AN INVESTIGATION OF FACTORS AFFECTING PERFORMANCE OF MICRO-FINANCE INSTITUTIONS: A CASE STUDY OF CENTRAL DIVISION OF EMBU DISTRICT

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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To my dad John, my mum Juliet, my sister Carole, my brothers Eric and Allan, my nephew Israel and my special friend Phanice.
ACKNOWLEDGEMENT

It's my great pleasure to acknowledge the support and guidance of individuals who made my study possible. First is to my supervisors, Dr Khayotta and Mr. A. Jagongo for their guidance and selfless support and understanding.

Am also greatly indebted to my MBA lecturers and colleagues especially those in my pioneer Entrepreneurship class for this moral support.

Am immensely indebted to my dad and mum, who selflessly sacrificed for my education, my elder sister and brothers for their moral support and encouragement.
To Jimmie.............I owe you big!

To all who assisted in one way or another ......thank you and God bless you all.
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LIST OF ABBREVIATIONS

AFC – Agricultural Finance Corporation
DFI – Development Finance Institution
IMF – International Monetary Fund
KCB – Kenya Commercial Bank
KFA – Kenya Farmers Association
KIE – Kenya Industrial Estates
K-Rep – Kenya Rural Enterprise Programme
MFI – Micro-Finance Institution
NBFI – Non-Bank Financial Institution
NGO – Non-governmental organization
SACCO – Savings and Credit Co-operative
SAP – Structural Adjustment Programme
SME – Small and Micro-Enterprise
SPSS – Statistical Package for Social Sciences
R &D – Research and Development
ABSTRACT

The Small and Micro enterprises sector has a major role to play towards poverty alleviation in Kenya. However their capacity to create employment and optimal performance will depend to an extent on the accessibility of credit facilities provided by Micro finance institutions (MFIs).

The objectives of this study were to evaluate the performance of MFIs in Central Division of Embu District especially as relates to provision of credit to small and micro enterprises. It also intended to determine factors affecting their outreach. Several MFIs will be covered including NGOs, DFIs, SACCOs and Commercial MFIs as well as departments of commercial banks that offer micro-credit.

This is in the light of differences as regards demand and supply of micro-credit. The significance of this was to create a basis for formulation of policy on measures to be undertaken for enhancing performance and outreach. Performance in this study focused on indicators like sustainability, outreach, profitability, financial performance, loan repayment, loans issued etc. The MFIs attitude towards recipients was captured through the former's requirements before advancing loans e.g., business status, gender, and affiliation to groups.

Study objectives were captured through a descriptive research process focusing on MFIs operating in Central Division of Embu District as at July 2004. Stratified sampling was applied with samples of at least two institutions from each stratum. Primary and secondary data on these institutions was used. Descriptive statistics were used to analyze data with expected output being reasons as to the low outreach and performance of MFIs.

It emerged from the study that the key reasons behind low performance of the institutions included: limited financial resources, loan defaults by recipients, poor management information systems and poor research & development departments. In addition, factors restricting supply of credit to SMEs include lack of collateral, high perceived credit risk, lack of business skills and lack of management skills contribute negatively. General performance of the Institutions was found to be improving.

Recommendations as regards what the Government can do in terms of policy and structural changes are provided. In addition, what actions the MFIs can take to boost performance levels are put forth, including improving on marketing, research and development, adoption of policies that increase their working capital base.

Limitations of study and suggestions for further research are also provided.
OPERATIONAL DEFINITION OF TERMS

**Performance** – Refers to the extent to which a MFI has achieved in terms of outreach targets (clients served)

**Sustainability** – It's the ability of a MFI to cover its operating costs, i.e. achievement of operational self-sufficiency

**Operating costs** – these are costs incurred by a MFI in meeting its objectives more so in credit provision.

**Micro-finance Institution** – Any institution that provides micro-finance services whether or not the initial drive behind the establishment was to serve micro-entrepreneurs.

**Micro financing** – Refers to provision of financial services to low-income clients, including the self-employed. These services generally include savings and credit.

**Small and Micro enterprises** – These are firms that are profit oriented with employees between 1-50 and whose start-up cost doesn’t exceed 5 million. Firms with between 10-50 employees are the small-scale enterprises while those with 1-9 are the micro enterprises.

**Entrepreneur** – An individual who engages in activities of actualizing a business idea for profit making.

**Loan repayment** – This is the paying back of borrowed funds inclusive of interest charges as earlier agreed upon between the loaner and recipient of the loan. The recipient is the payer.

**Outreach** – This is the number of clients served by a MFI.

**Interest rate** – It’s the rate applied on amount borrowed to determine interest payable. It’s the cost of credit.

**Collateral** – It’s anything of economic value that’s provided by a borrower to the lender as a security in case the borrower defaults on repayment of such loan

**Donors** – Person(s) who make cash donations to microfinance institutions for their operations. They would include social groups and neither NGOs nor religious groupings.

**Delinquent loans** – These are non-performing loans and those whose recipients have failed to repay.
CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND

Estimates indicate that 52% of Kenya's population lives under conditions of absolute poverty where malnutrition and seasonal famine are not first a constant fear, but frequent reality in their lives. While poverty is to be found in both the urban and rural areas, 75% of the poor are in the rural areas, consequently development of the rural sector is central in Kenya's strategy to increase national output and employment and in its fight against poverty (Dondo, 2001).

The World Bank and the International Monetary Fund (IMF) imposed Structural Adjustment Programs (SAPs) in Kenya in the 1990's. These SAPs are set of “free market” economic policies imposed by the Brettonwood Institutions as conditions for receiving financial assistance (Hammond and McGowan 1992).

Emphasis in these programs was placed in the need to adopt financial liberation measures, and enhance regulatory and supervisory functions to ensure prudence of the financial institution. However, the reforms in the financial sector, have had limited developmental effects in the country so far. The policies have not increased the access to financial services by the poor and in particular poor smallholder farmers. It has also not increased savings mobilization and intermediation neither through the financial system nor increased investment by the private sector (Dondo, 2001).

In addition these SAPs also required business deregulation, wage suppression, privatization of Government held enterprise, restriction on credit and higher interest rates. As a result, companies embarked on cost cutting measures to stay competitive, which included layoffs. In addition, the government embarked on the same program to cut its wage bill.

The impact of this has been a growth in the small and micro-enterprises as retrenchees search for a source of income. In Kenya, small scale and Micro enterprises cover the profit oriented firms with between 1 – 50 employees and where total cost does not exceed 5 million. The enterprise firms employing between 10 – 50 people are usually referred to as small-scale enterprises and firms employing between 1 – 9 employees referred to as the micro or Jua Kali enterprises (Project Finance Data Centre, 1997).
Small-scale enterprises are also defined as informal or formal-sector enterprises having business assets between 50,000 and 5 million and employing up to 20 people. Micro-enterprises are defined as informal sector enterprises having business assets of less than 50,000 and employ up to 5 people whether or not they operate from a fixed location (Dondo, 1991).

With the increasing number of SMEs in the country, the demand for microfinance has been on the rise. The demand for such is provided by Micro-Finance Institutions (MFIs).

Micro-financing refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings and credit. Micro finance is not simply banking but a development tool (Ledgerwood, 2000).

In addition the increased demand for microfinance is triggered by the high market interest rates in that SMEs are seeking sources of credit affordable to them for either start-up or growth. Such microfinance is usually from subsidized sources more so Non Governmental Organizations (NGOs).

The term Micro finance institution (MFI) on the other hand describes all institutions that provide micro finance services, whether or not the initial drive behind the establishment was to serve micro-entrepreneurs. This is the case whether the organization is regulated or not (Drobe and Rhyne, 2002). These MFIs include Non Governmental Organization (NGOs), Savings and Credit Co-operatives (SACCOs) credit unions, Government Agencies, Commercial Banks or Non-Bank Financial institutions (NBFIs).

Most MFIs offer credit only to MSEs through a single methodology, thus reaching a limited segment of the market. In addition financial systems for MSEs leaves out important segments of the poor e.g. smallholder agriculture activities on which the bulk of the poor in the rural areas depend for their livelihood (Cherogony, 2001)

Despite huge investments in the micro-finance sector in Kenya, it’s becoming increasingly clear that existing products and methodologies do not allow the sector to have an extensive a reach as the need for the services demands. The 1999 baseline survey of MSEs in Kenya for example revealed that only 10.4% of the enumerated enterprises had received financial support from any source including banks, NGOs, money lenders etc (Cherogony 2001)
As of year ending 2000, formal institutions lending credit to MSEs had 174,596 active clients with a portfolio of Kshs 3.5 billion. When services provided by SACCOs were added, the number reached is 1.3 million, which was about 4.5% of the population (Dondo, 2001). Of 1.3 million small businesses, only 300,000 are served by MFLs. This represents 23% of the total market (Banda 2004).

It’s therefore clearly evident from the above set of findings that there exists a wide disparity between microfinance supply and its actual demand.

1.2 Statement of the problem

SMEs play a major role in economic development. They provide income streams for the poor entrepreneurs, create employment, they repair and recycle goods that would otherwise become waste, provide cheap food clothing and transportation to poor people (including those at the lower level of the formal sector) who would not otherwise be able to live on their salaries (Robinson, 2001).

In addition, their taxes provide revenue to the government; they provide opportunities for developing and adapting appropriate technological and managerial approaches etc. More so, every commercial entity requires finances for start-up or expansionary purposes inclusive of SMEs.

Kenya Rural Enterprise Program (K-Rep) loan beneficiaries found that due to credit accessibility, the value of the enterprises’ assets went up; operating scale increased and the enterprise were able to diversify (Oketch et al 1991).

In addition, lack of credit finance to effectively manage cash flows accounts for 30.1% of dead small scale and ‘Jua Kali’ business (Mead and Liedholm, 1997).

In spite of the major role played by SMEs in economic development and impact of credit financing to them, a number of them have no access to financing services from MFLs. The outreach of institutions offering micro-finance services in Africa is small and the smallness can be appreciated when compared to programs in Asia (the higher population not withstanding) and South America (where population densities are comparable) (Dondo 2001).
The situation in Kenya is worsening as some commercial banks e.g. Kenya Commercial Bank (KCB) and Barclays consolidate themselves in urban areas, denying the poor rural folk microfinance services. This is despite the fact that more small commercial MFIs are extending their services to these rural areas though not in adequate magnitude. Apart from a handful of these commercial MFIs, Microfinance NGOs and some rural SACCOs, the financial needs of smallholder farmers and the rural poor are largely unfulfilled.

This study therefore sought to establish the reasons as to why formal microfinance institutions are not meeting the financial demands of the SME sector. This focused on Central Division of Embu District.

1.3 Study Objectives

The study aimed to

a) Determine factors that affect performance of MFIs.

b) Investigate factors that limit formal MFIs outreach (in terms of clientele) in Central Division of Embu District.

1.4 Research Questions

a) What are the issues that impact negatively on the performance of MFIs?

b) Besides credit facilities, what other services are offered by MFIs that determine their outreach and sustenance?

c) What are advisory recommendations that can be made to improve sustenance of the formal MFI industry in Central Division of Embu District?

1.5 Significance of the Study

The study provides information to SMEs on available product range of MFIs in Central Division of Embu District. In addition it provides information to MFIs about services rendered by others in the field, to encourage networking and joint ventures in service provision. This would help in creating synergies in the sector. It will also enable MFIs lobby for policies that provide favourable conditions necessary for the efficient operations of the microfinance industry.
1.6 Scope of the study

This study focused on formal micro-finance institutions in Central Division of Embu District. These MFIs total to 20 i.e. 3 NGOs, 2 Development Finance Institutions (DFIs), 3 SACCOs, and 8 commercial based MFIs. In addition, departments of 4 commercial banks that offer micro credit were to be examined to capture the attitude of SMEs in terms of seeking micro credit. The division is chosen due to limitation of finances on the part of the researcher.
CHAPTER TWO

2.0 LITERATURE REVIEW

This chapter presents review of literature. It’s broken down into 3 phases. First is a review of literature on performance. Next is a review of sustainability as a performance determinant of MFIs. Lastly is a review on credit accessibility by SMEs.

2.1 Performance of MFIs.

The total number of clients served with credit facilities by the MFIs measures performance. Performance in firms is usually based on specific indicators. By calculating and evaluating these indicators, a firm is able to determine institutional effectiveness and efficiency. Performance indicators collect and re-state financial data so as to provide useful information about the financial performance of an MFI. This is because effective financial management requires periodic analysis of financial performance (Ledgerwood, 1999).

There are no standard performance ratios for MFIs to gauge their performance with other industry players. Performance indicators that may be used include sustainability, outreach, profitability, financial performance interest on deposit, terms and conditions on loans and general Institutional characteristics (World Bank, 1996). Number of loans issued, amounts saved, number of savings, accounts held, loan repayment rates can be used as performance indicators since they are easily quantifiable (Tendler, 1989).

Others include loan repayment, types of income generating projects financial by loans as well as the relationship between the actual and desired target groups.

In the Kenyan context, various MFIs use different performance indicators to evaluate their performance. Usually, institutions carry out their own evaluation reports or evaluation on projects that they support.

2.2 Sustainability: a determinant of performance.

Sustainability is to do without loss and to keep in continuance. It’s the ability of a MFI to cover its operating costs i.e. achievement of operational self-sufficiency. It’s measured by the ratio of operating income to the operating expenses and provision for loan losses
Sustainability of MFIs is a major institutional goal since it carries with it all the benefits of recovering costs. In addition it improves cost effectiveness, scale and long-term durability of the entity (Tanburn, 1998).

Sustainability is achieved when returns from credit advances enable the MFI to meet running costs and expansion in the short to intermediate run (Dondo, 1994). In his study on Kenya’s informal sector, sustainability is achieved in four levels. At level 1, the institution is able to cover all its price costs from revenue. At level 2, all price costs as well as overhead costs are covered. If the institution is able to recover all branch costs, then it’s at level 3. At the 4th level there’s full self-sufficiency and revenue generated by the institution covers both financial and non-financial expenses.

In addition, interest rates are proposed as instruments that can be used to achieve sustainability. This is still difficult to achieve. This is because the types of activities funded by most MFIs tend to limit the return on investments, hence high interest rates may be perceived to increase project failures and attract risk-taking investors (Yaqub, 1995). On the other hand subsidized credit programs result in higher arrears, generates losses both for the government and donor agencies, and also depress the institutions savings and consequently the development of profitable, viable financial institutions, (Robinson, 1994).

Sustainability is also an important issue of concern to the borrowers. This is because it places an extremely high value on continued access to credit. If lending programs aren’t sustainable, they create bad incentives to borrowers. This is because of borrowers suspect that they will not be able to obtain new loans because the lender will close or the program will disappear then they will have little motivation to repay. This renders the lending program unsustainable.

Dependence on Donor funding creates a new dimension of sustainability of an MFI and subsequently its performances. It’s (the MFI) usually wasteful. A donor views the MFI as wasting scarce resources (inefficient use). From the institutions perspective, it creates external dependence. From the borrowers view, it creates perception of impermanence and the use of external funds rather than internally generated funds creates incentives to default and this in turn affects the outreach of the institutions (Paxton & Fruman 1999). In addition, donor funding leads to most of the manager’s time being spent in pursuit of donor funds. This is at the expenses of the institution. Donors may also impose conditions on recipient MFIs thus losing autonomy in decision-making. This affects outreach, target groups, lending
terms, geographical coverage etc. Planning for these institutions also becomes difficult due to uncertainty in availing of funds by the donors.

Another aspect of sustainability is the issue of its priority. There are some situations where pursuit of sustainability as the highest priority would not be realistic. In such instances, Social objective would be of highest priority where there's provision of Business development services (Tanburn 1998)

Sustainability thus is a tricky issue as it may result in a tendency to focus on those best able to repay loans, leaving out the poor and SMEs. Placing a strong emphasis on covering costs may tip the delicate balance that exists between social and financial objectives, forcing some institutions to move away from serving the poor and rural areas where the delivery of financial services is most vital.

2.3 Credit Accessibility by SMEs

Access to credit remains a major problem facing many SMEs in Africa. The Kenya Government expects the SME sector to make a major contribution towards poverty alleviation (National Poverty Eradication Plan, 1999-2015)

Researchers on credit accessibility by MSEs in Kenya have made numerous studies. The Government has also made a contribution through its policy documents. In its Sessional paper No. 2 of 1992 on small enterprises and Jua Kali development in Kenya, it identified a number of factors constraining access to credit by SME clients. They included lack of experience of borrowers with credit institutions, reluctance by formal financial institutions to lend to small enterprises, regulations that limited the funds available for loaning, collateral requirements, high interest rates and huge administrative costs relative to the size of the loans.

A study on financing for small-scale entrepreneurs in Kenya, found out that income, education, start up capital invested is positively related to credit availability. On the other hand credit availability was found to be negatively related to marital status and the amount of deposit required securing a loan. Though the study focused on women entrepreneurs in Nairobi and Nyeri dealing in small-scale garment industry, it shows credit accessibility is a problem facing SMEs (Macharia, 1997)
Enterprises that had accessed credit survived longer and were able to expand more than those without access. There’s a positive relationship between an enterprise access to credit and on the level of net income on the enterprise. Self-financed firms generally start smaller than those that start-up do with external financing (Bokea and Mullei 1999).

Employment and income in micro and small enterprise in Kenya, lack of access to credit and finance, whether for working capital, fixed capital or other type is a major constraint to firms in the SME sector Daniels et al. 1995).

2.4 Theoretical framework

MFIs need to evaluate their performance on a regular basis in order to determine their efficiency viability and outreach of their operations (Ledgerwood 1999). Performance indicators used may however vary from one MFI to another. In this study the total number of clients served with credit facilities will be used to measure performance of an MFI. The factors that influence performance will include repayment rate, sustainability and loan amounts.

It’s expected that when repayment rates are high, then performance of the institution improves. This is because it means that the institution will have large amounts that can be disbursed to other clients thus increasing outreach. Repayment rates also helps to predict future cash flows since it indicates the percentage of the amounts due that the institution can expect to receive based on past experience (Ledgerwood 1999).

The relationship between sustainability and performance of an MFI is uncertain. As an MFI is able to cover its operating costs, this may mean perhaps that interest rates have been increased. This increase may discourage some potential borrowers thus reducing the number of clients served by the institution thus affecting it’s performance negatively. There exists a trade-off between outreach and sustainability (Paxton and Fruman 1999). Pursuing sustainability may lead MFIs scaling down their operations especially in remote areas and choose to work with rich clients (Webster and Fidler 1996). Financial sustainability can be achieved by increasing the number of clients served (outreach). But this is only partially true. By increasing outreach, transactions costs may also increase due to increased staff time, infrastructure, processing and follow-up costs, which in turn affect sustainability levels (Christen 1997).
On the other hand achievement of sustainability may lead to improved performance. This may be because as the MFI is able to cover it’s operating costs, maybe due to increased effectiveness and efficiency, then the MFI may have extra amounts of money, which it can then on lend to a larger number of client portfolio, thus improving it’s performance. Sustainability is regarded as a means of increasing outreach. This is because by achieving sustainability, MFIs are able to reach more poor people.

Micro finance programs that pursued sustainability achieved for greater outreach than those that provided subsidized credit and relied on donor support to make up the resulting to loan losses (Christen et al, 1995). In addition, financially viable institutions can sustain ably reach the poor in significant numbers. There’s a positive correlation between outreach and sustainability and that well run financial institutions are able to reach greater number of poor people.

Relationship between loan amounts lent by the MFI and the performance of the institution is uncertain. This is because, though loan amounts may seem to be large, they may not indicate that the outreach of the MFI has increased. Conversely, the real reason behind the huge loan amounts may be that lending occurs to a few individuals, who receive larger loan sizes. The source of loan funds is also important. For instance, if their funds are from donor sources, then though loan amounts disbursed are high, performance of the MFI is negatively affected. Due to this dependence on donors, it may not be possible to attain the desired outreach. On the other hand, if the loan amounts disbursed increase, they may truly reflect an increase in outreach and consequently improved performance of the MFI.

MFIs are pursuing performance growth as a measure of success in conformance with above discussed principles. Implementation of these principles is not up to standards in structural terms as well as manpower capacity. This in turn brings out the issue of other more pressing conditionalities that hamper performance.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology is a description of how data is collected and analyzed in a research process. In this section, the target population, sampling strategy, data collection tools and analysis strategies are described.

3.2 Population of study

The population of this study consists of the institutions that offer micro-financing services as at July 2004 in Central Division of Embu District. They include Development financial institutions, Non-Governmental Organizations, commercial MFIs, SACCOs and microfinance departments of commercial banks (see appendix 3).

3.3 Sampling strategy.

Lists of operating MFIs was obtained from the District Information Centre at the District headquarters. This is with regard to those MFIs operating in Central Division of Embu District. They were stratified into NGOs, commercial banks departments, DFIs, SACCOs and commercial MFIs. From each stratum, a representative sample of at least 2 MFIs was selected with no maximum limit.

3.4 Data Collection Method

Both primary and secondary data was used in the study. Primary data was collected through administration of a Questionnaire. Where circumstances allowed, interviews with respondents were conducted. Both aided in collecting qualitative and quantitative data. Relevant personnel of the institutions filled the Questionnaire. “Drop and pick” method was used with assistance from 2 Research assistants. Follow up was by personal visits.
3.5 Data Analysis technique.

Since the study was a case study that's descriptive in nature, relevant descriptive statistics were used. This included use of tables, frequencies, percentages and charts. Tabulation was done through use of statistical package for social sciences (SPSS) computer program.
4.0 RESEARCH FINDINGS AND INTERPRETATIONS.

Of the targeted 20 MFIs targeted, 15 responded positively. This presents a 75% response rate. (See Appendix 2 for a list of the respondents.)

This chapter presents and discusses descriptive research findings. They are based on collected data concerning issues appertaining to and affecting performance of respondent MFIs

Table 4.1: Year of Establishment and number of branches

<table>
<thead>
<tr>
<th>Year Established</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1980</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>1991 – 2000</td>
<td>5</td>
<td>33.3</td>
</tr>
<tr>
<td>After 2000</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Branches</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 20</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>21 – 40</td>
<td>4</td>
<td>26.7</td>
</tr>
<tr>
<td>Above 40</td>
<td>2</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.1 shows that 26.7% of the MFIs were established between 1981- 1990 with the most established (33.3%) in the 1990s. This indicates the effects of SAPs on need for cheap borrowing to create self-employment as they were imposed on Kenya.

60% of the respondents had less than 20 branches countrywide. However, for most of the MFIs with branches, they were distributed throughout the country. Most of these are in town centres and target the low income earners who can’t afford to pay the heavy interest charges
by mainstream commercial banks. The only set-back with location was inaccessibility by the rural folk who some have no idea of the existence of the MFIs.

Table 4.2.: Distribution of Various MFI Staff Categories

<table>
<thead>
<tr>
<th>Managerial</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 2</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>3 – 5</td>
<td>4</td>
<td>26.7</td>
</tr>
<tr>
<td>Above 5</td>
<td>2</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan Officers</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 5</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>6 – 10</td>
<td>7</td>
<td>46.7</td>
</tr>
<tr>
<td>Above 10</td>
<td>5</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research and Marketing</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>2</td>
<td>13.3</td>
</tr>
<tr>
<td>1 – 5</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>6 – 10</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Above 10</td>
<td>1</td>
<td>6.7</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

60% of the respondents had at most 2 persons in managerial roles. 46.7% had less than 10 loan officers. The loan officers are crucial since they are in constant contact with clients who are the core of MFIs operations. The number of loan officers (who are concerned mostly in loan following) determines loan repayment and subsequently the performance of the MFI.

13.3% of the MFIs don’t have research, development and marketing officers. Their main task is making the MFI known to the target clientele and developing programmes that attract them for financial services. This low but significant percentage translates to lack of innovation in
for financial services. This low but significant percentage translates to lack of innovation in terms of programmes that could capture more clientele increasing the base for improved performance.

The MFls with a high number of personnel performing Research and development and marketing tasks were found to grow more rapidly and their performance is satisfactory as per expectations. Among them, there is a feeling that more needs to be done to reach more clientele.

4.3: Distribution of Collaborating Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community based organizations</td>
<td>34.5</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>27.6</td>
</tr>
<tr>
<td>NGO</td>
<td>20.7</td>
</tr>
<tr>
<td>Religious bodies</td>
<td>10.3</td>
</tr>
<tr>
<td>Donors</td>
<td>6.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

6.9% of the response shows dependence on donors as collaborating agencies for development. 20.7% shows links with NGOs more so due to the fact that these institutions have their origin with these NGOs. Another 27.6% of the response shows links with financial institutions (commercial banks) more so for purpose of safe custody of contributions (savings) by clientele. 10.3% of respondents have links with religious bodies (Churches to be precise) as they are the main movers (Churches) of these MFls.

A further 34.5% shows links with community based organizations who serve the purpose of mobilizing their members to enjoy the service of these MFls. These are registered groups of people with similar interests more so at the village levels e.g women groups, youth groups e.t.c. They also play the role of members co-guaranteeing each other.
Table 4.4 Distribution of sources of Funds:

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer savings/ deposits</td>
<td>46.7</td>
</tr>
<tr>
<td>Own funds</td>
<td>46.7</td>
</tr>
<tr>
<td>Donors</td>
<td>3.3</td>
</tr>
<tr>
<td>Government of Kenya</td>
<td>3.3</td>
</tr>
<tr>
<td>Commercial Loans</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Pie Chart 1: Distribution of sources of funds

Only a paltry 3.3% of the response had donors to finance their operations. Though most respondents have their roots with donors, they have since become autonomous as they grow. Another 46.7% of response shows dependence on customer savings and deposits which is an indication of the basic requirement of most respondents to have their clients make regular savings/deposits with the MFIs.
Another 46.7% use own funds to finance operations. These comprise mostly departments within commercial banks that deal with micro-financing. Others are MFIs that have managed to make enough funds through interest charge and loan repayments for disbursements. Another 3.3% of the response shows dependence on the government for funding. This is a reflection of the government development institution engaging in micro-financing.

Table 4.5: Challenges affecting Institutions Performance:

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited financial resources</td>
<td>28.6</td>
</tr>
<tr>
<td>Delinquent loans</td>
<td>23.8</td>
</tr>
<tr>
<td>Poor R &amp; D department</td>
<td>19</td>
</tr>
<tr>
<td>Poor Management information systems</td>
<td>16.6</td>
</tr>
<tr>
<td>Attitude of borrowers and illiteracy</td>
<td>4.8</td>
</tr>
<tr>
<td>Poor marketing of institution</td>
<td>4.8</td>
</tr>
<tr>
<td>Lack of qualified staff</td>
<td>2.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Limited financial resources accounted for 28.6% of the responses. This is translated to mean that with the high demand for micro-finance, most MFIs have not reached a financial capacity to supply the same. 23.8% of response attributes delinquent loans as a stumbling block to improve on performance. These delinquent loans are attributable more so to misuse of funds for business purposes as intended, creating a situation of inability to pay back. At other times, rescheduling of loans is frequent which means the rate at which funds are revolving in the MFI is reduced affecting performance and growth rate.

Poor management information systems (MIS) are felt to be an issue according to 16.6% of the response. The clientele is therefore large and necessitates the need for up to date information in order to keep track of loans – amounts lent out, amounts due, amounts in arrears, penalties e.t.c. A poor MIS leads to high defaults and insufficient follow ups impeding on good performance. 19% of response attributed poor Research and Development department to low performance.
Another 46.7% use own funds to finance operations. These comprise mostly departments within commercial banks that deal with micro-financing. Others are MFIs that have managed to make enough funds through interest charge and loan repayments for disbursements. Another 3.3% of the response shows dependence on the government for funding. This is a reflection of the government development institution engaging in micro-financing.

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<thead>
<tr>
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<tbody>
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<td>28.6</td>
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<tr>
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<td>23.8</td>
</tr>
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<td>19</td>
</tr>
<tr>
<td>Poor Management information systems</td>
<td>16.6</td>
</tr>
<tr>
<td>Attitude of borrowers and illiteracy</td>
<td>4.8</td>
</tr>
<tr>
<td>Poor marketing of institution</td>
<td>4.8</td>
</tr>
<tr>
<td>Lack of qualified staff</td>
<td>2.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

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A combined 12% of response was of the opinion that attitude of borrower, lack of qualified staff and poor marketing of their institutions affected performance.

Table 4.6: Factors Restricting Supply of Credit to SMEs

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of formal collateral</td>
<td>30.9</td>
</tr>
<tr>
<td>Lack of business skills</td>
<td>26.2</td>
</tr>
<tr>
<td>High perceived credit risk</td>
<td>23.8</td>
</tr>
<tr>
<td>Lack of management skills</td>
<td>11.9</td>
</tr>
<tr>
<td>High transaction costs</td>
<td>4.8</td>
</tr>
<tr>
<td>Conformance to donor requirements</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Lack of formal collateral by SMEs was the major factor restricting supply of credit to SME. According to 30.9% of the responses, most lenders are unwilling to expose themselves to the risk of default in the absence of collateral. This translates to a low outreach and subsequently low performance. Most MFIs have tackled this by using group guarantee.

SMEs were perceived as huge credit risks according to 23.8% of the response. This is because most institutions see them as having high failure rates due to a weak management as well as lack of access to infrastructure. The former in itself accounts for 26.2% of response while the latter is attributable more so to poor network in the area of study especially for agricultural based SMEs.

High transaction costs were also found to affect credit delivery to SMEs. This is due to the numerous transactions necessary when dealing with small amounts of money to SMEs. According to Mukui, et al (1997), the transaction costs in the formal bank lending include:-

i). Appraisal fee necessary appraise to appraise the loan proposal

ii). Legal fees

iii). Stamp duty paid to government

iv). Discharge fees
v). Ad valorem arrangement cum renewal fees.

This is paid when the loan is disbursed and thereafter yearly based on the outstanding loan.

Table 4.7: Performance (outreach level)

<table>
<thead>
<tr>
<th>No of clients served</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1000</td>
<td>2</td>
<td>13.3</td>
</tr>
<tr>
<td>1001 – 3000</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>3001 – 5000</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Over 5000</td>
<td>7</td>
<td>46.7</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

Pie Chart 2: Outreach level

46.7% of the respondents had served well over 5,000 clients for the period of under consideration. Another 13.3% had served a paltry less than 1000 clients for the same period.
Table 4.8a: Total amounts disbursed:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3,000,000</td>
<td>2</td>
<td>13.3</td>
</tr>
<tr>
<td>3,000,000 - 6,000,000</td>
<td>1</td>
<td>6.7</td>
</tr>
<tr>
<td>6,000,000 - 9,000,000</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>9,000,001 - 12,000,000</td>
<td>5</td>
<td>33.3</td>
</tr>
<tr>
<td>12,000,001 - 15,000,000</td>
<td>2</td>
<td>13.3</td>
</tr>
<tr>
<td>Over 15,000,000</td>
<td>2</td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

13.3% of respondents had disbursed less than Kshs. 5,000,000 for the period 2002 to Aug. 2004. Another 13.3% of respondents had disbursed over 15,000,000 during the same time frame.

Table 4.8b: Interest rate Policy

<table>
<thead>
<tr>
<th>Policy</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat rate</td>
<td>10</td>
<td>66.7</td>
</tr>
<tr>
<td>Prevailing market rate</td>
<td>5</td>
<td>33.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

33.3% Flat rate
66.7% prevailing market rate

Pie Chart 3: Interest rate policy
Majority of respondents (66.7%) had adopted the application of a flat rate charge on interest payable on loans. This attracts clients who view this as a cushion to vulnerability in unforeseen negative market trends. This rate is more so by MFIs and not departments in mainstream banks who charge rates on market rate basis which accounts for 33.3% of the respondents. This whole idea makes demands for MFIs higher thus a positive contribution towards performance.

Table 4.7: Proportion of repaid disbursements

<table>
<thead>
<tr>
<th>Level</th>
<th>2002</th>
<th>2003</th>
<th>Jan- Aug. 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>%</td>
<td>Frequency</td>
</tr>
<tr>
<td>0-30</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31-60</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>61-90</td>
<td>2</td>
<td>13.36</td>
<td>1</td>
</tr>
<tr>
<td>Above 90</td>
<td>13</td>
<td>86.7</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
<td>15</td>
</tr>
</tbody>
</table>

For the year 2002, repayments above 90% were recorded by 86.7% of the respondents. The following year (2003), a higher percentage of 93.3% recorded over 90% of re-payments. This is a clear sign of improved performance. By August of 2004, 86.7% of the respondents recorded between 61% and 90% of repayments which in fact is what was experienced for the whole year of 2002. This is an indication of improved performance in terms of debt collection though overall performance is not mandatory is in the same direction.

The study found out that the following measures have been put in place by MFIs to enhance performance:

i) Adopting a flat rate of interest to cushion recipients against the fear of adverse market interest rates.

ii) Geographical concentration of projects though this has its negative impact as far as outreach is concerned.

iii) Tailor made staff training to build capacity of staff.

iv) Installing proper accounting systems for accurate reporting.
v). Enhanced loan recovery and operational efficiency to reduce transaction costs. This has been through recruitment of qualified staff that are able to perform their duties with minimal supervision.

vi). Techniques to slash administrative costs through simplified procedures such as use of group guarantee schemes that motivate higher repayment rates.

vii). Removal of delays in disbursement of approved funds.

viii). Investment in technology more so computerization.

ix). Less bureaucracy and red tape in processing of proposals.

The measures show MFIs redefining themselves as being tailor made. They show internal structural changes for purposes of improving efficiency and effectiveness. This should result to improved performance in both the long and short terms.
CHAPTER FIVE

5.0. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of the study findings, conclusions and policy implications.

5.1. Summary and Conclusions

The study was undertaken to look into factors affecting the performance of formal microfinance institutions in central division of Embu District. Data was collected from 15 institutions through a questionnaire and personal interviews.

The following is a summary of the key results emerging from the study:

Firstly, majority of the MFls have an NGO background and were established in the 1980s and 1990's when SAPs were effected in Kenya. Most of them source their funds from own operations and there are cases of some being donor funded or government funded. The own funding restricts outreach and performance due to scarcity of enough funds to lend out on the back of the fact that such would increase their risk.

Secondly, factors affecting performance of MFls included; limited financial resources, delinquent loans, lack of management information systems as well as having a poor research and marketing programme. The latter contributed to the lack of knowledge by would-be clientele on the existence of the institutions.

Thirdly, deposit mobilization was found to be a key factor in ensuring self-reliance of institutions. Apart from Credit and savings functions, MFls provide business development services and community based Services. A number of MFls pointed out that the cost of financial services as a limiting factor, they adopted to use flat interest rates and not prevailing market rates as would be advisable. Legal constraints namely: Banking Acts restrictions, lack of a regulatory body and obstacles in recovering securities affected performance. Default rates were a common feature in most MFls and these contributed negatively to their performance.

On the other hand MFls have tried to resolve the issue of security through offering other forms of collateral. These include group guarantees and compulsory savings. Group guarantees are popular with the respondents providing credit through groups as a basis for
5.2. **Recommendations**

1) Donor based MFIs should look into possibility and options of sourcing funds through encouraging savings and deposits by recipients who desire their services.

2) The MFIs which have adopted flat rates of interest need to adopt prevailing market rates of interest.

3) There is need for the Government to strengthen the regulatory system Governing the running / operations of the MFIs.

4) There is need for adoption of standard performance indicators for use by MFIs.

5) MFIs should embark on programs that educate recipients (through training) on management of their business undertakings.

6) The microfinance institutions also need to set up or strengthen R & D departments as applicable in individual MFIs.

7) With poor marketing being a setback in improving outreach, MFIs should adopt favourable marketing initiatives to tackle the problem.
5.3. Limitations of the Study

Lack of response by a few respondents (25%) as targeted was a setback, though the response was favourable to support study objectives.

Second limitation was lack of finances on the part of the researcher. Time constraint was also a limitation during the research process.

5.4. Suggestions for Further Research

The study focused on performance of micro-finance institutions in central division of Embu District. There’s need to carry out a similar study but on a larger scale say the entire District covering more respondents. Such study could further focus on Agricultural based MFIs especially farmers’ SACCOs given the fact that the district is composed largely on small scale farmers and micro-enterprises.

It’s also recommended that a study be carried out to evaluate performance of informal lending institutions e.g. ROSCAs bearing in mind that these sources continue to grow in complexity in the District.

The researcher also recommends that performance and sustainability of formal MFIs be approached from the point of view of the user (SME) since this study was from the point of view of the provider (MFI)
REFERENCES


World Bank (1996), “Sustainable Banking with the Poor: A worldwide Inventory of MFIs”, Washington USA.

Appendix 1

Questionnaire

Dear Respondent,

I am a postgraduate student at Kenyatta University, School of Business, Department of Business Administration.

I am carrying out a research on “An investigation of factors affecting Performance of formal micro-finance Institutions: A case of Central Division Embu District.” This questionnaire is aimed at eliciting information that will be useful in the above-mentioned research as part of the master of Business Administration degree requirements.

Your institution has been selected as one of the respondents in this study. The information supplied will be used strictly for academic purposes and will be treated with utmost confidentiality. Your co-operation will be highly appreciated.

Thank you.

Njagi E. Moses
Instructions:
Where necessary, tick appropriately in the space provided - □. You can tick as many as are applicable.
In cases where indications of “other” are given, please provide information in the space provided. If the space is not enough, use the space at the back of the page.

BACKGROUND INFORMATION

1) Name of Institution ____________________________________________
2) Year Established _____________________________________________
3) Number of branches countrywide __________________________________
4) Type of Institution ____________________________________________

5) Types of financial services provided (please tick)
   (a) Credit □
   (b) Savings □
   (c) Insurance □
   (d) Other (Specify) ____________________________________________

6) What is the number of staff under each category
   Managerial ____________________ Loan officers ____________________
   Research department __________ Support staff ____________________
   Other (Specify) ________________

7) Which of these agencies do you have links with (tick appropriately)
   Financial Institutions □ NGOs □
   Religious Bodies □ Donors □
   Other (Specify) ________________

8) Source of funding (Proportion of total fund) – Tick where applicable.
   (a) Donors
      0 – 25% □ 51% - 75% □
      26% - 50% □ Over 75% □
   (b) Own funds
      0 – 25% □ 51% - 75% □
      26% - 50% □ Over 75% □
(c) Government of Kenya

0 - 25% □ 51% - 75% □
26% - 50% □ Over 75% □

(d) Commercial loans

0 - 25% □ 51% - 75% □
26% - 50% □ Over 75% □

(e) Other (Specify) ______________________

INSTITUTIONAL DATA

9) Which of these factors do you consider in availing credit (tick all applicable and specify where necessary)

(a) Gender – male □  Female □  Both □

(b) Educational Level - Primary □  Secondary □  Tertiary □

(c) Type of business – service □  manufacturing □

Agriculture □  Other (Specify) ______________________

(d) Location of Enterprise – Rural □  Urban □  Both □

(e) Ability to raise collateral □

(f) Presentation of a business proposal □

(g) Registered / Licensed Business □

(h) Business Status: Start up □  Ongoing □

10) Indicate mode of credits provision (tick appropriately)

(a) Group Credit □  (c) Both ‘a’ and ‘b’ □

(b) Individual □  (d) Other (Specify) ______________________

11) If group credit, what are the requirements? (Please list) ______________________

________________________________________________________________________

________________________________________________________________________

12) If individual credit, what are the requirements? _____________________________

________________________________________________________________________

________________________________________________________________________

13) What non-financial services do you provide (Please tick)

(a) Marketing □  (c) Advocacy □
14) What action do you take in case of default (Tick all applicable)
   (a) Court action □
   (b) Seizure of assets □
   (c) Guarantors pay-up □
   (d) Withdrawals form accumulated savings □
   (e) Other (Specify)

15) What interest rate policy do you apply?
   (a) Subsidized □
   (b) Prevailing market rate □
   (c) Other (Specify)

16) How do you calculate your interest rates (tick appropriately)
   (a) Declining balance □
   (b) Flat rate □
   (c) Other Specify

17) What factors do you consider in developing the interest rate policy?
   (a) Operating cost □
   (b) Service fees □
   (c) Inflation □
   (d) Other (Specify)

18) What performance indicators are used by your institution (Please tick and give value for the years indicated).

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>Jan – Aug 2004</th>
</tr>
</thead>
</table>
   (a) Sustainability □            |
   (b) Repayment rate □            |
   (c) Loan amounts □              |
   (d) Revenue □                   |
   (e) Costs □                     |
   (f) Current Ratio □             |
   (g) Other (Specify)             |

19) What challenges do you face that affect the institution’s performance (tick all applicable).
   (a) Lack of qualified staff □
   (b) Lack of management Information Systems □
   (c) Delinquent loans □
   (d) Poor Research and Development department □
   (e) Limited Financial Resources □
   (f) Poor marketing of the institution □
20) Which of the following factors constrain achievement of sustainability of your institution (tick all applicable).
   (a) High default rate  
   (b) Huge Operating Costs  
   (c) Subsidized interest rates  
   (d) Provision of non-financial services to clients  
   (e) Inadequate savings by clients.  
   (f) Legal constraints  
   (g) Delays in disbursing approved funds  
   (h) Cost of financial resources  
   (i) Wide geographical coverage 

21) In your opinion what factors restrict supply of credit to small and medium enterprises (SMEs) (tick all applicable).
   (a) High transaction costs  
   (b) High perceived credit risks  
   (c) Lack of formal collateral  
   (d) Lack of business plans  
   (e) Lack of management skills  
   (f) Conformance to donor requirements  
   (g) Others (Specify) 

22) Suggest ways of alleviating problems in Questions 18, 19 and 20.


23) What legal constraints does your institution face in lending to small and medium enterprises?
   (a) 
   (b) 
   (c) 

24) Suggest ways of alleviating the problems above


25) In your institution surveys, what percentage of SMEs has accessed credit from MFIs in Central Division of Embu District? (Tick appropriately).

(a) 0 – 25% □
(b) 26 – 50% □
(c) 51 – 75% □
(d) Over 75% □

26) Number of micro-credit beneficiaries

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>Jan – Aug 2004</td>
<td></td>
</tr>
</tbody>
</table>

27) Total amounts disbursed.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amounts Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>Jan – Aug 2004</td>
<td></td>
</tr>
</tbody>
</table>

28) Of the total amounts disbursed what amounts have been paid back?

<table>
<thead>
<tr>
<th>Percent</th>
<th>2002</th>
<th>2003</th>
<th>Jan – Aug 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 – 60%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61 – 90%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 90%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your cooperation.
Appendix 2

List of Respondents:

1. Commercial microfinance Institutions
   - Mbeu Savings and Development Association
   - K- Rep
   - Faulu Kenya
   - Business Initiative and Management Assistance Services (BIMAS)
   - Kenya Women Finance Trust (KWFT)
   - Small and Micro-enterprise Programme (SMEP)

2. Commercial bank department
   - Kenya Commercial Bank
   - Co-operative Bank of Kenya
   - Equity Building Society
   - Family Finance Building Society

3. Development Finance Institutions
   - Agricultural Finance Corporation

4. Non governmental organizations
   - World concern

5. Savings and Credit Societies
   - NENO Savings and Credit Co-operative Society
   - Aembu Farmers’ Savings and Credit Co-operative Society
Appendix 3

List of Expected Respondents:

1. Commercial microfinance Institutions
   - Mbeu Savings and Development Association
   - K- Rep
   - Faulu Kenya
   - Business Initiative and Management Assistance Services (BIMAS)
   - Kenya Women Finance Trust (KWFT)
   - Small and Micro-enterprise Programme (SMEP)
   - Abantu Micro finance institution.

2. Commercial bank department
   - Kenya Commercial Bank
   - Co-operative Bank of Kenya
   - Equity Building Society
   - Family Finance Building Society

3. Development Finance Institutions
   - Agricultural Finance Corporation
   - Kenya Industrial Estates (KIE)

4. Non governmental organizations
   - World concern
   - Care Kenya
   - Plan International

5. Savings and Credit Societies
   - NENO Savings and Credit Co-operative Society
   - Aembu Farmers’ Savings and Credit Co-operative Society
   - Embu Teachers’ Savings and Credit Co-operative Society.
**WORK PLAN**

**ACTIVITY**

1. Pilot Study
2. Adjustments
3. Data Collection
4. Data Coding
5. Data Analysis
6. Report Writing
7. Compilation

**TIME IN WEEKS**

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Appendix 5

ESTIMATED BUDGET OF THE STUDY

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