countries women have been increasingly employed in export industries, such as the textiles industry, they have not been able to translate their paid employment into financial independence and thus no increased empowerment, (Steans, 1998).

2.2.6.4 Financial Sector Development

While so far it has been assumed that the overall goal of Microfinance is poverty reduction and empowerment, it is now about time to introduce a different approach towards Microfinance. While poverty orientated Microfinance understands the provision of financial services only as a means to achieve the main objective of poverty alleviation, the commercial approach to Microfinance regards the provision of sustainable financial services to low-income people as its main objective. The application of commercial principles and the emphasis of the private sector are seen as ways to develop an effective financial sector in areas that have been underserved so
far. Accordingly, this approach is more concerned with the scale of outreach rather than with targeting the poor and the final impact on the borrower. A sufficient demand for credit and the repayment of the loans is regarded as evidence that Microfinance has served its purpose. Further studies examining the impact on borrowers’ livelihood are not regarded as essential (Morduch, 2000).

This commercial approach is closely connected with the term of “New Wave Microfinance”, which can be seen as a strand of the neo-liberal development approach dominant since the 1980s. Accordingly, this movement has also received significant support from the major development and donor institutions like the World Bank or the European Bank for Reconstruction and Development (EBRD), (Bateman, 2003). The expansion of the commercial Microfinance approach is not surprising as it is based on the assumption of a “win-win” situation: MFIs following certain “best practice” principles are likely to achieve financial sustainability and can therefore grow without constraints from subsidy-providing donors. Through this process the MFIs will also be able to reach the greatest number of poor people, (Morduch, 2000).

2.3. Empirical review

The microfinance institutions participation in several developing economies is escalating from time to time. Various studies on different countries on the performance of the MFIs confirm this (Adongo and Stork 2005, Zeller and Meyer 2002, Meyer 2002, Robert Cull et al. 2007). For example, in Bangladesh a microfinance institution called Grameen Bank at the end of 2000 reported 2.4 million members, where 95 percent of them are women, with $225 million outstanding loan. In addition, Thailand also has reported impressive outreach through agricultural lending by the Bank for Agriculture and Agricultural Cooperative (Meyer 2002). In
general, a lot number of microfinance institutions have registered impressive outreach in several developing economies including India, Cambodia, and others (Meyer 2002). About 70 to 80 percent of the farm household receives credit in a year either directly or indirectly from Bank for Agriculture and Agricultural Cooperatives (Meyer, 2002). A survey by Robert Cull and others on the performance of leading MFIs in 49 countries found interesting results. It found out that over half of surveyed MFIs are profitable after making adjustment of subsides. It also identified no evidence of trade off between being profitable and reaching the poor.

Lakew (1998) examines Project Office for Creation of Small Scale Business Opportunities (POCSSBO) micro financing program contribution to poverty reduction. He found that after the credit program, employment opportunities for the beneficiaries have been created; he noted that the credit program of POCSSBO had positive effect on income and saving of the clients. In addition, he stated that medical, education and nutrition access of the clients had been improved.

Similarly, Aklilu (2002), reviews the importance of micro finance institutions in developing economies based on countries' experiences. In the review she suggested for promotion of the existing well developed institution 'iddir" to facilitate growth of formal MFIs. Borchgrevink et al (2005), studies marginalized groups, credit and empowerment for the case of Dedebit Credit and Saving Institution (DECSI) of Tigray. The study finds that female household heads are extremely marginalized groups; and also, young households', rural landless households and urban house-renting households are the other marginalized groups. Through two-phase assessment, the study found that the DECSI's program has had a positive impact on the livelihood
of and as well enhanced the social and political position of many clients. Concerning the constraints for economic development, the study noted poor rainfall, small farm size, and shortage of labour during peak agricultural seasons as the main constraints. Similarly, the main constraints in non-farm business ventures are low returns and lack of demand. However, credit is not the main constraining factor for expanding economic activity, except in urban areas. The study further noted that DECSI's heavy involvement in credit delivery in the region has more or less satisfied to most of the people with some exceptions in the urban areas. By the end of 2009, the total number of MFIs actively involved in lending out money was 2028, with a membership of 92.5 million, a gross loan of US $65 billion, and US $26.9 billion in deposits (mixMaket financial data -2009). The figures clearly indicate the MFIs enthusiasm in providing micro credits. Proponents of microfinance argue that small loans to poor people could serve as a powerful tool for alleviating poverty (Khan and Rahaman, 2007). This is consistent with the UNCDF's (2009) claim that microcredit for farmers provides a potential tool for expanding economic opportunities and reducing the vulnerabilities of the poor. Asiama and Osei (2007) have noted that this is possible because microfinance helps the poor to meet their basic needs and therefore improves household income.

Similarly, Khan and Rahaman (2007), Robinson (2001), Otero (1999) and Wehrell et al. (2002) arguing from a sociological perspective asserted that access to credit provides the poor with productive capital that helps to build up their sense of dignity, autonomy, and self-confidence, hence are motivated to become participants in the rural economy. Likewise, Pronyk et al. (2007) argue that microcredit presents the poor with
income, food, shelter, education and health and can therefore have immediate and long term consequences.

Gender activists also argue in favour of microfinance as a means of empowerment by supporting women’s economic participation. Boyle (2009) claims that by supporting women’s economic participation, microfinance helps to improve household well-being. Littlefield (2005) reports that the opportunities created by credit availability helps a lot of poor people to invest in their own businesses, educate their children, improve their healthcare and promote their overall well-being. This is supported by a study by Karlan and Zinman (2006) in South Africa where recipients of microcredit were shown to be better off than non-beneficiaries. In another study by Khan and Rahaman (2007) in the Chittagong district in Bangladesh, recipients of microfinance facilities were reported to improve their livelihoods and moved out of poverty. More importantly, Khan and Rahaman (2007) reported that microfinance recipients had empowered themselves and become very active participants in the economy. Further, using a regression model to examine the impact of microfinance, Priya (2006) found that there is a significant positive relationship between credit recipients and income; the findings suggest that program participation led to a 10% increase in income.

However, the UNCDF (2009) report suggests that though microcredit may be helpful in reducing poverty, it is never a panacea and that it is only one of such tools to reduce poverty or the vulnerabilities of the poor. Buckley (1997) and Rogaly (1996) have also noted that microfinance may not always be the best tool to help the poorest of the poor. A similar argument is made by Hashemi and Rosenberg (2006) who claim that microfinance does not reach the poorest in the community. Roodman
(2009), asserts that microcredit might actually leave people worse off, just as credit cards and mortgages have made people poorer in developed countries.

Referring to the over-advertised benefits of microfinance, Ditcher (2006) claims that while the promise of microcredit is irresistible, the hoped for poverty reduction impact of microcredit remains elusive. Karnani (2007) made a similar statement in his critique of microfinance programs and argued that though microcredit yields some non-economic benefits, it does not significantly alleviate poverty and that the promise of microfinance is less attractive than the reality. Karnani (2007) explained that the best way to alleviate poverty is to create jobs and increase worker productivity but not through microcredit. This is because poor borrowers tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital or the hiring of labour. Further, Sachs (2009) claims that microfinance may not be appropriate in every situation and advises against 'one size fits all strategy' in the use of microfinance in poverty alleviation. Sachs explained that the poor governance infrastructure, dispersed populations in the rural areas might limit the potential benefits of microfinance in Africa. In these cases, grants, infrastructure improvements or education and training programmes could be more effective.

Empirically, Buckley (1997) studied micro enterprises in three African countries (Kenya, Malawi, and Ghana), and questions whether the extensive donor interest in microenterprise finance really addresses the problem of micro-entrepreneurship or just offers a quick fix to the problem. The study's findings suggest that the fundamental problem is lack of infrastructure rather than the injection of capital. On the other hand, Chemin (2008) using a matching strategy to examine the impact of
microfinance in Bangladesh reported a positive, but lower than previously thought, effect on expenditure per capita and school enrolment for boys and girls.

In another study to examine the impact of microfinance on rural farmers in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. Like Aguilar (2006), Ausburg (2008) argues that there is the need for a plus component (training in financial management, marketing and managerial skills and market development) for microfinance to succeed.

The studies reviewed above indicate that the promised benefits of microfinance are not always realized and that many other factors including client characteristics, microfinance structure and functional arrangements may mediate the impact of microfinance.

2.4. Gaps in Monitoring and Evaluation of MFIs projects

After realizing that there exists various gaps, among them; Organizational structures with M&E functions, a network of organizations responsible for M&E at the national, sub national and service delivery levels need to be established. Human capacity for M&E should have adequate skilled human resources at all levels of the M&E system to ensure completion of all tasks defined in the annual M&E work plan. This includes sufficient analytical capacity to use the data and produce relevant reports. Partnerships to plan coordinate and manage the M&E system should be established so as to maintain partnerships among in-country and international stakeholders involved in planning and managing the national M&E system. National, multi-sectoral M&E plan need to be developed and regularly update the national M&E plan, including identified data needs, national standardized indicators, data
collection procedures, tools, roles and responsibilities for implementation. Advocacy, communication and culture for M&E will have to be enhanced to ensure knowledge of and commitment to Monitoring and Evaluation and its system among policy-makers, program managers, program staff and other stakeholders.

2.5. Conceptual framework

**Figure 2.3: Conceptual Framework**

![Conceptual Framework Diagram]

- **Independent variables:** Staff Training, Resources allocations, Institutional policies, Organization’s Management style
- **Intervening variables:** National Economic trends, Technological advancement, Legal framework
- **Dependent variable:** Monitoring & Evaluation

**Source:** Researcher. (2011)

**Organization’s Management style:** Lean, simple infrastructures utilizing basic design of microfinance products facilitates administrative procedures and increases operational efficiency. Simple and clear savings and loans criteria, preferably based on traditional mechanisms, are also easily understandable by local people. When possible, computerization instead of manual administration of accounts helps to reduce administrative costs. Decentralization reduces costs associated with travel for collection and disbursement of funds, risks associated with transferring funds, and inefficiency associated with delays in communication.

**Monitoring and Evaluation:** Credible and reliable mechanisms to monitor and evaluate MFI operations improve overall institutional efficiency and effectiveness. Assessment tools allow for the generation of systematic information to identify and
address weaknesses in MFI services and management systems, streamline procedures, and improve the user-friendliness of programmes. Reliable monitoring also fosters accountability, raising the investment attractiveness of MFIs.

**Staff Training:** Staff training improves operational efficiency, sustainability, and outreach. Training includes financial management, credit and savings management and methods, and alternative management information systems, using technological resources from the region when possible. Staff training creates social ties between staff members, and strengthens overall morale, loyalty, and the MFI's corporate identity. Trainers can train and develop a pool of trainers from the local population, who are familiar with local languages, customs, and norms. Typically, qualified trainers who are intimately familiar with the area and people perform better and are willing to accept sacrifices for the cause.

**Resources allocations:** For any meaningful success to be realised, resources must be availed. These resources include finances, human capital resource, motor vehicles, computers, managerial resources and time. With proper allocation and utilisation of these resources, there will be efficiency and effectiveness in performance and thus increased output. This will make the MFIs projects be easily monitored, reports and feedback given on time. With on time reporting, necessary interventions would be done to save projects from collapsing.

**Institutional policies:** These refer to the course of action put in place to deal with M&E of MFIs projects. These policies may include loan, risk management, defaulters’ management, project managing policy, etc. Every institution must have operational policies which are in tandem with national policies on various issues. In the presence of such guidelines, the staffs perform their duties well without any fear
of contradiction. This brings about efficiency and effectiveness in utilisation of resources, thus success of the projects and in-time mitigations are executed.
CHAPTER THREE

3.0. METHODOLOGY

3.1. Introduction

This chapter describes the methods and procedures that were followed in conducting the research. It describes the research design, the target population of sample size and sampling procedure, research instruments, and data collection and analysis techniques.

3.2. Research Design

The research design used in this study was descriptive survey. Descriptive survey is the investigation in which quantity and quality data is collected and analyzed in order to describe certain phenomenon (Reid, 1998). According to Long, N. (1996), Qualitative research allows the subjects being studied to give much ‘richer’ answers to questions put to them by the researcher, and may give valuable insights which might have been missed by any other method. Not only does it provide valuable information to certain research questions in its own right but there is a strong case for using it to complement quantitative research methods.

3.3. Target Population

The target population is defined as the members of a real or hypothetical set of people, events or objects the researcher wishes to generalize the results for (Borg and Gall, 1989). This study targeted CEOs (11), Operations Managers (11), HR Managers (11), and Credit Managers (11), adding up to a total of fifty five (55) from the eleven pure MFIs based at the Murang’a County headquarters.
Table: 3.1. No. of Respondents

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<td>01</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>05</td>
</tr>
<tr>
<td>BIMAS</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>05</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11</strong></td>
<td><strong>11</strong></td>
<td><strong>11</strong></td>
<td><strong>11</strong></td>
<td><strong>11</strong></td>
<td><strong>55</strong></td>
</tr>
</tbody>
</table>

(Source: Research)

3.4 Sampling Procedures and Sample Size

A number of scholars have suggested various ways of arriving at a representative sample size. It is, however, generally agreed that the larger the sample, the smaller the sampling error. The researcher used all the eleven MFIs listed to participate in the study, which was 100% of the population. Although the recommended sample population is 30% of the total population, the total population was low and manageable and therefore a census was conducted. This was important for it ensured that the study captured the state of M&E of projects by the MFIs in Murang’a County.
It also enabled the researcher to generalize findings to the rest of the organizations in the Country.

3.4.1. Sampling frame

A sampling frame is a list of elements from which the sample is actually drawn. It is a list of the study population.

A suitable sampling frame is required for the selection of the sampling units, Cooper and Schindler (2000). The researcher's sampling frame was a list of all registered financial institutions in Murang'a County Headquarters from which only pure MFIs were selected, which were eleven.

3.5 Data Collection Tools

For data collection, the researcher employed the use of a questionnaire, for all the participants.

The questionnaire was used for data collection because, as Kiess and Bloomquist (1985) observes, it offers considerable advantages in the administration, it presents an even stimulus potentially to large numbers of people simultaneously and provides the investigation with an easy accumulation of data. Ngechu (2005) states that a questionnaire reaches many people in distant locations, saves time, it is cost effective and gives greater feeling of being anonymous and hence encouraging open responses to sensitive questions. Gay (1992) maintains that questionnaires give respondents freedom to express their views or opinion and also to make suggestions. One set of questionnaire was used for all the managers. The questionnaire had five sections. Section one collected demographic information of the employees and their organizations; section two gathered data on the status of staff skills and their
application in their organizations; section three gathered data on types and amount of resources allocated to M&E of projects in the organizations, section four gathered data on the policies available on M&E of projects and their applicability that the organizations employ, and section five gathered data on how organization’s management styles are applied in their organisation. The questionnaire also gathered data on their knowledge and feelings about various issues related to M&E of MFIs projects.

3.5.1. Reliability and Validity

Before the actual data collection, piloting of questionnaires was done on two MFIs, which did not participate in the final study. Piloting enabled the researcher to test the reliability of the instrument. The researcher used the pilot study to identify any items in the questionnaire that were ambiguous or unclear to the respondents and changed them effectively. The pilot study also enabled the researcher to familiarize with administration of the instrument.

According to Gay (1992) validity is established by expert judgement. Thus the questionnaire was constructed in close consultation with the university supervisors and other experts.

3.6. Data Analysis and Interpretation

Descriptive statistics was used to analyse the data obtained. Data collected from the field was be coded and entered into the computer for analysis using the Statistical Package for Social Sciences (SPSS). Quantitative data depicting frequencies of various responses were analysed using frequency counts and percentages, and presented using frequency tables, bar graphs and pie charts. Qualitative analysis
presented the views made from opinions of respondents. The analysis was thematically presented in a narrative form and where possible percentages of cases reported.

3.7. **Research Output**

This study brought out possible factors that affected monitoring and evaluation of MFIs’ projects, and possible interventions that will enhance the process in order to help in poverty alleviation and projects sustainability among Kenyans.
CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter gives the analysis and interpretation of the analyzed data. It touches on the findings of the study based on the researchers observations and analyzed data.

4.2 Background Information

Figure 4.1 Response Rate

Figure 4.1 indicates the response rate in the study that illustrates the ratio of collected response against the sampled population.

![Bar chart showing response rate](image)

The results in figure 4.1 indicate that 60% of the sampled population had their response collected by the researcher. This was a good response as supported by Mugenda (2003) that states that a response is deemed effective when it covers more than 30% of the targeted group.

4.2.1 Gender

Figure 4.2 Gender

The figure below shows the gender distribution in the study. It illustrates the response in the study in terms of male and female.
The study results in figure 4.2 indicate that most (64%) of the respondents are male counterparts as compared to the female (36%) counterparts; this finding further illustrates that in the microfinance industry, there are more male senior employees as compared to the female ones.

4.2.2 Age Group

**Figure 4.3 Age Group**

Figure 4.3 gives the distribution of the respondents by gender. It illustrates the structure of the age groups that participated in the study.

The results in figure 4.3 indicate that most of the respondents in the study were between the ages 26-35 (45%), then followed by above 45 (18%) and finally the least response was below 25 (9%). The results further illustrated that majority of people in microfinance industry were between the ages of 26-35 while those who are below 25 years of age were the least.
4.2.3 Ownership of the Organization

Figure 4.4 Ownership of the Organization

Figure 4.4 illustrates the ownership of the respondents’ organization based on their nationality whether foreign or local.

The results in figure 4.3 indicated that all (100%) of the MFIs were owned by the locals as indicated by the respondents, hence, foreigners had no or very little access to ownership of MFIs in the Kenyan local regions.

4.3 Effects of Staff Skills on M&E of MFIs Projects

Table 4.1 Effects of Staff Skills on MFIs

Table 4.1 indicates the frequencies of the response on the effects of staff skills on MFIs from a scale of 1-5.

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequencies of Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totally Disagree</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td>1 Customer needs should determine staff hiring.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Induction seminars for all staff should be conducted.</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>2 6.1 3 9.1 1 3.0 15 45.5 12 36.4</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 Project officers should be engaged in the field.</td>
</tr>
<tr>
<td></td>
<td>2 6.1 0 0 3 9.1 13 39.4 15 45.5</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 Project management skills should be considered in hiring field officers.</td>
</tr>
<tr>
<td></td>
<td>0 0 1 3.0 2 6.1 16 48.5 14 42.4</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5 Report writing skills are important in project M&amp;E.</td>
</tr>
<tr>
<td></td>
<td>2 6.1 5 15.2 1 3.0 11 33.3 14 42.4</td>
</tr>
</tbody>
</table>

The results in table 4.1 indicated that the response was high for the effect of staff skills on MFIs that customer needs should determine staff hiring as indicated by high frequency of 25 (14+11) or 75.8% agreeing; Induction seminars for all staff should be conducted as indicated by high frequency of 27 (15+12) or 81.8%; Project officers should be engaged in the field as indicated by high frequency of 28 (13+15) or 84.8%; project management skills should be considered in hiring field officers as indicated by high frequency of 30 (14+16) or 90.9% and finally that report writing skills are important in project M&E as indicated by 25 (11+14) or 75.8%.

According to study findings, strong management skills, training and capacity building remained as great challenges to microfinance institutions. Building an effective work force is expensive and difficult to make efficient. The study further indicated that Monitoring and evaluation enable MFIs to check the ‘bottom line’ of development work: Not “are we making a profit?” but “are we making a difference?” Through monitoring and evaluation, MFIs can: review progress; identify problems in planning and/or implementation; make adjustments so that one is more likely to “make a difference”.

The study finally found out that in many MFIs, “monitoring and evaluation” is something that is seen as a donor requirement rather than a management tool. Donors are certainly entitled to know whether their money is being properly spent. However, the primary (most important) use of monitoring and evaluation should be for the
organization or project itself to see how it is doing against objectives, whether it is having an impact, whether it is working efficiently, and to learn how to do it better. Plans are essential but they are not set in concretely (totally fixed). If they are not working, or if the circumstances change, then plans need to change too. Monitoring and evaluation are both tools which help a project or organization know when plans are not working, and when circumstances have changed. They give management the information it needs to make decisions about the project or organization, about changes that are necessary in strategy or plans. Through this, the constants remain the pillars of the strategic framework: the problem analysis, the vision, and the values of the project or organization.

4.4 Effects of Resource Allocation on M&E of MFIs Projects

4.4.1 Resource Availability to the Area of Monitoring and Evaluation

Figure 4.5 Resource Availability to the Area of Monitoring and Evaluation

Figure 4.5 indicate the resource availability to the area of monitoring and evaluation in the respondent’s institutions.

The results of the study findings indicated that the MFIs did not allocate enough resources for the monitoring and evaluation in their operations. This is indicated by a high percentage of ‘yes’ (70%) response as opposed to low ‘no’ (30%) response.

4.4.2 Extent of Agreement with the Resource Allocation

Table 4.2 Extent of Agreement with the Resource Allocation

Table 4.2 indicates the extent to which the respondents agreed to the resource allocation in their institution.
The result in table 4.2 indicates the frequencies of response of the extent of agreement with resource allocation in every respondent’s organisation. The results indicated that all the section heads did not present their budgets to the finance department as indicated by high frequency of disagreement of 26 (10+16), or 78.8%. It also outlined that MFIIs did not have enough vehicles in their organisation as indicated by high frequency of disagreement of 29 (87.9%) and also that all clients did not know communication lines as indicated by high frequency response of 30 (90.9%) and that there were no extraneous allowances for the staff as indicated by a frequency of 21 (63.6%), and finally the M&E department was not well equipped with ordinary computers as indicated by high frequency of disagreement of 29 (87.9%). According to the study findings, inadequate resources led to poor quality monitoring and evaluation. To ensure effective and quality monitoring and evaluation, it is critical to
set aside adequate financial and human resources at the planning stage. The required financial and human resources for monitoring and evaluation should be considered within the overall costs of delivering the agreed results and not as additional costs.

The study, through the literature review revealed that financial resources for monitoring and evaluation should be estimated realistically at the time of planning for monitoring and evaluation. While it is critical to plan for monitoring and evaluation together, resources for each function should be separate. In practice, each project should have two separate budget lines for its monitoring and evaluation agreed in advance with MFIs. This will help them be more realistic in budgeting. It will also reduce the risk of running out of resources for evaluation, which often takes place towards the end of implementation.

The study further indicated that monitoring and evaluation costs associated with projects can be identified relatively easily and be charged directly to the respective project budgets with prior agreement among partners through inclusion in the project budget or Annual Work Plan (AWP) signed. Sourcing and securing financial resources for monitoring and evaluation of outcomes or programmes can pose additional challenges, as there is not one project where these costs can be directly charged.

The most commonly observed financing mechanism is to draw resources together from relevant projects. Some additional possibilities include: Create a separate monitoring and evaluation fund, facility or project associated with an outcome or a programme to which all the constituent projects would contribute through transfer of some project funds. This facility could be located in the same entity that manages the outcome or programme. Mobilize funds from MFIs directly for an outcome or programme monitoring and evaluation facility and allocate required funds annually for each outcome on the basis of planned costs of monitoring and evaluation from overall programme budget to the facility or fund. It is important that MFIs consider the resources needed for monitoring and evaluation and agree on a practical arrangement to finance the associated activities. Such arrangements should be documented at the beginning of the programme to enable partners to transfer necessary funds in accordance with their procedures, which could take considerable time and effort.
4.5 Effects of Institutional Policy on M&E of MFIs projects

4.5.1 National Policy Documents on M&E of projects

Figure 4.6 National Policy Documents on M&E of projects

Figure 4.6 indicates the possession of national policy documents on M&E by the respondents.

The results in figure 4.6 indicate that most (58%) of the respondents have national policy documents on M&E on projects. This further indicates that there is reasonable organisation in the management of monitoring and evaluations at the MFIs.

Table 4.3 National Policy Documents on M&E of projects

Table 4.3 indicates the response on the National Policy documents on M&E from various organizations.

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequencies of Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totally Disagree</td>
</tr>
<tr>
<td></td>
<td>No.</td>
</tr>
<tr>
<td>1 There are policy manuals on M&amp;E</td>
<td>5</td>
</tr>
<tr>
<td>2 The Head of M&amp;E department must be</td>
<td>2</td>
</tr>
</tbody>
</table>
a professional.

<table>
<thead>
<tr>
<th></th>
<th>All the field officers are taken through regular training on M&amp;E.</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>1</td>
<td>3.0</td>
<td>4</td>
<td>12.1</td>
<td>3</td>
<td>9.1</td>
<td>9</td>
<td>27.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>There is a policy on how to handle failed projects and defaulters.</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>2</td>
<td>6.1</td>
<td>6</td>
<td>18.2</td>
<td>2</td>
<td>6.1</td>
<td>10</td>
<td>30.3</td>
</tr>
</tbody>
</table>

The response in table 4.3 indicated that various MFI have got good access to M&E manuals as indicated by high frequency of 25 (14+11) or 75.8% in agreement. Based on the frequency response of 26(78.8%), the researcher also found out that the head of M&E department must be a professional, all the field officers are taken through regular training on M&E (25 or 75.8%) and then finally most institutions had a policy on handling failed projects and defaulters as indicated by 69.4% in agreement.

**Table 4.4. Intervention measures on failed projects**

This table indicates respondents own opinion on what they think should be done to those clients whose projects fail and therefore unable to service their loans.

<table>
<thead>
<tr>
<th>Intervention measure</th>
<th>Number selecting</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell their assets to recover loans.</td>
<td>8</td>
<td>24.24</td>
</tr>
<tr>
<td>Train them on finance management then give them less amount first.</td>
<td>18</td>
<td>54.55</td>
</tr>
<tr>
<td>Give them another loan as the guarantors are attached.</td>
<td>4</td>
<td>12.12</td>
</tr>
<tr>
<td>Forget about them and look for new clients.</td>
<td>3</td>
<td>9.09</td>
</tr>
</tbody>
</table>

The study found out that most of the respondents viewed training on financial management as the best intervention strategy to achieve success in projects as indicated by 54.55% of the respondents, however the option of selling off the clients...
assets attracted a good percent of 24.24%. This should not be ignored for it was evident that it happened with some MFIs and therefore aggravated poverty among many people.

4.6 Effects of Organization Management Styles on M&E of MFIs projects

Table 4.5. Effects of Organization’s Management Styles on M&E of MFIs projects

Table 4.5 outlines the effects of organization’s management styles on M&E projects based on every respondents organization.

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequencies of Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totally Disagree</td>
</tr>
<tr>
<td></td>
<td>No.</td>
</tr>
<tr>
<td>1</td>
<td>The organisation has a well laid down structure with a department on M&amp;E well established.</td>
</tr>
<tr>
<td>2</td>
<td>The reporting system in the institution is simple and clear and feedback is real-time.</td>
</tr>
<tr>
<td>3</td>
<td>There is open communication in the organisation.</td>
</tr>
<tr>
<td>4</td>
<td>The institution has an open door system of Management.</td>
</tr>
<tr>
<td></td>
<td>Every employee understands the operations in all departments</td>
</tr>
</tbody>
</table>

The results obtained from table 4.5 indicated that the majority of the organisations had no well laid down structure with a department on M&E as indicated by high frequency of 27 (15+12) or 81.8% of the respondents disagreeing, it further illustrated that reporting system in the institution was not simple and not clear and even feedback was not real-time as supported by a frequency of 29 or 87.9%. The respondents also indicated that there was no open communication in the organisation and also that the
institution had no open door system of Management with 84.8% and 75.8% disagreeing respectively and finally, very few employees understood the operations in all departments as indicated by 27.3% of the respondents agreeing with the statement.

In view of the above findings, it was evident that most of the MFls lacked appropriate management styles and that employees did not cross over to share information with their colleagues. Suffice to say that closed door system of management was used in most of the MFls.

Figure 4.7. Effectiveness of Monitoring and Evaluation in the Organization

The results in figure 4.7 indicate respondents view on the effectiveness of monitoring and evaluation in the organization.

The results in the figure 4.7 indicated that most (61%) of the respondents deemed monitoring and evaluation to be ineffective in their organization; the results further illustrated that the respondents were not aware of the benefits of monitoring and evaluations or they had not experienced effectiveness of monitoring and evaluation in their organization.

Table 4.6. Respondents' advice on M&E of projects in their respective organizations.

This table shows what the respondents thought should be done to enhance monitoring and evaluation of projects in their respective organizations.
<table>
<thead>
<tr>
<th>Respondents advice</th>
<th>No selecting</th>
<th>% selecting</th>
</tr>
</thead>
<tbody>
<tr>
<td>It should be enhanced in all projects in the organization to be able to meet the intended purpose of credit.</td>
<td>18</td>
<td>54.55</td>
</tr>
<tr>
<td>Right personnel should be engaged so as to provide correct advice to our clients and the management</td>
<td>20</td>
<td>60.61</td>
</tr>
<tr>
<td>Regular training should be entrenched in the staff development programs</td>
<td>16</td>
<td>48.48</td>
</tr>
<tr>
<td>Enough resources should be allocated towards the program</td>
<td>21</td>
<td>63.64</td>
</tr>
</tbody>
</table>

In view of the above, it was evident that majority of the respondents (63.64%) felt that if enough resources were allocated coupled with the right personnel (60.61%), then Monitoring and Evaluation of projects would succeed as enhancement continued.

On the other hand, with the right personnel hired, there would be no need to include staff training in regular staff development programs as only 48.48% of the respondents suggested its inclusion in the training programs.

The results indicated that most of the projects funded by the MFIs are not successful as indicated by a response of medium, low and very low as the highest in frequency with 15, 8 and 5 respectively.

**Fig.4.8. Presence of Monitoring and Evaluation Plans in various organizations**
This figure shows the number of organizations that had M&E plans.

![Responses](image)

In the figure above, 12(36.36%) of the respondents said there were evaluation plans in their organization while 21(63.64%) said there were none in their organizations.

It was therefore appropriate to say that most of the MFIs operated without close monitoring and evaluation of their clients' projects and thus the possibility of a high rate of failure and lack of intervention strategies.

**Figure 4.9. Successes of Projects Financed by the MFIs**

The results in figure 4.9 showed the successes of projects financed by the MFIs and they were based on a scale of 1-5 of very low, low, medium, high and very high.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>very low</th>
<th>low</th>
<th>medium</th>
<th>high</th>
<th>very high</th>
<th>totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
<td>8</td>
<td>15</td>
<td>3</td>
<td>2</td>
<td>33</td>
</tr>
</tbody>
</table>

It was evident that most of the projects financed failed as only 5(15%) of the respondents recorded an above medium success rate as compared to 13(39.4%) below medium success rate.

**Table 4.7. Respondents general views on MFIs' Projects in the county.**

The figure below indicates the various views about the many MFIs projects in the region in general in percentages for every view.
General views of the respondents | No. sharing the same view | % of the total sharing the same view
---|---|---
Very few MFIs carry out Monitoring and evaluation of the projects they finance | 19 | 57.58
There are very many financed projects but very few success stories | 26 | 78.79
Levels of poverty have not significantly reduced | 20 | 60.61
There is a very poor repayment history of credit given out. | 18 | 54.55
There is need to enforce M & E of projects in the region to enhance success of the same. | 22 | 66.67

The study revealed that most of the projects in the region fail as supported by 78.79% of the respondents leading to insignificant changes in poverty levels as expressed by 60.61%. This led to most of the respondents proposing that monitoring and evaluation be enforced so as to achieve a greater success of the projects.

Over fifty percent of the respondents felt that many MFIs did not carry out monitoring and evaluation of their projects. However, repayment of credit was good as indicated by 54.55% who agreed.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter gives the summary, conclusion and recommendations based on the study and in reference to the literature findings.

5.2 Summary

According to the study findings, microfinance institutions (MFIs) initially focused on providing small loans and microcredit. The industry soon started to recognize though that the poor needed a wide variety of financial products to improve their lives, such that microcredit evolved into microfinance. The term refers to a broad set of financial services, including loans, savings, insurance, and transfer services, as well as remittances aimed at low income clients. The study suggests that poor households benefit from a combination of these services, rather than just the provision of credit as was supported by a study by Aghion and Morduch, (2005). The study further found out that some MFIs thus began to broaden their activities even further, providing financial services as well as business training, health care, and social services through the establishment of monitoring and evaluation of their projects.

The study also found out that monitoring and evaluation of any program or project entails the systematic gathering and analysis of data of projects and their activities. It identifies progress as well as difficulties that impact on implementation and assesses the level of achievement of the projects’ objectives. The study also identified that monitoring and evaluation also appraises an institution’s overall performance towards the achievement of the goals and objectives but requires proper resources that are allocated for its management. Therefore, M&E is viewed as an integral element of management that helps to track implementation schedules and activities towards the completion and achievement of set or desired objectives. The study established that monitoring and evaluation requires proper training for its success in the organization, a finding that was also supported by the findings of Kaplan and Norton, (1993) on the monitoring and evaluation strategies.
The study results had similar findings with the findings of World Bank, (2008) that limited access to financial services is one of the major bottlenecks preventing poor households from improving their livelihoods. The underdevelopment of the financial markets is felt especially keenly by the rural poor who live in low-density population areas and in riskier environments subject to greater seasonal income fluctuations, and who generally demanded smaller-sized loans and have smaller savings accounts, all of which lead to high transaction costs shouldered by financial institutions. Moreover, imperfect information significantly increases default risks caused by adverse selection, moral hazard, and strategic default, which make formal banks reluctant to offer services to the poor who cannot supply sufficient collateral to secure their loans.

Finally, the study found out that the eradication of poverty continues to be a central political issue in most developing countries, despite serious efforts by local governments as well as bilateral and multilateral donor communities. Over the past few decades, many people still suffer from poverty. According to estimates by the World Bank (2008), more than 2.5 billion people were classified as extreme poor in 1997, living on less than one dollar a day, subsequently, poor households tend to be excluded from formal financial services—not only borrowing but also savings and insurance which in turn prevents the poor from investing in various profitable projects, smoothing consumption, and improving their ability to cope with various unexpected shocks.

5.3 Conclusions

Good M&E should develop the capacity of the borrower and build on existing systems. Capacity building is widely acknowledged to be important but is often poorly defined. It means: upgrading skills in monitoring and evaluation, which include project analysis, design of indicators and reporting systems, socioeconomic data collection, and information management; improving procedures, to create functional systems that seek out and use information for decisions; and strengthening organizations to develop skilled staff in appropriate positions, accountable for their actions. According to the study findings, monitoring is performed while a project is being implemented, with the aim of improving the project design and functioning while in action. The potential beneficiaries were not participating due to the inadequacy of the loan size for their needs. This information was then used to make
some important changes in the project. It is “an internal project activity designed to provide constant feedback on the progress of a project, the problems it is facing, and the efficiency with which it is being implemented”. The study then reveals that an evaluation studies the outcome of a project (changes in income, housing quality, benefits distribution, cost-effectiveness, etc.) with the aim of informing the design of future projects. It is also described as “mainly used to help in the selection and design of future projects. Evaluation studies can assess the extent to which the project produced the intended impacts (increases in income, better housing quality, etc.) and the distribution of the benefits between different groups, and can evaluate the cost-effectiveness of the project as compared with other options”.

Finally, there are growing numbers of MFIs that stopped operation due to mismanagement of their projects; this situation may lead to the increase of poverty levels in the country if left unchecked. Most people end up selling their hard acquired properties like household items, farm animals, which in many occasions is the only family source of livelihood, in order to repay the loan advanced when their intended projects fail. This was clearly shown by the fact that many projects failed, as indicated in the study, yet the findings on repayment of loans was still good. Many people are left poorer than they were before they had taken the loan. This scenario can be prevented by developing appropriate M&E strategies of the projects clients engage in so as to make them sustainable and offer the necessary interventions on time.

The study revealed that monitoring and evaluation had the following strengths:

**Influence sector assistance strategy.** Relevant analysis from project and policy evaluation can highlight the outcomes of previous interventions, and the strengths and weaknesses of their implementation.

**Improve project design.** Use of project design tools such as the log frame (logical framework) results in systematic selection of indicators for monitoring project performance. The process of selecting indicators for monitoring is a test of the soundness of project objectives and can lead to improvement in project design.

**Incorporate views of stakeholders.** Awareness is growing that participation by project beneficiaries in design and implementation brings greater “ownership” of
project objectives and encourages the sustainability of project benefits. Ownership brings accountability. Objectives should be set and indicators selected in consultation with stakeholders, so that objectives and targets are jointly "owned". The emergence of recorded benefits earlier on helps reinforce ownership, and early warning of emerging problems allows action to be taken before costs escalate.

**Show need for mid-course corrections.** A reliable flow of information during implementation enables managers to keep track of progress and adjust operations to take account of experience (OED).

### 5.4 Recommendations

The study has then recommended the following for effective Monitoring and evaluation of MFI's projects:

All microfinance projects should be subjected to monitoring and evaluations by independent bodies other than their staff, adequate resources should be allocated for monitoring and evaluations of the projects and the organization policy should be flexible in such a manner that it allows for open door policy where there is information sharing at both inter and intra levels.

The study finally recommends that further studies be conducted on the effectiveness of internal vs. external monitoring and evaluation of MFI projects and whether there has been any impact on poverty alleviation among the rural poor in Kenya.
References:


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Covi, Ida


Program, Institute of Development Studies, University of Sussex, UK


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APPENDIX 1

QUESTIONNAIRE. (To be filled by the respondent).

Dear respondent

This research is meant for academic purpose and will try to find out the factors that affect monitoring and evaluation of MFIs projects in Kenya. You are kindly requested to provide answers to these questions as honestly and precisely as possible. Your opinion will be vital in drawing conclusions and form a basis for future improvement of monitoring and evaluation of projects. Responses to these questions will be treated as confidential. Please do not write your name or that of your organization anywhere on this questionnaire. Please tick [✓] where appropriate or fill in the required information on the spaces provided.

Kindly take some minutes to read and respond to the questions as frankly as possible.

Section 1: Background Information

1. Gender [ ] Male [ ] Female

2. What is your age group?
   [ ] Below 25
   [ ] 26-35
   [ ] 36-45
   [ ] Above 45

3. What is your designation? .............................................

4. For how many years have you been with this organization?
   ............................................. years

5. What is the ownership of your organization?
   Local [ ]
   Foreign [ ]
INSTRUCTIONS: Please rate how strongly you agree or disagree with each of the following statements by placing a check mark [✓] in the appropriate box.

B. Effects of staff skills on M&E of MFIs Projects.

(i).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Customer needs should determine staff hiring.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Induction seminars for all staff should be conducted.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Project officers should be engaged in the field.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Project management skills should be considered in hiring field officers.</td>
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</tr>
<tr>
<td>5 Report writing skills are important in Project M/E.</td>
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</tr>
</tbody>
</table>

B.(ii).

6. How often does the institution organise for refresher courses on M&E for its staff? □ yearly □ half yearly □ quarterly □ Never

7. What challenges do you face as you carry out M&E of projects? Tick appropriately.
   □ Lack of enough personnel
   □ Lack of appropriate skills in Project Monitoring and Evaluation
   □ Lack of proper records of projects being undertaken by clients
   □ Lack of appropriate information and disclosures on projects
   □ Negative attitude towards M/E by staff.

INSTRUCTIONS: Please rate how strongly you agree or disagree with each of the following statements by placing a check mark [✓] in the appropriate box.
C. Effects of Resources allocation on M&E of MFIs Projects.

(i).

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>Totally Disagree 1</th>
<th>Disagree 2</th>
<th>Not Sure 3</th>
<th>Agree 4</th>
<th>Totally Agree 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Do all the section heads present their budgets to the finance department?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Are there enough vehicles in the organisation?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Do all the clients know the communication lines to call?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Are there extraneous allowances for staff?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 The M/E department is well equipped with ordinary computers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C. (ii).

6. What would be your comment about the following resources allocated to M&E department?
   a).Finance:  □ Adequate  □ Inadequate  □ No comment
   b).Human resource:  □ Enough and trained.  □ Enough but untrained  □ Few and trained.  □ Few and untrained

7. In your own opinion, has your institution given enough resources to the area of monitoring and evaluation?  □ YES  □ NO.
   Explain

INSTRUCTIONS: Please rate how strongly you agree or disagree with each of the following statements by placing a check mark [v] in the appropriate box.
### D. Effects of Institutional policies on M&E of MFIs projects.

#### (i)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Should there be policy manuals on M&amp;E in your organisation?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 The HR policy specifies the competencies of a Head of M&amp;E department.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 The HR policy specifies the training programs of all field officers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 The credit policy is clear on how to handle failed projects and defaulters.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### D(ii)

In your opinion, what do you think should be done to help those clients whose projects don’t succeed?

- [ ] Sell their assets to recover loans.
- [ ] Train them on finance management then give them less amount first.
- [ ] Give them another loan as the guarantors are attached.
- [ ] Forget about them and look for new clients.

**INSTRUCTIONS:** Please rate how strongly you agree or disagree with each of the following statements by placing a check mark [☑] in the appropriate box.

### E. Effects of Organisation’s Management style on M&E of MFIs projects.

#### (i).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The organisation has a well laid down structure with a department on M&amp;E well established.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 The reporting system in the institution is simple</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
F. Monitoring and Evaluation.

1. Do you think M&E of projects has been effective in your organization?

☐ YES  ☐ NO

Explain your answer.

2. What would you advice on M&E of various projects in your organization?

☐ It should be enhanced in all projects in the organization to be able to meet the intended purpose or credit.

☐ Right personnel should be engaged so as to provide correct advice to our clients and the management.

☐ Regular training should be entrenched in the staff development programs.

☐ Enough resources should be allocated towards the program

3. Is there a monitoring and Evaluation Plan in your organization?

☐ YES  ☐ NO

If yes, comment on it.
4. In general, how would you rate the success of the projects your institution has financed for the last three years?

☐ Very low  ☐ Low  ☐ Medium  ☐ High  ☐ Very high

5. What are your general views on MFI's projects in the region?

☐ Very few MFI's carry out Monitoring and evaluation of the projects they finance

☐ There are very many financed projects but very few success stories

☐ Levels of poverty have not significantly reduced

☐ There is a very poor repayment history of credit given out.

☐ There is need to enforce M & E of projects in the region to enhance success of the same.

Thank you for taking your time to respond.
## APPENDIX 11
### BUDGET

<table>
<thead>
<tr>
<th>ITEM</th>
<th>QUANTITIES</th>
<th>RATE</th>
<th>AMOUNT (ksh)</th>
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</thead>
<tbody>
<tr>
<td>Stationery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pens</td>
<td>1.5pkts</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Folders</td>
<td>5</td>
<td>30</td>
<td>150</td>
</tr>
<tr>
<td>Writing pads</td>
<td>5</td>
<td>50</td>
<td>250</td>
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<tr>
<td>Box files</td>
<td>3</td>
<td>390</td>
<td>1,170</td>
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<tr>
<td>A5 Envelops</td>
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<td>200</td>
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<tr>
<td>Typing</td>
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<td>30</td>
<td>1,800</td>
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<tr>
<td>Questionnaires printing</td>
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<td>Questionnaires photocopying</td>
<td>720</td>
<td>2</td>
<td>1,440</td>
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<tr>
<td>Proposal printing</td>
<td>60</td>
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<td>1,200</td>
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<tr>
<td>Proposal/report photocopying</td>
<td>600</td>
<td>2</td>
<td>1,200</td>
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<tr>
<td>Paper punch</td>
<td>1</td>
<td>400</td>
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<td>Stapler</td>
<td>2</td>
<td>350</td>
<td>700</td>
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<tr>
<td>Staples</td>
<td>2pkts</td>
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<td>Researchers transport</td>
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<td>Research materials</td>
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<td>Data analysis</td>
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<tr>
<td>Internet</td>
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<td>Contingencies</td>
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</table>

**TOTAL** | | | **43160=**
APPENDIX III

List of financial institutions in Murang’a County.

1. Faulu Bank
2. Equity Bank
3. Murata Sacco
4. KCB
5. Muramati Sacco
6. Barclays bank
7. Murang’a Teachers Sacco
8. ACK Sacco
9. Consolidated bank
10. Post bank
11. Eclof
12. Family bank
13. Cooperative bank
14. Smep
15. BIMAS
16. KWFT
17. REEP
18. Jamii bora
### Table 3.2. List of MFIs

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Faulu Kenya</td>
</tr>
<tr>
<td>2.</td>
<td>Murata Sacco</td>
</tr>
<tr>
<td>3.</td>
<td>Muramati Sacco</td>
</tr>
<tr>
<td>4.</td>
<td>Murang'a Teachers Sacco</td>
</tr>
<tr>
<td>5.</td>
<td>ACK Sacco</td>
</tr>
<tr>
<td>6.</td>
<td>Smep</td>
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<tr>
<td>7.</td>
<td>Eclof</td>
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<tr>
<td>8.</td>
<td>BIMAS</td>
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<td>9.</td>
<td>KWFT</td>
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<td>10.</td>
<td>REEP</td>
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<td>11.</td>
<td>Jamii bora</td>
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APPENDIX V
WORKPLAN

<table>
<thead>
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<th>Week</th>
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<tr>
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<td>5-6</td>
<td>7</td>
<td>8-9</td>
<td>10-11</td>
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<tr>
<td>Proposal writing</td>
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<tr>
<td>Defense</td>
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<tr>
<td>Data collection</td>
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<tr>
<td>Data analysis</td>
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<tr>
<td>Report writing</td>
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</tbody>
</table>