INFLUENCE OF ACCESS TO MICROFINANCE LOANS ON POVERTY REDUCTION IN KURIA WEST CONSTITUENCY

KIPNGENO RONO JOSPHAT
D53/OL/23312/2013

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

OCTOBER 2018
DECLARATION

This research project is my original work and has not been submitted for examination in any other university or institution of higher learning for examination purposes.

…………………………………..  …………………………….
Signature  Date

Kipngenno Rono Josphat
D53/OL/23312/2013

The research project has been submitted for examination with my approval as the university supervisor.

…………………………………..  …………………………….
Signature  Date

Dr. Janesther Karugu
School of Business, Department of Business Administration
Kenyatta University
DEDICATION

This research is dedicated to my family members and friends and especially to Nancy chepkoech who played a big role to ensure its success.
ACKNOWLEDGEMENT

My thanks go to the Almighty God for his sufficient grace throughout my studies, Thanks to my lecturers from the department of Business Administration of Kenyatta University for their advice, guidance and all the work they did with love and enthusiasm.

My thanks also go to my supervisors Dr Janesther Karugu and Dr. Elisheba Murugi for their guidance during the research project. Special thanks are extended to my family, employer and my wife Nancy Chepkoech for their support during the many days in my pursuit of my graduate degree.
TABLE OF CONTENTS

DECLARATION........................................................................................................II
DEDICATION............................................................................................................III
ACKNOWLEDGEMENT...............................................................................................IV
TABLE OF CONTENTS..............................................................................................V
LIST OF TABLES.........................................................................................................VIII
LIST OF FIGURES......................................................................................................IX
OPERATIONAL DEFINITION OF TERMS...............................................................X
ACRONYMS.................................................................................................................XII
ABSTRACT..................................................................................................................XI

CHAPTER ONE ................................................................................................. 14
1.0 INTRODUCTION............................................................................................... 14
1.1 Background of the Study.................................................................................. 14
1.1.2 Economic Status of Kuria West Constituency ........................................... 17
1.1.3 Profile of Kenya Women Finance Trust DTM ......................................... 17
1.2 Statement of the Problem................................................................................ 18
1.3 Objectives of the Study.................................................................................. 19
1.3.1 General Objective..................................................................................... 19
1.3.2 Specific Objectives ................................................................................... 19
1.4 Research Questions......................................................................................... 19
1.5 Significance of the Study................................................................................ 19
1.6 Basic Assumptions of the Study.................................................................... 20
1.7 Scope of the Study......................................................................................... 20
1.8 Limitations of the Study................................................................................ 20

CHAPTER TWO..................................................................................................... 21
2.0 INTRODUCTION............................................................................................... 21
2.1 Theoretical Literature Review......................................................................... 21
2.1.1 Reaching Scale Theory............................................................................ 21
2.1.2 Raiffeisen Model Theory......................................................................... 21
2.1.3 Pilot Project Theory................................................................................ 22
2.2 Empirical Literature Review.......................................................................... 23
2.2.1 Influence of Access to Business Loans on Poverty Reduction .................26
2.2.2 Influence of Access to Asset Financing Loans on Poverty Reduction ........27
2.2.3 Influence of Access to School Fees Loan on Poverty Reduction ............28
2.2.4 Influence of Access to Home Improvement Loans on Poverty Reduction ...29
2.3.0 Collaterals .........................................................................................29
2.3.1 Interest Rates .....................................................................................30
2.3.2 Credit Policy .........................................................................................30
2.3.3 Number of Loans ..................................................................................31
2.4 Research Gaps .......................................................................................31
2.5 Conceptual Frame Work .........................................................................33

CHAPTER THREE .......................................................................................34
3.0 INTRODUCTION ......................................................................................34
3.1 Research Design .....................................................................................34
3.2 Target Population ....................................................................................34
3.3 Sampling Design .....................................................................................35
3.4 Data Collection Instruments ....................................................................35
3.4.1 Questionnaires .....................................................................................36
3.4.2 Interview Guides ...................................................................................36
3.4.3 Validity ..................................................................................................36
3.4.4 Reliability ..............................................................................................36
3.5 Data Collection Procedures ......................................................................37
3.6 Data Analysis and Presentation ................................................................37
3.7 Pearson Correlation ................................................................................37
3.8 Ethical considerations .............................................................................38

CHAPTER FOUR ..........................................................................................39
4.1 Introduction ..............................................................................................39
4.2 Descriptive Statistics ..............................................................................39
4.3 Response Rate .........................................................................................39
4.4 Occupations of respondents ....................................................................39
4.5 Economic Status of Respondents ................................................................40
4.6 Residence of Respondents .......................................................................41
LIST OF TABLES

Table 1.0 Summary of Literature Review and Findings ................................................... 31
Table 1.1 Target Population .............................................................................................. 35
Table 1.2 Occupations of respondents ................................................................................ 39
Table 1.3 Economic statuses of respondents ....................................................................... 40
Table 1.4 Residence of respondents .................................................................................... 42
Table 1.5 Number of microfinance loans in various years ................................................. 43
Table 1.6 Number of business loans and income of household ........................................ 43
Table 1.7 Number of asset finance loans and consumption .............................................. 45
Table 1.8 Number of home improvement loans and living standards ............................... 46
Table 1.9 Number of school fees loans and literacy levels .............................................. 50
Table 2.0 Number of asset finance loans and interest rates ............................................... 52
Table 2.1 Number of micro-finance loans and collateral weights ...................................... 53
Table 2.2 Number of microfinance loans and credit policy weights ................................. 55
LIST OF FIGURES

Figure 1.0 Diagrammatic representation of conceptual framework ........................................31
Figure 1.1 Economic standards of respondents .................................................................41
Figure 1.2 Residence of respondents ..................................................................................42
Figure 1.3 Number of business loans and income of household ............................................44
Figure 1.4 Number of asset financing loans and consumption .............................................46
Figure 1.5 Living standards in 2013 ....................................................................................48
Figure 1.6 Living standards in 2014 ....................................................................................49
Figure 1.7 Living standards in 2015 ....................................................................................50
Figure 1.8 Number of school fees loans and literacy levels .................................................51
Figure 1.9 Number of asset finance loans and interest rates ..............................................53
Figure 2.0 Number of microfinance loans and collateral weights ........................................54
Figure 2.1 Number of micro-finance loans and credit policy weights ..................................56
Figure 2.2 Relationship between Access to Business Loans and Income ................................57
Figure 2.3 Relationship between Access to Asset Finance Loans and Consumption ..............58
OPERATIONAL DEFINITIONS OF TERMS

Microfinance loans: A source of financial services for entrepreneurs and small businesses lacking access to banking and related services.

Poverty reduction: The promotion of various economic measures that raises opportunities and awareness enabling the poor to create wealth for themselves as a means of ending poverty forever.

Kuria west constituency: An electoral constituency in Migori county in Kenya with a population of 162,857 and approximately 332.50 sq km.

Asset finance: Type of financing in which the asset being bought is used as collateral. The lender bases the amount of loan on the value of the asset being financed, and the ease with which it could be sold off if the borrower defaults.

Business loans: Loans provided to small businesses for various purposes by a lender. These loans may have less restrictive requirements, enabling the small business to secure the funds.

Home improvement loans: Loans advanced to be used for alterations, repairs and for site improvements. Borrowers can upgrade their existing home to a contemporary design and a more comfortable living space.

Collaterals: Something pledged as security for repayment of a loan, to be forfeited in the event of default.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Credit policy</td>
<td>A set of principles that a financial institutions uses in deciding who it will loan money to or give credit</td>
</tr>
<tr>
<td>Interest rates</td>
<td>the proportion of a loan that is charge as interest to the borrower, typically expressed as an annual percentage of loans outstanding.</td>
</tr>
<tr>
<td>Income</td>
<td>Money that an individual or business receives in exchange for providing a good or service or through investing capital.</td>
</tr>
<tr>
<td>Consumption</td>
<td>The using up of goods and services having an exchangeable value</td>
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<tr>
<td>Literacy</td>
<td>Ability to read and write, being knowledgeable or educated</td>
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<tr>
<td>Housing standards</td>
<td>The physical state of houses or dwellings</td>
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### ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>KWFT</td>
<td>Kenya Women Finance Trust</td>
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<td>MFI</td>
<td>Microfinance institution</td>
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<td>DTM</td>
<td>Deposit Taking Microfinance</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>BRAC</td>
<td>Bangladesh Rural Advancement Committee</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Governmental Organization</td>
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<tr>
<td>CGAP</td>
<td>Consultative Group to Assist the Poorest</td>
</tr>
<tr>
<td>KMC</td>
<td>Kenya Meat Commission</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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ABSTRACT

The purpose of this research project was to evaluate the influence of access of microfinance loans on poverty reduction towards growth and improvement of people’s living standards through services offered by Microfinance Institutions (MFIs) in Kuria west constituency. Microfinance as a tool for poverty alleviation has insufficiently penetrated the poorest strata of the society; the international poverty centre reported that even in relatively successful countries such as Ghana and Tanzania, only about six percent of the population had access to microfinance services. Specifically, the objectives of the study were to investigate the influence of access to business loans, asset finance loans, home improvement loans and school fees loans on poverty reduction. Descriptive research design was adopted and the study targeted a target population of one hundred and sixty two clients at Kenya Women Finance Trust (KWFT) who were principle informers identified through a stratified random sampling. Questionnaires and interview guides were used to collect primary data whereas the secondary data was collected by use of the library, internet and books. To ensure validity the researcher used a panel of experts who reviewed the test specifications and selection of items and commented that the items covered a representative sample of the behaviour domain. To ensure reliability the researcher used the test-retest technique where he administered the same instruments to the same respondents after some time and compared and correlated the results with initial test to measure stability with the outcome showing the same results comparatively. The data collected from the study was mainly presented through the use of summarized percentages, averages, tabulations and graphs. The outcome showed that access to microfinance loans led to a reduction in poverty in Kuria West constituency and the researcher recommended that trainings and more empowerment was key as MFIs need to put a lot of care to ensure that income generating activities of their loan recipients are profitable and loan products appropriate.
CHAPTER ONE
INTRODUCTION

1.1 Background of the study
The focus on “poor” clients was almost universal, with varied definitions of the word “poor.” This issue has been made more important recently due to legislation from the United States Congress that required United States Agency for International Development (USAID) to restrict funding to programs that focused on the poor. (Robinson 2001) argued that microfinance should focus on the “economically active poor,” or those just at or below the poverty level. (Daley-Harris 2005) on the other hand, suggested that microfinance institutions should try to reach the indigent.

Microfinance is a vital tool of poverty reduction in any economic system. It played a great role in determining the living standards of the people. The term, microfinance, was used to refer to the provision of financial services of saving, advancing credit, providing insurance and facilitating payment for utilities to the low-income earners, including the self-employed (Ledgerwood, 1999). Microfinance, according to Otero (1999, p.8) was the provision of financial services to low-income poor and very poor self-employed people.

Schreiner and Colombet (2001, p.339) defined microfinance as the attempt to improve access to small deposits and small loans for poor households neglected by banks, therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

In addition to financial intermediation, many MFIs provide social intermediation services, which include facilitating the formation of groups, whose members come together for purposes of accessing credit, train their members in enterprise development, financial literacy and management capabilities. Implementation of these technologies in the rural sector alleviates poverty, create employment opportunities and generate good growth. However, for implementing these technologies micro financing through public
and private sector agencies is the need of the hour. Microfinance is a critical element of an effective poverty reduction Strategy.

Improved access and efficient provision of savings, credit, and insurance facilities enable the poor to smoothen their consumption, manage their risks better, and build their assets. Thus, microfinance is not just financial intermediation (banking), but also social intermediation as a development tool. On the other hand, microfinance clients are, in most cases, self-employed, low-income entrepreneurs in both urban areas (artisans, kiosk owners, small scale traders, mobile street vendors or hairdressers) and rural areas (blacksmiths, pottery artisans or small scale farmers) in the formal and informal sectors.

Microfinance, by providing small loans and savings facilities to those who are excluded from commercial financial services has been developed as a key strategy for reducing poverty throughout the world. Microfinance scheme allow poor people to protect, diversify and increase their sources of income, the essential path out of poverty and hunger. As a developmental and economic tool it had caught the imagination of banks, financial institutions and Non Governmental Organizations (NGOs) in Kenya.

In the global arena there is already the impression that microfinance is successful in reducing poverty. Many policy makers are therefore engaged on how to make microfinance sustainable and available to many poor households in the future. Many stake holders in the microfinance industry especially donors and investors argue that Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor households (Consultative Group to Assist the Poorest (CGAP, 2010).

The overall message in this argument is that unless microfinance providers charge enough to cover their costs, they will always be limited by the scarce and uncertain supply of subsidies from governments and donors. The main underlying assumption in this argument is that microfinance is already good for the clients, and therefore what is really urgent is to make the financial service available to as many poor people as possible. Murdoch (2000) correctly points out that this kind of enthusiasm for
microfinance rests on an enticing win-win proposition for Microfinance institutions that follow the principles of good banking will also be the ones that alleviate the most poverty. The assumption being that with good banking practices it is possible to cover costs and operate in a sustainable manner to continue serving clients and alleviating poverty (Murdoch 2000).

Kenya, as with other developing countries, has been struggling to reduce poverty. One of the interventions has been the introduction and implementation of social and economic policies which address the issue of poverty both at national and individual levels. This involved State intervention in education and other social services, and the creation of an enabling environment for private sector investment in productive sectors. During the World Social Summit held in Copenhagen in 1995, Kenya joined other nations in their Commitment to eradicate poverty. Following this commitment, Kenya has developed plans for poverty reduction which are outlined in the Kenya Vision: 2030, the National Poverty Eradication Strategy, Poverty Reduction Strategy Paper (2000) and the National Strategy for Growth and Reduction of Poverty (2005). All these stress the importance of equitable, sustainable economic growth and improvement of people’s welfare.

Defining poverty involves the question of whether it is mainly about material needs involving measuring consumption by using income as the main determinant factor, or a much broader set of needs that includes factors of wellbeing. (Hulme and Mosley, 1996) We use the term ‘poorest of very poor’ to refer to people living on less than $1 per day. We also use the term ‘poor’ to mean those living in poverty above $1 per day or in the upper half of those living below their nation’s poverty line.

The 1st Millennium Development Goal (MDG) is to eradicate extreme poverty and hunger. This has become an issue of concern both on the local and international levels since the MDG’s was established. The World Bank defined poverty as the state of living on less than $2 a day and this poverty continues to remain elusive to eradicate even for the billion in question (World Bank 2000/2001). They also have yet another definition as
having a multi-dimensional nature consisting of vulnerability, powerlessness and social exclusion in addition to material deprivation.

Poverty in many developing countries is largely a matter of not having enough on their tables to eat. Providing the poor with financial services is one way to increase their income and productivity, e.g. through self employment and thus escape poverty (Chowdhury 2001:69). Poverty is explained by individual circumstances and/or characterized of poor people, such as amount of education, skills, experience, intelligence, health, handicaps age, sex etc.

Poverty can be defined as the state of being without, often associated with need, hardship and lack of resources across a wide range of circumstances. Poverty is further classified into three variables, Income poverty, Vulnerability and Empowerment. Income poverty stands for lack of income to afford minimum basic necessities of life. Vulnerability involves the probability of risk today of being in poverty or to fall into deeper poverty in the future. Regarding Empowerment, the focus of this study is on women. In addition, most MFIs are working towards women empowerment as a primary objective. (Payne, R.K 2005)

1.1.2 Economic status of Kuria West Constituency
Kuria west constituency is a mixed agricultural economy where residents grow crops and rare animals. Maize and sweet potatoes are majorly grown for both consumption and commercial purposes proximity to the Tanzanian border playing a bigger role. Owning large herds of livestock is considered a symbol of status and prestige where bulls are used for land ploughing and commercial purposes where they are sold to Kenya Meat Commission (KMC). Tobacco is the major cash crop embraced by the residents which is normally grown during the fourth quarter of every year. (Amy E. Correll 2014)

1.1.3 Profile of Kenya Women Finance Trust DTM
Kenya Women Finance Trust DTM (KWFT DTM), a member of the Women’s World Banking network, was founded in 1982 on the initiative of a group of dedicated Kenyan
women that included lawyers, bankers, financial experts, entrepreneurs. The percentage of clients is 100% female and 70% comprising of rural clients as at year end 2015(http://www.kwft.org). Their philosophy and ambition is to set up a financial institution exclusively for women from low-income level to improve their development standards with the notion that women are essential in poverty reduction in the society.

1.2 Statement of the problem
Microfinance as a tool for poverty alleviation has insufficiently penetrated the poorer strata of society. The International Poverty Centre reported that even in relatively successful countries such as Ghana and Tanzania, only about six percent of the population had access to microfinance services (Hailu, 2008) Access assessment can be used to improve services, increasing impact on poverty and microfinance institution efficiency, to promote good client service and accountability and to provide accountability to donors and other external stakeholders (SEEP, 2001).

If the intervention is intended to reduce poverty, it is important to know the degree to which poor people used the existing services, what terms they used and then an intervening organization makes an informed decision on whether their work is likely to augment or displace existing poor financial services (Johnson and Rogaly, 1997). The results of few case studies indicate that access to microfinance could reduce poverty. However, comprehensive assessment research has not yet been conducted to prove it. Very limited researches towards improving the financial sector have been observed (Wolday, 2003).

In this view, limited researches are more concentrated on institutional sustainability rather than client impact or sustainability. Thus, investigating the influence of access to microfinance service intervention is important to fill this gap. KWFT has not undertaken an access effect assessment study to understand or evaluate whether or not its interventions leads to change by comparing the conditions without the intervention.
1.3 Objectives of the Study

1.3.1 General Objective
The main objective of this research was to analyze the influence of access to microfinance loans on poverty reduction in Kuria west constituency.

1.3.2 Specific Objectives
   (i) To investigate the influence of access to business loans on poverty reduction.
   (ii) To examine the influence of access to home improvement loans on poverty reduction.
   (iii) To investigate the influence of access to asset finance on poverty reduction.
   (iv) To examine the influence of access to school fees loans on poverty reduction.

1.4 Research Questions
   (i) What is the influence of access to business loans on poverty reduction?
   (ii) What is the influence of access to home improvement loans on poverty reduction?
   (iii) What is the influence of access to asset finance on poverty reduction?
   (iv) What is the influence of access to school fees loan on poverty reduction?

1.5 Significance of the Study
The research was carried out to be of benefit to individuals, society, institutions and the nation at large. It provides the public with information and knowledge regarding accessibility of micro finance services in reference to poverty reduction in the society. The project work is beneficial to subsequent researcher who will undertake research in similar or related field of study, as it provide literature regarding micro finance institutions.

The research work was undertaken to broaden the knowledge of the researcher and the target population on how effective and efficient access of micro finance services to the vast majority population of the poor, results in poverty reduction in the region with reference to the KWFT DTM. Moreover the project highlights the benefits which the micro finance institution and the society stand to gain if the constraints on the effect of access to micro finance are minimized.
1.6 Basic assumptions of the Study
Assumption that women participation in economic activities forms the integral part in poverty reduction, the research covers population within Kuria constituency using KWFT DTM as the micro finance intuition.

1.7 Scope of the Study
The research aims at collecting data regarding the influence of access of micro finance on poverty reduction using Kuria west constituency as the focus of the area of research with regard to the Kenya women finance trust KWFT DTM. The study was only limited to one MFI despite the existence of other MFIs. This is because KWFT deals exclusively with women, this study covered the period between 2011 and 2015.

1.8 Limitation of the Study
The study is limited as it only focused on one MFI and very limited sample size. Therefore, it has no strong scientific justification and representativeness to generalize about the effect of access of MFIs on reducing poverty in the entire Kuria west constituency. This will be mitigated by the adoption of stratified random sampling where every item will have an equal chance of being selected and the selected items will be generalized to represent the whole population.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter of the study presents the theoretical and empirical review. The theoretical review, discusses the theories of access to microfinance loans on poverty reduction while the empirical review, discusses works of other authors in relation to access to microfinance loans on poverty reduction.

2.1 Theoretical Review
This section discusses the relevant theories that support the access of microfinance loans and it’s influence on poverty reduction.

2.1.1 Reaching Scale Theory
The 1990s “saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale” (Robinson, 2001, p.54). Dichter (1999, p.12) refers to the 1990s as “the microfinance decade”. Microfinance had now turned into an industry according to Robinson (2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services (MIX, 2005).

The importance of microfinance in the field of development was reinforced with the launch of the Microcredit Summit in 1997. The Summit aims to reach 175 million of the world’s poorest families, especially the women of those families, with credit for the self-employed and other financial and business services (Microcredit Summit, 2005). More recently, the UN, as previously stated, declared 2005 as the International Year of Microcredit.

2.1.2 Raiffeisen Model Theory
Originally governments and donor agencies in developing countries set up credit cooperative unions styled on the Raiffeisen model, which was developed in Germany in 1850s to provide agricultural credit to poor farmers. The focus of these credit
cooperative unions was to mobilize savings in rural areas in an attempt to “teach poor farmers how to save” (Ledgerwood, 1999). Although well-intentioned, and designed for economic development, many of these credit cooperatives were perceived either as social welfare programs or political party programs designed to advanced political agendas of political leaders.

Modern micro finance emerged in late 1970s with a strong orientation towards private sector solutions. This resulted from evidence that state owned agricultural development banks in developing countries had been a monumental failure, actually undermining the development goals they were intended to serve (Adams et al., 1984). It is the dismal performance of government sponsored credit programs that led to the emergence of microfinance as a market-based approach to address the problem of financial intermediation to serve the poor.

2.1.3 Pilot Project Theory

In the 1970s in Asia, it took the initiative of a rare breed of an economics professor who led the way with a pilot project to lend to the poor villagers particularly women. He was touched by the plight of the poor in the neighbourhood of his elite university campus, to ‘discover’ what the shylocks the world over knew all along that the poor can also repay loans. The professor’s ‘discovery’ was a result of his decision to start an experiment of giving small loans (micro credit) to poor village women, who did not let him down by repaying the money they borrowed from him.

In 1976, he founded the Grameen Bank of Bangladesh, which does not require collateral to extend credit to its low-income customers, who were traditionally excluded from the banking system. By the end of 2003, Grameen Bank had over 3.1 million customers served by over 1000 branches in Bangladesh. As a result of the success of Professor Mohammed Yunus’s experiment in Bangladesh, microfinance has since the 1970s evolved as an economic development tool, which is used to address poverty in the developing countries. Today, Grameen bank’s success in Bangladesh has been used as a model in many developing countries, including Grameen Trust Chiapas in Mexico,
Bancosol of Bolivia, and in Kenya, the K-REP Bank and Kenya Women Holdings, a microfinance company.

However, in conclusion governments and donors should know whether the poor gain more from small loans compared to other alternatives such as health care, education, agriculture, food aid etc. Most measures of microfinance institutions fail to control for what would have happened in their absence. The net contribution or effect of access of microfinance to poverty reduction should be properly and more accurately identified and measured.

2.2 Empirical Review

Microfinance is relatively new term in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programs. These often resulted in high loan defaults, high losses and an inability to reach poor rural households (Robinson, 2001).

Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term “microcredit” came to prominence in development (MIX 3, 2005).

The difference between microcredit and the subsidized rural credit programs of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit. It was now clear for the first time that microcredit could provide large-scale outreach profitably.
Otero (1999, p.10) illustrates the various ways in which microfinance, at its core combats poverty. She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty (1999). By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) stated that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

Improved access to financial services help poor people by enabling payment of transactions then bring them into the formal sector. Financial services enable poor people to use profitable business opportunities and raise earnings (Wolday, 2003). Hulme and Mosley (1996, p.109) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programs can improve the incomes of the poor and can move them out of poverty. They state that there is clear evidence that the impact of a loan on a borrower’s income is related to the level of income as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the “middle and upper poor” (1996, pp109-112). However, they also show that when MFIs such as the Grameen Bank and Bangladesh Rural Advancement Committee
(BRAC) provided credit to very poor households, those households were able to raise their incomes and their assets (1996, p.118).

The other study in Judith, et al. (1999) analyzed as loan growth is important to financial sustainability and a proxy for positive impact. It revealed that, on average, loan size increased steadily although at a rate lower than the original village bank. Rutherford (2003) studied the money management behaviour of low-income Bangladesh households which indicated that respondents were found to be active managers of their financial resources and he concluded that both MFIs and poor households would benefit if MFIs achieved a better understanding of current and potential demand for financial services by the poor.

Anton Simanowitz (2000) in his study on impact information from dropout clients in South Africa concluded that dropouts provide valuable sources of information for program improvement relating to both the performance of the MFI in relation to client needs and how to MFI’s relate to client livelihoods and external conditions. Ana Marr (2002) concluded that microfinance failed to solve the original problems of information asymmetries between borrowers and lenders in its pursuit of financial sustainability. This failure destroys the social fabrics of communities, creating more poverty and excluding the poorest and most vulnerable from any given group (Rao and Bavaiah, 2005 citation).

Hulme and Mosley (1996), while acknowledging the role microfinance can have in helping to reduce poverty, concluded from their research on microfinance that most contemporary schemes are less effective than they might be (1996, p.134). They stated that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. Rogaly (1996, p.109/110) finds major faults with MFIs. He argues that they encourage a single-sector approach to the allocation of resources to fight poverty and that microcredit is irrelevant to the poorest people. His other argument is that an over-simplistic notion of poverty is used and that there is an over-emphasis on scale. Finally he argues that there is inadequate learning and change taking place.
Wright (2000,p.6) states that much of the scepticism of MFIs stems from the argument that microfinance projects fail to reach the poorest, generally have a limited effect on income, drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor. In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from more pressing or important interventions such as health and education (2000, p.6).

As argued by Navajas et al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. They state that governments and donors should know whether the poor gain more from microfinance, than from more health care or food aid for example. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty.

Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury, Mosley and Simanowitz, 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programs on poverty. This is so she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of poverty, how it is measured and who constitute the poor are fiercely contested issues (1998, p.3).

2.2.1 Influence of Access to Business Loans on Poverty Reduction
Rajan (1992) defined business loans as loans provided to small businesses for various purposes by a lender. These loans may have less restrictive requirements, enabling the small business to secure the funds. Income and consumption (expenditure) are economic and quantitative impact evaluation indicators. A positive impact is expected to bring an increase in income and expenditure among the poor. Microfinance programs help the poor to establish reliable and regular sources of income (Daley-Harris, 2002; Ahmed, 2010; Zhan & Wong, 2014).
In Ghana, Mcnelly and Dunford (1998) carried out a study and established that the increase in net non-farm income for participating women was twice as high as that of non-participants. This displays the importance of microfinance in non-farm business activities. Non-farm activities are also very important in poverty alleviation because of their consumption smoothening mechanism. Rural agriculture is highly vulnerable to the bad environmental conditions such as floods, droughts, storms, cyclones, diseases and hailstone (Ellis, 2000; Zeller & Sharma, 2002). These cause serious gaps in agricultural production hence the need for non-farm activities that help to close the gaps.

Seasonal gaps also cause poverty in areas where people depend solely on agriculture. These people need financial support in form of microfinance so as to establish enterprises and close seasonal gaps. Another study by Zeller and Meyer (2002) in Bangladesh indicated a positive impact of loans on household expenditure. Monthly total expenditure by participating households increased.

2.2.2 Influence of Access to Asset Financing Loans on Poverty Reduction

Gulli, (1998) Defined asset finance as the type of financing in which the asset being bought is used as a collateral. The lender bases the amount of loan on the value of the asset being financed, and the ease with which it could be sold off if the borrower defaults. The purchasing power of the poor and low income groups improves when they can access finance. This permits them to accelerate assets accumulation (Gulli, 1998).

Microfinance clients accumulate assets through direct loan use or use of profits generated from investing loans. Daley-Harris (2002) notes that the poor households’ assets can be categorized into three; these are those contributing to the quality of life, savings-in-kind assets and productive assets.

The first two categories are used to provide security in the event of future emergencies or shocks. Productive assets are used to promote the poor’s small business activities. Assets that are normally bought are in the small economic activities category that include animals, household utensils, farm equipment and in some cases building houses. Daley-
Harris (2002) cites a study of SHARE Microfin Limited of India where it was established that the strongest impact on poverty status was the increase in asset ownership. The study found that 59% of the clients were classified as non-poor because of increased assets ownership.

Mosley and Hulme (1998) studied 13 MFIs in seven developing countries. In all cases the impact of lending tended to increase the debtor’s income and improve asset position. An increase in income and asset position is a widely acceptable measure of poverty alleviation. People that are in a position to increase income and assets get empowered to move out of the poverty trap.

### 2.2.3 Influence of Access to School Fees Loan on Poverty Reduction

Pitt and Khandker (1996) Defined school fees loan as short term financing granted to finance school resumption expenditures and tuition fees for pupils and students. Attainment of education represents human capital investment that improves the productive capacity of individuals. An increase in productive capacity will in turn improve production hence reducing poverty through increased output, income and employment. They found a positive net impact of credit programs on both human and physical assets. But they found mixed results on education where education for girls increased only when women borrow. Pitt and Khandker (1996).

According to Brau and Woller (2004), the findings established a significant impact on well-being of poor households and that this impact is greater when targeted at women. They also discovered that women tend to use money towards meeting household needs than men. This suggests that when the program’s target is education improvement then women should get credit allocation.

Pitt and Khandker (1996)’s study discovered that girl children are sent to school when their mothers are in a position to get earnings. These were made possible through microfinance programs. Thus microfinance programs targeting women may correct the gender imbalance in terms of education for boy and girl children. Outside the education
afforded to children, microfinance programs have been combined with education through what are termed ‘Credit with Education Programs’. The ‘Credit with Education program’ is a strategy that was first developed by Freedom from Hunger in 1989-90 aimed at improving food security and child nutrition through adult education (Daley-Harris, 2002). The programme was proved successful in Benin, Bolivia, Burkina Faso, Ghana, Guatemala, Guinea, Haiti, Honduras, Indonesia, Madagascar, Malawi, Mali, Philippines, Togo and Uganda.

2.2.4 Influence of Access to Home Improvement Loans on Poverty Reduction
According to Carr and Zhong (2002), home improvement loans are loans advanced to be used for alterations, repairs and for site improvements. Borrowers can upgrade their existing home to a contemporary design and more comfortable living space. Microfinance is regarded as an innovative policy instrument that promotes social justice. Often, it is posited that microfinance improves the well-being of participants through job creation, increasing income and building assets (wealth). It makes poor people to be homeowners through schemes such as housing microfinance, which is a hybrid of microfinance and mortgage finance. Carr and Zhong (2002).

2.3.0 Collaterals
Longhofer & Santos (2000) defined collateral as something pledged as security for repayment of a loan, to be forfeited in the event of a default. Thakor (1987) asserts that collateral pledges impose costs on both lenders and borrowers because according to him this contracting mechanism requires that lenders incur screening costs associated with valuing the pledged assets; the costs of monitoring the assets; and any enforcement disposal expenses in the event of repossession. The use of collateral also imposes opportunity costs on borrowers to the extent that it ties up assets that might otherwise be put to more productive uses. Borrowers may also suffer fluctuations in their credit availability as the values of their pledge able assets vary. Weber (1998) argues that there is a positive relationship between access to microfinance and collaterals.
2.3.1 Interest Rates
Cotler and Almazan (2013) defined interest rates as the proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding. They analysed the determinants of lending rates in the microfinance sector using unbalanced panel data of 1299 global MFIs and covers period from 2000 and 2008. They argue that the annual microcredit lending interest in the last decade was on average 42% in Africa and Latin America, and 35% in Asia, despite the annual inflation rate was approximately 8% during the underlying period in all the three continents.

Their study identifies a significant positive relationship between funding cost and microcredit interest rates. Furthermore, Mersland and Stom (2011) investigated the drivers of microfinance lending rates by applying the Panzar-Rose model of revenue test on microfinance institutions (Panzar & Rose, 1987) their study identifies a significant positive relationship between the cost of funds and microcredit interest rates.

2.3.2 Credit Policy
Chijoriga (1997) defined credit policy as a set of principles that a financial institution uses in deciding who it will loan money to or give credit. There should be systematic distribution of loans according to the credit policies and procedures provided (Schreiner, 2003). Well formulated loan policy is beneficial for institutional performance. Hence it helps organizations to follow the same for risk management as well as fulfilling regulatory requirements (Joana, 2000).

Loan review is part of policy and is crucial, helping management in problem identification on regular basis to check whether loan officers are following the policy in true letter and spirit or not. The review policy is better implemented by commercial banks hence they were easily able to top up loans in no time through use of modern technology unlike institutions (Craig, 2006).

Previous studies indicate that microfinance institutions need to have strong and effective credit risk management policies for ensuring consistent recoveries from clients (Frank et
al., 2014). For microfinance institutions, the main source of income is the credit, which is why they need to have strong policies credit risk management. Credit choice ought to be focused on around a careful assessment of the danger states of the loaning and the qualities of the borrower.

2.3.3 Number of Loans
Alain Laurin (2003) defined number of loans as loans disbursed by the organization during the reporting period, for MFI using group-lending methodology this should include every individual who is responsible for repaying a portion of group loan, it is a unit reference used to measure loan disbursements and in the case of this study was used to measure access to the four microfinance loans under study.

2.4 Research Gaps
The major drawback of these studies is that they did not focus on access to microfinance loans. Majority of these studies mainly focused on development, income, education not on poverty reduction. Lastly these studies were carried out in other markets like Asia and South America with only one study on African market being done in Ethiopia. None of the studies focused on the Kenyan market and Kuria West Constituency in particular. This study was therefore helpful in addressing the research gaps by investigating influence of access to microfinance loans on poverty reduction in Kuria West Constituency. Table 1.0 brings out the summary of these studies.

### Table 1.0 Summary of Literature Review and Findings

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Topic of the study</th>
<th>Research gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robinson</td>
<td>2001</td>
<td>Sustainable finance for the poor</td>
<td>Focused only on how demand for microfinance can be met on a global scale.</td>
</tr>
<tr>
<td>Otero</td>
<td>1999</td>
<td>Bringing development back into microfinance</td>
<td>Focused only on how development and microfinance can work together.</td>
</tr>
<tr>
<td>Littlefield and Rosenberg</td>
<td>2004</td>
<td>Breaking down the walls between microfinance and formal financial systems</td>
<td>Focused only on access to microfinance loans not reduction of poverty</td>
</tr>
<tr>
<td>Author</td>
<td>Year</td>
<td>Title</td>
<td>Focus</td>
</tr>
<tr>
<td>------------------------</td>
<td>------</td>
<td>-----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Wolday</td>
<td>2003</td>
<td>Training need assessment of microfinance industry in Ethiopia</td>
<td>Focused only on how MFI can achieve social and financial performance in Ethiopia</td>
</tr>
<tr>
<td>Hulmes and Mosley</td>
<td>1996</td>
<td>Finance and poverty</td>
<td>Focused mainly on the middle and the upper poor</td>
</tr>
<tr>
<td>Anton Simanowitz</td>
<td>2000</td>
<td>Overcoming the obstacles of identifying the poorest families</td>
<td>Focused on ways of identifying the poor only</td>
</tr>
<tr>
<td>Anna Marr</td>
<td>2002</td>
<td>Studying group dynamics: Alternative analytical framework for study of microfinance impact on poverty reduction</td>
<td>Focused majorly on group dynamics not access to microfinance loans</td>
</tr>
<tr>
<td>Rao and Bavaiah</td>
<td>2005</td>
<td>Impact of microfinance on household income and employment in India</td>
<td>Focused mainly on income and employment.</td>
</tr>
<tr>
<td>Rogaly</td>
<td>1996</td>
<td>Hard selling of a new anti-poverty formula by microfinance evangelist</td>
<td>Only faults MFI and argues microcredit is irrelevant to the poorest people.</td>
</tr>
<tr>
<td>Wright</td>
<td>2000</td>
<td>Microfinance systems: designing quality financial services for the poor</td>
<td>Only criticizes microfinance for its inadequacy arguing that it diverts funding from more pressing interventions like health and education.</td>
</tr>
<tr>
<td>Navajas</td>
<td>2000</td>
<td>Microcredit and the poorest of the poor: Theory and evidence from Bolivia</td>
<td>Only focused on depth of outreach for five microfinance institutions in Bolivia, argued that most of the poor households reached were the richest of the poor.</td>
</tr>
<tr>
<td>Sinha</td>
<td>1998</td>
<td>Informal credit transactions of microcredit borrowers in rural Bangladesh</td>
<td>Only focused on MFI lending technology which she argues is insensitive to variations in household conditions.</td>
</tr>
</tbody>
</table>

*Source (Literature reviewed by the researcher, 2016)*
2.5 Conceptual Frame Work

Figure 1.0 Diagrammatic representation of conceptual frame work

Independent variable

Access to Business Loans
- No of business loans disbursed

Access to Asset Finance
- Number of asset finance loans disbursed

Access to Home improvement Loans
- Number of home improvement loans disbursed

Access to School fees Loans
- Number of school fees disbursed

Dependent variable

Poverty reduction
- Increased income
- Increased consumption
- Improved housing standards
- Improved literacy

Intervening variables

- Collaterals
- Credit policy
- Interest rates

(Source-researcher 2016)
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses in detail the research design, target population, sampling design and sample size, data collection tools and instruments and data analysis techniques that was used in the study.

3.1 Research Design

Kerlinger, (1986) defined research design as the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is overall scheme or program of the research. It includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data, research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem. A descriptive research design was adopted because it gave the researcher an opportunity to use both quantitative and qualitative data that was used to answer the research questions on the influence of access to microfinance loans on poverty reduction in Kuria West constituency.

3.2 Target population

Lavraka (2008) defined target population as an entire set of units for which survey data are to be used to make inferences. The target population were 162 women from the four county assembly wards in Kuria West constituency who have had accounts in the KWFT DTM for the last five years from 2011 to 2015 as shown in Table 1.1 below
### Table 1.1 Target Population

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masaba ward</td>
<td>27</td>
</tr>
<tr>
<td>Gokeharaka ward</td>
<td>41</td>
</tr>
<tr>
<td>Bukira west ward</td>
<td>53</td>
</tr>
<tr>
<td>Bukira central ward</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>162</strong></td>
</tr>
</tbody>
</table>

(Source-KWFT 2015)

**3.3 Sampling Design**

Yesh (2004) defined stratified random sampling as a method of sampling that involves the division of a population into smaller groups known as strata. A random sample from each stratum is taken in a number proportional to the stratum’s size when compared to the population. Stratified random sampling method was used where the population was divided into four strata each representing the four assembly wards under study. Each item in the stratum had an equal chance of being selected. 162 clients of KWFT were selected and generalized as a representative of the whole population.

**3.4 Data collection instruments**

Annum (2015) defined data collection instruments as fact finding strategies. The data which was collected for the study were both primary and secondary data. The instruments that were used were questionnaires and interview guides. The secondary data was collected by the use of the library, internet and books.
3.4.1 Questionnaires
Annum (2015) defined a questionnaire as a systematically prepared document with a set of questions deliberately designed to elicit responses from respondents. The questionnaires were researcher developed and were both semi-structured and unstructured to avoid being too rigid and to quantify the data more likely where structured items were applicable. The questionnaires were administered to the selected group of respondents by the researcher.

3.4.2 Interview guides
Annum (2015) defined an interview guides as structured questions posed orally by the interviewer to elicit oral response from the interviewee. According to him the researcher has to identify a potential source of information and structure the interaction in a manner that will bring out relevant information from the respondent. In this research face to face interviews were administered to the respondents as this brought out interactive atmosphere between the interviewer and the interviewee. A sample of interview guide is attached in appendix

3.4.3 Validity
Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure (Anastasi &Urbina, 1997). To ensure validity the researcher used a panel of experts to review the test specifications and selection of items. The experts reviewed the items and commented that the items covered a representative sample of the behaviour domain.

3.4.4 Reliability
Ritter, (2010) defined reliability as the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials. To ensure reliability the researcher used the test-retest technique where he administered the same instruments to the same respondents after some time and compared and correlated the results with initial tests to measure stability. A test-retest exercise was conducted after a short period and the results showed incredible reliability and stability.
3.5 Data Collection Procedures
Questionnaires were administered by the researcher himself to the respondents and collected after a week; face to face interviews were also conducted by the researcher, benefits of the study were well explained to the respondents, consents were sought, privacy and confidentiality were observed at all times. Secondary data was collected by use of the library, internet and books.

3.6 Data Analysis and Presentation
Cooper and Emory (1998) defined data analysis as a process of systematically applying Statistical techniques to describe and illustrate and evaluate data. According to Shampoo and Resnik (2003) analytical procedures provide a way of drawing inductive inferences from data and distinguishing the phenomenon of interest from statistical fluctuations present in the data. The data collected was edited for accuracy, uniformity, consistency and completeness. The data was mainly presented through the use of descriptive statistics, analysed and presented using tables and charts.

3.7 Pearson Correlation
This is a statistical technique that can show whether and how strongly pairs of variables are related. It is normally used in quantifiable data and it is denoted by r, this provides a measure of the strength of association between two variables one the dependent variable the other the independent variable r can range between +1 and – 1 for perfect positive correlation and perfect negative correlation respectively with zero indicating no relation.
$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 -(\sum x)^2} \times \sqrt{n \sum y^2 -(\sum y)^2}}$$

Where \( n \) = number of observations

\( X \) = Independent variable

\( Y \) = Dependent Variable

### 3.8 Ethical considerations

According to Bryman and Bell (2007) ethical considerations are accumulations of values and principles that address questions of what is good or bad in research, in this research voluntary participation of respondents was adhered to at all times including the right to withdraw from the study at any stage. Respondents also participated on basis of informed consent and sufficient information and assurances were provided to them. Privacy and anonymity of respondents was prioritised, confidentiality was of utmost importance and was maintained throughout the study. Above all maintenance of highest level of objectivity in discussions and analysis throughout the research was upheld.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

This chapter presents statistical summary and results from empirical analysis and the interpretations of the statistical inferences derived from the compiled data as the researcher strives to accomplish the objective of the study. The study used primary data collected from KWFT clients from Kuria West constituency who had accessed microfinance bank loans between the year 2011 and 2015, pearson correlation analysis was used to analyze the data and the findings are presented in the tables.

4.2 Descriptive Statistics

Descriptive statistics are employed in a research study to describe the basic features of data in a research (Wooldridge, 2003). Thus, the researcher employed descriptive statistics to provide summary of the study data. The data capturing access to microfinance loans were captured using questionnaires and interview guides and presented using tables, pie charts and graphs.

4.3 Response Rate

Response rate is the number of people who answered the survey divided by the number of people in the sample (Holbrook 2005) from the study 130 respondents completed and returned the questionnaires hence a response rate of 80.2%

4.4 Occupation of Respondents

Table 1.2 Occupations of respondents

<table>
<thead>
<tr>
<th>Occupations</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business women</td>
<td>80</td>
<td>61%</td>
</tr>
<tr>
<td>Farmers</td>
<td>38</td>
<td>29%</td>
</tr>
<tr>
<td>Teachers</td>
<td>10</td>
<td>8%</td>
</tr>
</tbody>
</table>
This table captured the occupations of respondents who had accessed microfinance loans in the five years under study, from table 1.2 above it can be depicted that most respondents were economically active with 61% of respondents being business women, thirty eight (38) of respondents were farmers representing 29% of respondents while teachers accounted for 8% of respondents, there were only two (2) nurses which accounted for 2% of the respondents.

**4.5 Economic status of respondents**

**Table 1.3 Economic statuses of respondents**

<table>
<thead>
<tr>
<th>Economic statuses</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income</td>
<td>114</td>
<td>87%</td>
</tr>
<tr>
<td>Middle income</td>
<td>14</td>
<td>11%</td>
</tr>
<tr>
<td>High income</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)

Table 1.3 captured the economic conditions of respondents who had accessed microfinance loans in the five years under study, from the analysis of table 1.3 one hundred and fourteen (114) respondents were low income earners accounting for 87% of all respondents, fourteen (14) respondents were middle income earners accounting for 11% of respondents and only two (2) respondents were high income earners accounting for only 2% of the respondents.
Figure 1.1 further present economic conditions of respondents in percentages which had already been captured in table 1.4. Low income earners carried the bigger chunk with 87%, low income earners represented 11% while only 2% represented high income earners.

4. 6 Residences of Respondents

<table>
<thead>
<tr>
<th>Residence</th>
<th>Number of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>92</td>
<td>70%</td>
</tr>
<tr>
<td>Semi-urban</td>
<td>30</td>
<td>23%</td>
</tr>
<tr>
<td>Urban</td>
<td>8</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)
Table 1.4 captured the residence of respondents who had accessed microfinance loans in the five years under study, from the analysis of table 1.4 it can be depicted that ninety two (92) respondents lived in rural areas accounting for 70%, thirty (30) respondents lived in semi-urban areas accounting for 23% and only eight (8) respondents lived in urban areas accounting for 7%.

**Fig 1.2 Residence of respondents**

![Residence of respondents](image)

(Source-researcher 2016)

Figure 1.2 further present residences of respondents in percentages which had already been captured in table 1.4. Those who lived in rural areas accounted for 70% while those who lived in semi-urban areas accounted for 23%. Only 7% of respondents resided in urban areas.
4.7 Access to Microfinance Loans

Table 1.5 Number of microfinance loans in various years

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>School fees loans</td>
<td>10</td>
<td>14</td>
<td>30</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>Business loans</td>
<td>10</td>
<td>16</td>
<td>18</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>Home improvement loans</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>Asset financing loans</td>
<td>08</td>
<td>10</td>
<td>34</td>
<td>38</td>
<td>42</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)

Table 1.5 captured the number of respondents that had accessed various microfinance loans in each year for the period 2011 to 2015. From the analysis of the study it can be depicted from Table 1.5 that school fees loans, business loans and asset financing loans had been accessed by majority of the respondents by the year 2011. However, home improvement loans were made available to most respondents late, in the year 2013. As per the year 2015 almost all respondents had accessed the four microfinance loans under study.

4.7.1 Access to Business Loans

Table 1.6 Number of business loans and income of household

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of business Loans</td>
<td>10</td>
<td>16</td>
<td>18</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>Income ‘0000’</td>
<td>24</td>
<td>57.6</td>
<td>86.4</td>
<td>192</td>
<td>360</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)

Table 1.6 captured the extent to which access to business loans influenced income of the households in the five years under study. From the analysis of Table 1.6 it showed that as at the year 2011 only ten (10) business loans had been disbursed with a total combined income of kshs. 240,000. By the year 2012 sixteen (16) business loans had been
disbursed representing a 60% increase compared to the previous year with a total combined income of kshs. 576,000 representing 140% increase.

In the year 2013 the number of business loans had increased marginally to eighteen (18) representing a 12.5% increase with a total combined income of kshs. 864,000 representing a 50% increase compared to the previous year. By the year 2014 the number of loans had increased to thirty two (32) representing a 77% increase with total combined income of kshs. 1,920,000 representing a 122% increase compared to 2013.

By the year 2015 fifty (50) number of loans had been disbursed representing a 56% increase with a total combined income of kshs. 3,600,000 representing 87.5% increase compared to 2014.

**Fig 1.3 Number of business loans and income of household**

(Source-researcher 2016)

Fig 1.3 above shows the relationship between access to business loans and income of households, it can be depicted from the above figure that an increase in the number of loans led to an increase in income.
4.7.2 Access to Asset finance loans

Table 1.7 Number of asset finance loans and consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of asset financing loans</td>
<td>08</td>
<td>10</td>
<td>34</td>
<td>38</td>
<td>42</td>
</tr>
<tr>
<td>Consumption’0000’</td>
<td>22.8</td>
<td>59.6</td>
<td>84.4</td>
<td>180</td>
<td>310</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)

Table 1.7 captured the extent to which access to asset financing loans influenced consumption of the households in the five years under study. From the analysis of Table 1.7 it can be depicted that in the year 2011 only eight (8) asset finance loans had been disbursed with a total consumption of Kshs. 228,000. As at the end of the year 2015 forty two (42) number of loans had been disbursed with a combined consumption total of Kshs. 3,100,000.

Fig 1.4 Number of asset financing loans and consumption

(Source-researcher 2016)
The resultant histogram in Fig 1.4 shows a relationship between access to asset financing loans and consumption. It can be depicted from the histogram that more access to asset financing led to more consumption by the household.

4.7.3 Access to Home Improvement Loans

Table 1.8 Number of home improvement loans and living standards

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of home improvement loans</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>Shanty</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Semi-permanent</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>Permanent</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>30</td>
<td>46</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)

Table 1.8 captured the extent to which access to home improvement loans influenced the living standards of the households in the five years under study. From the analysis of Table 1.8 respondents accessed home improvement loans later on in the year 2013. By the year 2013 only fifteen (15) home improvement loans had been disbursed, ten (10) of the respondents lived in shanties which accounted for 67%, three (3) respondents lived in semi permanent houses which accounted for 20% and only two (2) lived in permanent houses which accounted for 13%.

By the year 2014 the number of home improvement loans had doubled to thirty (30), the number that lived in shanties had shrunk to seven (7) which accounted for 23% down from 67%. On the other hand those who lived in semi-permanent houses more than tripled to 10(ten) respondents which accounted for 33% an increase from 20%. Those who lived in permanent houses had increased to thirteen (13) which accounted for 44% an increase from 13%.

By the year 2015 respondents who lived in shanties had shrunk to an all time low of only three (3) which accounted for 6.5%, those living in semi-permanent houses had increased
to twenty one (21) which accounted for 45.7% an increase from 33% and the number that lived in permanent houses had almost doubled to twenty two (22) which accounted for 47.8% an increase from 44%.

Fig 1.5 Living standards in 2013

(Source-researcher 2016)

Fig 1.5 further expounds on the living standards of respondents in 2013, it can be depicted that most of them lived in shanties which accounted for 67%, while those living in semi-permanent and permanent dwellings represented 20% and 13% respectively.
(Source-researcher 2016)

Fig 1.6 further expounds on the living standards of respondents in the year 2015, it can be depicted that those living in shanties are reducing while those living in semi-permanent and permanent houses are increasing represented by 23%, 33% and 44% respectively.
Fig 1.7 Living standards in 2015

![Living standards 2015](image)

(Source-researcher 2016)

Fig 1.7 further expounds on the living standards of respondents in the year 2015, those living in shanties have reduced drastically while those living in semi-permanent and permanent houses have greatly increased given by 6.5%, 45.7% and 47.8% respectively.

4.7.4 Access to School fees Loans

Table 1.9 Number of school fees loans and literacy levels

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of school fees loans</td>
<td>10</td>
<td>14</td>
<td>30</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>Primary school</td>
<td>4</td>
<td>6</td>
<td>10</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Secondary school</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Tertiary institution</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>11</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)
Table 1.9 captured the extent to which access to school fees loans influenced the literacy levels of the households in the five years under study. From the analysis of Table 1.9 as at the year 2011 only ten (10) school fees loans had been disbursed with only seven (7) students in various institutions of learning. By the year 2012 fourteen (14) school fees loans had been disbursed a 40% increase with twelve (12) students in various learning institutions up from seven (7) students the previous year a 71% increase.

By the year 2013 the number of school fees loans had more than doubled to thirty (30) representing 114% increase from the previous year. The number of students in various institutions also increased to twenty (20) representing a 67% increase from the previous year. By the year 2014 the number of loans had increased marginally to thirty six (36) representing a 20% increase from the previous year. Subsequently the number of students in various learning institutions increased to twenty nine (29) representing a 45% increase.

By the year 2015 number of school fees loans had increased to forty (40) representing a 11% increase, subsequently the number of students in various learning institutions increased to forty six (46) representing a 58% increase from previous year.

**Fig 1.8 Number of school fees loans and literacy levels**

(Source-researcher 2016)
The resultant graph (Fig 1.8) shows the relationship between access to school fees loans and literacy levels, from the graph an increase in access to school fees loans led to an increase in literacy levels.

### 4.8 Interest rates

<table>
<thead>
<tr>
<th>Table 2.0 Number of asset finance loans and interest rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Number of asset finance loans</td>
</tr>
<tr>
<td>Interest rates (%)</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)

Table 2.0 captured the extent to which interest rates influenced access to microfinance loans and poverty reduction, from the analysis of table 2.0 it can be depicted that in 2011 with interest rates at 22% only eight (8) asset financing loans had been disbursed, a reduction of interest rates to 20% in 2012 led to ten (10) asset finance loans being disbursed a 25% increase. A further reduction of interest rates to 19% in 2013 led to thirty four (34) asset financing loans a 240% increase compared to 2012.

A further drop to 18% in 2014 led to a marginal increase of number of loans to thirty eight (38) a 11% increase compared to 2013. In 2015 with interest rates lowest at 17% the number of loans increased to forty two (42) a 10% increase compared to 2014.
Fig 1.9 Number of asset finance loans and interest rates

(Source-researcher 2016)

The resultant graph (fig 1.9) shows the relationship between access to asset finance and interest rates.

4.8.1 Collaterals

Table 2.1 Number of microfinance loans and collateral weights

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>School fees loans</td>
<td>10</td>
<td>14</td>
<td>30</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>Business loans</td>
<td>10</td>
<td>16</td>
<td>18</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>Home improvement loans</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>Asset financing loans</td>
<td>08</td>
<td>10</td>
<td>34</td>
<td>38</td>
<td>42</td>
</tr>
<tr>
<td>Collaterals (weights)</td>
<td>18</td>
<td>25</td>
<td>35</td>
<td>42</td>
<td>62</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)
Table 2.1 captures the extent to which collaterals influence access to microfinance loans of the respondents in the five years under study. In the analysis influence of collaterals were given weights as follows:

- No effect was given a weight of 0
- Very low was given a weight of 1
- Low was given a weight of 2
- Moderate was given a weight of 3
- High was given a weight of 4
- Very high was given a weight of 5

For each state the frequencies were summed up and the sums were then multiplied by the weights and the resultant products were added up to establish a single weight of influence of collaterals for each year. These weights were then plotted against access to microfinance loans.

**Fig 2.0 Number of microfinance loans and collateral weights**

(Source-researcher 2016)
From the analysis of Fig 2.0 in 2011 with a combined collateral weights of eighteen (18) a total of twenty eight (28) microfinance loans had been disbursed, by 2012 with a 38% increase in collateral weights to twenty five (25) a total of forty (40) microfinance loans had been disbursed, a 42% increase.

In 2013 with a combined collateral weight of thirty five (35) a total of ninety seven (97) microfinance loans had been disbursed a 142% increase. A slight increase in 2014 of collateral weights to forty two (42) led to a 40% increase in number of microfinance loans to a hundred and thirty six (136). With a further increase of collateral weights to 62 in 2015 led to 30% increase in the number of microfinance loans.

### 4.8.2 Credit policy

**Table 2.2 Number of microfinance loans and credit policy weights**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>School fees loans</td>
<td>10</td>
<td>14</td>
<td>30</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>Business loans</td>
<td>10</td>
<td>16</td>
<td>18</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>Home improvement loans</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>Asset financing loans</td>
<td>08</td>
<td>10</td>
<td>34</td>
<td>38</td>
<td>42</td>
</tr>
<tr>
<td>Credit policy (weights)</td>
<td>23</td>
<td>27</td>
<td>34</td>
<td>48</td>
<td>61</td>
</tr>
</tbody>
</table>

(Source-researcher 2016)

Table 2.2 captured the extent to which credit policy influenced access to microfinance loans of the respondents in the five years under study. In the analysis influence of credit policy were given weights as follows:

- No effect was given a weight of 0
- Very low was given a weight of 1
- Low was given a weight of 2
Moderate was given a weight of 3
High was given a weight of 4
Very high was given a weight of 5

For each state the frequencies were summed up and the sums were then multiplied by the weights and the resultant products were added up to establish a single weight of influence of credit policy for each year. These weights were then plotted against access to microfinance loans.

**Fig 2.1 Number of microfinance loans and credit policy weights**

(Source-researcher 2016)

From the analysis of Fig 2.1 it shows that in 2011 with a combined credit policy weights of twenty three (23) a total of twenty eight (28) microfinance loans were disbursed, with a 11.7% increase in credit policy weights to twenty seven (27) in 2012 a total of forty (40) microfinance loans were disbursed, a 42% increase.
In 2013 with a combined credit policy weight of thirty four (34) a total of ninety seven (97) microfinance loans were disbursed a 142% increase. A slight increase in 2014 of collateral weights to forty eight (48) led to a 40% increase in number microfinance loans to a hundred and thirty six (136). With a further increase of credit policy weights to 61 in 2015 led to 30% increase in the number of microfinance loans.

4.9 Pearson Correlation Analysis

4.9.1 Relationship between Access to Business Loans and Income

Using the data captured in table 1.6 we calculate r as shown below

**Fig 2.2 Relationship between Access to Business Loans and Income**

<table>
<thead>
<tr>
<th>x</th>
<th>y</th>
<th>xy</th>
<th>X²</th>
<th>Y²</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>24</td>
<td>240</td>
<td>100</td>
<td>576</td>
</tr>
<tr>
<td>16</td>
<td>57.6</td>
<td>921.6</td>
<td>256</td>
<td>3317.76</td>
</tr>
<tr>
<td>18</td>
<td>86.4</td>
<td>1555.2</td>
<td>324</td>
<td>7464.96</td>
</tr>
<tr>
<td>32</td>
<td>192</td>
<td>6144</td>
<td>1024</td>
<td>36864</td>
</tr>
<tr>
<td>50</td>
<td>360</td>
<td>18000</td>
<td>2500</td>
<td>129600</td>
</tr>
<tr>
<td>∑x=126</td>
<td>∑y=720</td>
<td>∑xy=26860.8</td>
<td>∑x²=4204</td>
<td>∑y²=177822.72</td>
</tr>
</tbody>
</table>

\[
r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \times \sqrt{n \sum y^2 - (\sum y)^2}}
\]

\[
= \frac{5 \times 26860 - 126 \times 720}{\sqrt{5 \times 4204 - 126^2} \times \sqrt{5 \times 177822.72 - 720^2}}
\]

\[= +0.998\]

This shows a strong positive correlation between access to business loans and incomes of households
4.9.2 Relationship between Access to Asset finance Loans and consumption

Using the data captured in table 1.7 we calculate $r$ as shown below

**Fig 2.3 Relationship between Access to Asset finance Loans and Income**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$x$</td>
<td>$y$</td>
<td>$xy$</td>
<td>$X^2$</td>
<td>$Y^2$</td>
</tr>
<tr>
<td>8</td>
<td>22.8</td>
<td>182.4</td>
<td>64</td>
<td>519.84</td>
</tr>
<tr>
<td>10</td>
<td>59.6</td>
<td>596</td>
<td>100</td>
<td>3552.16</td>
</tr>
<tr>
<td>34</td>
<td>84.4</td>
<td>2869.6</td>
<td>1156</td>
<td>7123.36</td>
</tr>
<tr>
<td>38</td>
<td>180</td>
<td>6840</td>
<td>1444</td>
<td>32400</td>
</tr>
<tr>
<td>42</td>
<td>310</td>
<td>13020</td>
<td>1764</td>
<td>96100</td>
</tr>
<tr>
<td>$\sum x=132$</td>
<td>$\sum y=656.8$</td>
<td>$\sum xy=23508$</td>
<td>$\sum x^2=4528$</td>
<td>$\sum y^2=139695.36$</td>
</tr>
</tbody>
</table>

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \times \sqrt{n \sum y^2 - (\sum y)^2}}$$

$$= \frac{5 \times 23508 - 132 \times 656.8}{\sqrt{5 \times 4528 - 132^2} \times \sqrt{5 \times 139695.36 - 658.8^2}}$$

$$= +0.828$$

This shows a strong positive correlation between access to asset finance loans and consumption of households
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the results of the study and the main conclusions drawn from the analysis of the data in Chapter Four. The chapter is organized as follows. Section 5.2 presents the summary of the findings of the study while section 5.3 is the conclusion. Section 5.4 discusses the policy implications arising from the results of this study. Lastly, section 5.5 presents the recommendations for further research.

5.2 Summary and policy recommendations

The objective of the study was to investigate the influence of access to microfinance loans on poverty reduction in Kuria west constituency from 2011 to 2015, from the analysis most of the respondents interviewed were economically active and low income earners, most of respondents interviewed hailed from rural areas and most of them had accessed the four microfinance loans under study by the year 2011 except for home improvement loan that were made available to most respondents in 2013. By the year 2014 most clients had accessed all the four microfinance loans under study.

There is a positive correlation between access to business loans and income of respondents given by coefficient of correlation $r$ of +0.998 which shows a strong positive correlation, it means more access to business loans led to more income generated by households and hence poverty reduction of respondents interviewed.

There is also a positive correlation between access to asset financing loans and consumption of the respondents given by a coefficient of correlation $r$ of +0.828 which shows a strong positive correlation, more access to asset finance led to more consumption by households mainly due to increased purchasing power and disposable income brought about by asset ownership which inevitably led to wealth creation and poverty reduction.

There is also a positive correlation between access to home improvement loans and living standards of respondents, as at 2013 most of the respondents lived in shanties but the number kept on reducing, those who lived in semi-permanent houses and permanent
houses had increased tremendously by the end of the year 2015 hence better living standard and poverty reduction.

Access to school fees loans and literacy levels are positively correlated as more access to school fees loans led to more enrolments in schools. In 2011 only a few respondents had access to school fees loans with only a handful of enrolments in various institutions, fast forward to 2015 where more respondents had accessed school fees loans and enrolment in various institutions had more than doubled leading to improved literacy levels and hence poverty reduction.

There is a negative correlation between access to asset finance loans and interest rates, a reduction in interest rates from 22% in 2011 to 17% in 2015 led to an increase in access to asset financing loans from eight respondents in 2011 to 42 respondents in 2015. Reduction in interest rates leads to a reduction in borrowing cost of respondents which acted as an incentive for more up take of asset financing loans and poverty reduction.

There is a positive correlation between collaterals and access to microfinance loans, having access to collaterals led to an increase in access to microfinance loans, with combined collateral weights of eighteen (18) in 2011 only twenty eight (28) respondents had accessed the four microfinance loans under study, by the year 2015 with combined collateral weights of sixty two (62) respondents had accessed 178 microfinance loans and poverty reduction in the long run.

There is a positive correlation between credit policy and access to microfinance loans, a favourable credit policy leads to more access to microfinance loans, with credit policy weights of twenty three (23) only twenty eight (28) respondents had accessed microfinance loans in 2011, by the year 2015 with combined credit policy weights of sixty one (61), respondents had accessed 178 microfinance loans, in 2011 credit policy was least favourable compared to 2015 which was most favourable.

5.3 Conclusions

Those who accessed microfinance loans were economically active poor with most of them being low income earners, access was high mostly in rural areas, access to business
loans led to increased income hence poverty reduction. Secondly access to asset financing led to asset ownership and increase in consumption brought about by more enhanced purchasing power due to more disposable income leading to poverty reduction in the long run.

Access to home improvement loans led to improvement in living conditions from living in shanties to permanent dwellings hence better living conditions and reduction in poverty. Access to school fees loans led to higher enrolment rates in schools improving literacy levels in Kuria west constituency and hence reducing poverty.

Lower interest rates led to more access to microfinance loans and in the long run a reduction in poverty, availability of collaterals meant ability to pay and credit worthiness of respondents hence easier access to microfinance loans which leads to poverty reduction in the long run. Favourable credit policy led to increased access to microfinance loans and vice versa.

5.4 Recommendations

Firstly, it would recommend proper training of clients and other recipients of microfinance loans through holding seminars by having or introducing new strategies to educate clients on how to manage businesses. Secondly reduction of interest rates offered on loans will benefit the poor also introducing more loan products that suit everyone who can afford in society. Thirdly since women are the most targeted, it would be good if they were encouraged to start group projects and funding them for example, buying land for them and allowing the group to pay for it slowly and subsequently disburse more funds to women.

KWFT should partner with other organizations so as to deliver services at affordable rates. It would be good if KWFT adjust the loans to suit client’s needs and ability so that recipients do not get stressed in repaying for example from small amounts of 20,000,30,000 etc and not standardize. The government should come up with ways to reach people through the various ministries by way of administration and trainings since credit alone is often insufficient in ensuring growth and when people engaged in such
activities lack basic knowledge and skills related to business management is riskier proposition for MFIs. Therefore, microfinance institutions like KWFT, that are able to give out loans to help serve the poor, should arrange mechanisms to improve technical and business skills of the poorest through training and loan utilization. This will enhance their business skills to use credit and establish market channels for their products.

Lastly, MFIs need to put a lot of care to ensure that income-generating activities of their loan recipients are profitable and loan products appropriate. Otherwise, loan recipients may need to convert what they have saved as goods into cash to repay their loans, thus depriving themselves further.

5.4.1 Suggestions for further research

More studies should be done in order to ascertain more on the role of interest rate on access to microfinance loans as the results from the study indicates a negative relationship. Similar research should also be done to ascertain the influence of interest rates caps on commercial banks and on role of MFIs in poverty reduction.
BIBLIOGRAPHY

Appendix I Research Permit

Kipngen Rono Josphat,
Kenyatta University,
Kisumu campus,
Jokiro2011@gmail.com
0728114454
Dear respondent,

RE: Influence of Access to Microfinance on Poverty Reduction in Kuria West Constituency

I am a student of Kenyatta University Kisumu campus currently undertaking a research project on the influence of access to microfinance on poverty reduction in Kuria west constituency. After completion, the research would give recommendations on how to effectively enhance access to microfinance. Therefore, i am kindly requesting for your assistance and cooperation to attain the above objective by filling in the attached questionnaire as an individual.

I also assure you that the information you give would be treated as confidential and would be used for academic purposes only. Thanks in advance.

Yours Faithfully,

Kipngen Rono Josphat
Appendix II Questionnaire

INFLUENCE OF ACCESS TO MICROFINANCE LOANS ON POVERTY REDUCTION QUESTIONNAIRE

SECTION A

Please answer the following questions

1. Name (optional)__________________________________

2. Occupation_____________________________________

3. How would you describe your economic status( please tick against the appropriate choice)
   a) Low income [   ]
   b) Middle income [   ]
   c) High income [   ]

4. Where do you reside?
   Rural [   ]
   Semi urban [   ]
   Urban [   ]

SECTION B

5. In which of the following years did you access the following microfinance loans?

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>School fees loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home improvement loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset financing loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Please indicate the amount of income earned by your business through access of business loan (biashara loan) adopted between 2011 and 2015.
<table>
<thead>
<tr>
<th>Years</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income earned</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Please indicate amount of consumption by your household after access to asset finance between 2011 and 2015.

<table>
<thead>
<tr>
<th>Years</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount of consumption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Please indicate with a tick for each year as appropriate to show your living standard between 2011 and 2015.

<table>
<thead>
<tr>
<th>Years</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing standards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>shanty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semi-permanent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>permanent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Please indicate with a tick for each year as appropriate to show the number of school enrolments in your household between 2011 and 2015.

<table>
<thead>
<tr>
<th>Years</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Learning institution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary school</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary school</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tertiary institution</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
10. Please indicate the approximate percentage interest rate charged on asset finance accessed between 2011 and 2015.

<table>
<thead>
<tr>
<th>Years</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. In your opinion, to what extent have collaterals impacted to your access to microfinance? Please indicate with a tick the extent to which you think that the collaterals have had an impact on your access to microfinance.

a) Very high [ ]
b) High [ ]
c) Moderate [ ]
d) Low [ ]
e) Very low [ ]
f) No effect [ ]

12. In your opinion, to what extent have KWFT’s credit policy impacted to your access to microfinance? Please indicate with a tick the extent to which you think that the credit policy have had an impact on your access to microfinance.

a) Very high [ ]
b) High [ ]
c) Moderate [ ]
d) Low [ ]
e) Very low [ ]
f) No effect [ ]
Appendix III Budget Plan

<table>
<thead>
<tr>
<th>Expenditure items</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Data collection</td>
<td>8,000</td>
</tr>
<tr>
<td>2. Typesetting</td>
<td>6,600</td>
</tr>
<tr>
<td>3. Printing</td>
<td>6,600</td>
</tr>
<tr>
<td>4. Binding</td>
<td>800</td>
</tr>
<tr>
<td>5. Miscellaneous</td>
<td>4000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>26,000</strong></td>
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</tbody>
</table>
### APPENDIX IV Work Plan

<table>
<thead>
<tr>
<th>Steps in Research plan</th>
<th>Aug-15</th>
<th>Oct-15</th>
<th>Dec-15</th>
<th>Feb-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submission of the proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design of a research plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literature Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gaining access and permission to work in particular area</td>
<td></td>
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</tr>
<tr>
<td>Design and testing of a questionnaire</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defining of a population, a sample frame, sampling and setting up of a selection criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Defence of the research proposal</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Design of final questionnaire, schedules, and administering of the questionnaires</td>
<td></td>
<td></td>
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<tr>
<td>Editing of completed questionnaire, grouping and coding of data, data entry</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw tabulation and draft analysis of qualitative data</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Analysis of data</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compilation of research findings and recommendations</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Presentation of final research report</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
APPENDIX V Interview Schedule

1. Can you tell me your name?
2. What is your occupation?
3. For how long have you been a client with KWFT?
4. What microfinance loans do you have with KWFT?
5. In your opinion does access to microfinance loans lead to a reduction in poverty?
6. What are your thoughts on interest rates on access to microfinance loans and poverty reduction?
7. What are your thoughts on collaterals on access to microfinance loans and poverty reduction?
8. What are your thoughts on credit policy on access to microfinance loans and poverty reduction?
9. In your opinion does access to business loans lead to a reduction in poverty?
10. In your opinion does access to home improvement loans lead to a reduction in poverty?
11. In your opinion does access to asset financing loans lead to a reduction in poverty?
12. In your opinion does access to school fees loan lead to a reduction in poverty?
13. Is there anything I have not asked you that you would like to comment on?