THE IMPLICATIONS OF MICROFINANCE ON THE PROVISION OF SUSTAINABLE SUPPORT TO ORPHANS: A CASE STUDY OF EAST AND SOUTH EAST ALEGO IN SIAYA DISTRICT

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION, BUSINESS ADMINISTRATION DEPARTMENT, SCHOOL OF BUSINESS OF KENYATTA UNIVERSITY

AUGUST 2005

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The implications of microfinance on the
DECLARATION

I hereby declare that this research project is my original work and has not been presented for a degree in any University.

Sign

Date

29-08-05

Martin W.O. Madara

This Research Project has been submitted for examination with our approval as the Kenyatta University Supervisors.

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Date

Dr Gongera
(Chairman-Business Administration Department, School of Business)
DEDICATION

I dedicate this work to my children Domy, Sheila and Raymond and thank them for always inspiring me to aim high for their future.
ACKNOWLEDGEMENT

First and foremost I would like to sincerely thank my supervisor Ms. Judy A. Oluoch for mentoring me and supporting me in going through the development of this research project right from the synopsis development, the zero draft of the research proposal to a final research proposal, and further still from a draft research findings and discussions to a final research report, I wish to say a big thank you to her.

I wish also to thank Mr S. Bett, and the other panelist for having guided me during the proposal defense and having given me a direction in my research proposal development.

I wish as well to thank Dr. Gongera the chairman of business Administration Department of Kenyatta University for continuous support during my research process. In the same note I wish to thank all the lecturers in the Business Administration Department for having taken me through the rigorous course and eventually the research project.

I would like to thank Bretta Ngotta for having successfully coordinated my field survey during data collection and all the Enumerators who actually collected the data, without which this project would have not been successful.

Lastly I would like to thank my family for their support during this research and for their cooperation throughout my course during which they had to forego not only my presence but also material support as well.
ABSTRACT

The study was to find out the implications of microfinance on the provision of sustainable support to orphans and child headed families. It has been known from researches on microfinance that microfinance services are not only needed by the poor but are capable of releasing them from poverty (Stuart Rutherford in his book the poor and their money2000)

Most microfinance institutions and Non-Governmental Organizations that have offered microfinance services to the poor world over have proved that financial services can be an effective and powerful instrument for poverty reduction by enhancing the ability of poor people to increase incomes build assets and reduce their vulnerability in times of economic stress.

But even though microfinance is gaining recognition in Kenya and the world over, there is still a lot of generalization of microfinance products to the general micro entrepreneurs without regard to special or would be special groups that are becoming more vulnerable like orphans and child headed families.

The purpose of the study was to find out if there are, certain micro-finance products that can be appropriate in offering sustainable support to orphans and child headed families.

The study was based in two locations in East and South East Alego Locations of Siaya District with a population of 32,575 people. There are 4072 households and the study
sampled 207 households with orphans. The orphan’s population in the two locations is at 16%.

The study used a cross sectional analytical study and both quantitative and qualitative data collection methods was used, and data collection tools were semi-structured questionnaire and a key informant interview guide.

In general the study confirmed that microfinance services are still quite inaccessible to poor and vulnerable families as 81.2% said that the services are not accessible, and where they are available the respondents reckon that their conditions are much away of their means, coupled by the fact that their products are not appropriate for the study target group. 65.7% of the respondents felt that the products of microfinance institutions available are inappropriate to their conditions.

From the study it is also apparent that orphans and guardians of orphans are capable of utilizing the microfinance services but only if such services are tailored towards their needs and financing activities that are less strenuous in operation.

Activities that have come out in the favor of the study target group are such as:

- Financing of agricultural activities, ranging from crops, livestock, poultry to agricultural equipment and implements.
Financing of innovative and less cumbersome activities like shallow wells and boreholes for sale of clean water.

Direct financing of orphans technical trainings for example through apprenticeship.

Financing of working tools and equipment for the orphans to start their own workshops.

The research also confirmed that most microfinance do not penetrate the rural with their services as many respondents were not members due to unavailability of microfinance institutions, and yet 81.6% of the respondents feel that they are capable of utilizing microfinance services especially loans.
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<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<td>CGAP</td>
<td>Consultative Group to Assist the Poor</td>
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<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>MFIs</td>
<td>Microfinance Institutions</td>
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<td>NGO</td>
<td>Non-Governmental Organizations</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>SPSS</td>
<td>Statistical Package for Social Scientist</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>WHO</td>
<td>World Health Organization</td>
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<td>WMS</td>
<td>Welfare Monitoring Survey</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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### DEFINITION OF TERMS

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<tr>
<td>Child headed families</td>
<td>Families headed by one elder siblings who is still a child.</td>
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<td>Collateral</td>
<td>Any form of security offered for a loan</td>
</tr>
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<td>Cost effective</td>
<td>Operating at a required level</td>
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<tr>
<td>Financial services</td>
<td>Services involving trading on money</td>
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<td>Foster parents</td>
<td>Caregivers of orphans</td>
</tr>
<tr>
<td>Guardians</td>
<td>Caregivers of orphans</td>
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<td>Micro enterprises</td>
<td>Smaller business ventures</td>
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<td>Microcredit</td>
<td>Small loans</td>
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<td>Microfinance</td>
<td>the delivery of financial services to small and micro-Entrepreneurs who often do not have any form of collateral.</td>
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<td>Orphans</td>
<td>Are children who have lost one or both parents Through death.</td>
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<td>Payment services</td>
<td>Receiving payment through an intermediary</td>
</tr>
<tr>
<td>Poverty</td>
<td>it is a state of inadequacy of income and deprivation</td>
</tr>
<tr>
<td></td>
<td>Basic needs and rights and lack of access to productive assets as well as to social infrastructure and markets</td>
</tr>
<tr>
<td>Products</td>
<td>Goods and services offered for sale</td>
</tr>
<tr>
<td>Savings</td>
<td>Deposits made for future use in form of money and support.</td>
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<tr>
<td>Sustainability</td>
<td>Being able to operate without relying on external Support.</td>
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<td>Vulnerable</td>
<td>being susceptible to risks</td>
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CHAPTER I
INTRODUCTION

1.1 Background of the Study

As recently as a few years ago, the term 'microfinance' was easily understood; a credit methodology that employs effective collateral substitutes to deliver and recover short term working capital loans to entrepreneurs (or potential entrepreneurs). (CGAP Phase III Strategy 2003-2008)

Microfinance is therefore the delivery of financial services to small and micro-entrepreneurs who may not have collateral and thus use appropriate guarantee systems \(^1\) that enables the poor access financial services to improve their income, cumulate assets, access healthcare, education and employment.

Microfinance involve accessing financial services to the poor like, savings facilities, micro credit, payment services and insurance services.

Most microfinance institutions and Non-Governmental Organizations that have offered microfinance services to the poor world over have proved that financial services can be an effective and powerful instrument for poverty reduction by enhancing the ability of poor people to increase incomes build assets and reduce their vulnerability in times of economic stress. (CGAP Phase III Strategy 2003-2008)

In Kenya until recently microfinance was not given prominence as an economic tool to stimulate growth and sustainability.\(^2\) The Government and Development Organizations long

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\(^1\) Often they use group guarantee system.

\(^2\) Microfinance Bill is yet to be tabled in parliament for debate
term plans have always excluded microfinance thus excluding the poor from accessing essential services to improve their income. Much emphasis have been put on developing the formal financial sector such as Banks and other financial institutions like Building Society, Insurance Companies, Capital Markets and others. The PRSP 2001-2004 and Welfare Monitoring Survey (WMS III of 1997) estimate overall incidence of absolute poverty at 52% and therefore they are likely that they do not access the formal financial institutions.

But even though microfinance is gaining recognition in Kenya and the world over, there is still a lot of generalization of microfinance products to the general micro entrepreneurs without regard to special or would be special groups that are becoming more vulnerable like orphans and child headed families.

Orphans are children who have lost one or both parents through death. This situation puts these group of people in a very vulnerable position, as they do not have legitimate parents to fend for them thus depends on foster parents/guardians at times the elder orphan head the whole family.

The orphans’ situation has been made worse with the emergence of HIV/AIDS, which has rendered many families orphaned. The situation seem to be deplorable in rural villages where in most cases orphans are left under care of their old grand parents and in some cases under care of the elder orphan. A study by Mutere (2003) on the effects of Aids induced orphanhood on third generation (grandparents) care givers in Budalangi Busia District-Kenya found out that, 85% of care givers of orphans are Female Grand parents. Another study done in Kenya by (Misore 2001) found out that caregivers of orphans are mostly between the ages of 47-59 years. These groups therefore are definitely vulnerable and obviously live below poverty line thus need special attention.

3 These financial institutions target only the well to do citizens
Researches have been done by many microfinance institutions and Donor based institutions like the CGAP and Grameen Bank in Bangladesh, to come up with various microfinance products that are appropriate to the economically active poor but little or no research may have been done to find out specific microfinance products that would be sold to Foster parents/Guardians of orphans and child headed families to sustainably improve their income, help them cumulate assets access healthcare, education and create employment for them. These groups of people have always been left at the mercy of well wishers for their food education, healthcare and general livelihood.

This research therefore was to find out if there could be some microfinance products that can be designed depending on the need to care for orphans that would suit the foster parents/guardians who are normally elderly and mostly women, (according to Mutere 2003 and Misore 2001) as well as child headed families. The research sought to find out other complimentary products that make it appropriate to such group to benefit from microfinance services in a dignified way without relying on hand outs at the same time looking at the cost effectiveness of such products. It was anticipated that this research may bring up issue that may not only be important to the institutions that are in microfinance business but may give some insights on how the orphans would be supported sustainably and thus derive a dignified livelihood.

I also feel that this research though academic, should provide linkages of academic knowledge and the practical societal problems at the grassroots, which are more often overlooked by the business world thus creating gaps in a country’s wealth distribution.

4 The poor who are operating small business
1.2 Problem Statement

Although Microfinance have shown remarkable improvement of welfare of the poor in many
countries, the quest for staying afloat and sustaining the microfinance institutions’ operations
seem to have preoccupied the same institutions to the extent that, they may soon loose all the
gains they have made in fighting poverty.

This quest has driven Microfinance Institutions (MFI) into researching and developing
products with higher profits in shorter period, which I totally agree with in view of sustaining
the Microfinance Institutions but the obvious resultant consequence seem to be that, the MFIs
will target not only the well to do ‘poor’ but will in essence compete with the formal financial
institutions. ¹

In the event of this, then the real poor and vulnerable groups will not access the microfinance
services, and thus increase in number of the poor graduating down to below poverty line.

HIV/Aids scourge is also steadily dropping many families to the below poverty line with very
many families being orphaned. It has been argued that such vulnerable groups are not credit
worthy and thus do not form part of MFIs clientele, and that should be provided with grants.
The question is WHO will ever provide such grants? And will it ever be sustainable
especially in most African economies?

Owing to the above argument therefore the situation of orphans in Kenya and other African
countries seem to be overwhelming that require sustainable interventions, thus Microfinance
sector needs to develop products that would ensure sustainable support to orphans at the same
time, which are cost effective and not only profitable as has been the trend. This study was

¹ Will target the same affluent customers of the formal financial institutions
therefore, to find out if there are, certain microfinance products that can be appropriate in offering sustainable support to orphans and child headed families.

1.3 Study Objectives

1.3.1 Broad Objective

The broad objective of the research was to investigate the impact of microfinance on provision of sustainable support to orphans in East and South East Alego Locations

1.3.2 Specific Objectives

a. To determine the type of products offered by Microfinance Institutions.
b. To assess the impact of microfinance to Household with/ taking care of orphans.
c. To assess the appropriateness of the microfinance to support the orphans.
d. To find out if the microfinance has led to orphans access to education.
e. To establish if microfinance has led to changes in attitude towards the orphans.
f. To find out if microfinance can lead to improvement of agricultural production in household taking care of orphans.
g. To find out the microfinance products that would be appropriate for the foster parents/guardians of the orphans and child headed families.

1.4 Research Questions

a) What types of microfinance products are available?
b) What kinds of clients go for the said products?
c) Do microfinance services reach the households with orphans?
d) Do orphans benefit from microfinance services?
e) Do microfinance activities contributes towards agricultural production in households with orphans?
f) Are the microfinance products available suitable to foster parents/guardians or child headed families?
g) What kind of microfinance products would be suitable to foster parents/guardians and or child headed families?

1.5 Justification of the Study

HIV/AIDS scourge have led to many deaths of many young, youthful and productive ages in Kenya thus leading to many orphans left either on the care of family members or in some cases on their own. The orphans and their caregivers whom are often elderly become quite vulnerable thus requiring external support in terms of grant. But as the number has continued to increase day by day, it is already becoming difficult to any support system to sustain such grants.

This therefore calls for ways and means of finding out if other sustainable support systems do exist. Communities’ social system that used to provide such support by easily integrating such orphans within the society have become so loose as a result of overwhelming demand for such support and deteriorating economic base within many rural communities.

There are as well many orphanages which do take care of basic needs but as the situation continue growing worse it obvious that the orphanages may not make any significant change. Such orphanages have also been seen as confining the orphans thus depriving them of societal integration.
1.6 Significance of the Study

The study aimed at finding out whether microfinance would provide sustainable support to orphans, and if so then what kind of products would be appropriate to provide such support in a cost effective manner.

The study therefore had two fold benefits to the society or interested parties, these are: One, the findings if proven that microfinance services can provide support to orphans then this would give a leeway of solving orphans basic needs of food, health, education, shelter and even acquiring of post school technical skills for their future long term survival. Two, the findings would have basic suggested products that are appropriate for such vulnerable group, which would be useful to microfinance practitioners and public policy makers like Government.

More often Microfinance Institutions have tried to avoid such vulnerable groups such as orphans, citing uncredit worthiness and that they only need grants. This study was therefore to confirm or prove otherwise this theory, and try to find out whether it’s true they are uncredit worthy or the products they need have never been designed? Or such products are there but not attractive to microfinance service providers? And if so then how would our Microfinance Institutions blend their ‘sustainability’ objectives with the social sustainability as well as overall objective of contributing to reducing poverty?
1.7 The scope of the study/study area

The study was based in two locations, that is, East Alego Location and South East Alego Location of Karemo Division, Siaya District, Nyanza Province in Kenya. The study area lies between latitude 03 South and 06 North of the Equator. The locations are approximately 60 kilometers from Kisumu town. They span over an area of 82 km sq. it stands at an altitude ranging between 1,220 to 1,380 meters above sea level.

The climate of the two locations is predominantly warm, dry and has low to moderate precipitation, with mean annual rainfall between 1,000mm and 1,600mm. There are two rainy seasons with the short season between October and December, and long rainy season between March and June. The area has eight seasonal streams that are tributaries of River Yala.

The population of the study area was projected at 32,575, people from the 1989 census. This gives population density of approximately 397 persons per km sq. The locations are administratively divided into two locations where East Alego location is having three sub-locations and 15 Villages, while South East Alego location is divided into four sub-locations with 22 Villages. Thus the two locations have 37 villages with about 4072 Households.

The prevalence of orphans in the two locations is about 16% according to the data held by the chief’s office, whereby East Alego location have 2132 orphans while South East Alego have 3100 orphans according to the Chief’s latest data collected in the different Sub-locations.

The most important economic activity is subsistence food production. Maize is the main food crop grown; the other crops grown are sorghum, cassava and different types of vegetables.
The major business centers in these two locations are Ngiya market and Siaya Town with other smaller market centers like Umala and Nyangoma.

1.8 Limitations

- Due to limited resources the study was done in a small area (two locations) thus covering a very small population.
- Since orphans support has a lot to do with cultural orientation and microfinance activities depends on economic activities in each region, the findings depends more on the region of study and thus not widely applicable.
- Most of the literatures available have Regional and global orientations thus were not quite fully applicable to the local situation in the area of study.
- Orphans issue is always sensitive in communities and carries a lot of expectations, this may have elicited bias responses.

1.9 Assumptions

- The study assumed that at least a microfinance institution has operated in the study area.
- It assumed that there is homogeneity in community in terms of economic activities.
2.1 Introduction to Literature Review

There are a number of arguments for and against microfinance services as a means of supporting the poor and particularly the vulnerable groups like orphans and child headed families in the literature. The clearer arguments seem to be giving a desperate conclusion that most vulnerable groups are only supportable using grants as they may not be able to repay loans.

The other argument has it that the very poor, vulnerable groups included are in fact most sincere and have high chances of repaying the loan and utilizing other microfinance services faithfully than those who at least are better off.

Most of the orphaned children are a result of HIV/AIDS and conflicts like war, in other parts of the countries and especially in urban cities there are also abandoned children.

The main aim of this study was therefore to examine critically how the two arguments would be synchronized and away foreword found to sustainably support the orphans rather than relying on grants and occasional handouts.
2.2 Conceptual Framework

**Independent variable**

Access to Basic needs by orphans
- Food
- Clothing
- Shelter

Change in attitude towards orphans
- Utilization of loans
- Able to save
- Credit worthy
- Support through caregivers

Microfinance services
- Loans
- Savings
- Insurance
- Money transfers

Improvement in agricultural production
- Land size under production
- Change in farming technology
- Change in output
- Change in income

Access to education & training by orphans
- Number attending school
- Number attending colleges
- Change in skills

Access to employment opportunities
- Number of orphans hired
- Number in self-employment
- Change in household income
2.3 General Poverty Situation

Dr. Sen, Binayak and Prof. Hulme, David in their research on chronic poverty in Bangladesh (April 2002) mentioned that the chronic poor are heterogeneous but often they are concentrated in particular areas and experience social exclusion for a range of reasons (gender, age, disability and social identity) and that they receive few benefits from contemporary state, market or social actions.

CGAP Annual Report 2002 states that there are one billion poor people in the world who are not accessible to financial services. However the IMF Publication called The World Economic Outlook of April 2004 approximate the world poor population at about 1.2 billion who live on less than 1.08 dollars a day. The paper goes further to analyze the numbers as per regions, e.g.:

Sub-Saharan Africa 338.1m out of total population of 690m
Middle East and Northern Africa 7.675m out of total population of 307m
Developing Asia 803.272m out of total population of 3239m
Latin America 57.86m out of total population of 526m

The World Economic Outlook of April 2004 of the IMF as well rates the world poor population at 3 billion that’s when they increase the benchmark to those who live on less than 2 dollars a day.
The UNICEF Publication called The State of World Children of 2005 approximate the World orphaned children at 15 million and thus reiterate that these are children who do not get adequate access to basic needs like Shelter, Sanitation, Safe water, information, healthcare, school, and food. The number of world poor population, which keeps on increasing, makes these children’s situations worse.

The World Economic Outlook of the IMF states that the majority of the world’s population lives in the rural, in fact 70% of the world’s population lives in the rural with strenuous access to basic services.

2.3.1 Africa perspective

In the 1960s it marked the era of freedom for Africa and in the early 1970s the countries of the African Sahel on the Southern rim of the Sahara were harshly affected by drought and famine. In the early 1980s, however an even greater crisis overtook Africa. Food shortages affected more than 150 million children, women and men where hundreds of thousands people were left dead, and yet many of this countries were already facing serious political, social, environmental and economic problems.

In the 1990s the United Nations New Agenda for the Development of Africa. Which was initiative of the international community and African countries was to renew their commitment to support Africa’s effort to achieve self-sustaining social and economic development. In this initiative attention was to be drawn to agriculture, rural development and credit system. But still the African economies continued from in fact stagnation to declining, where the economic growth was only at 1.5 per cent, which was the world lowest.

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6 The credit system was found as one of the best ways of enhancing sustainable socio-economic development.
After that therefore Donors became hesitant to assist, and even if they were to assist, then with conditionalities.

The failure to meet these conditionalities therefore meant no donor funds, and the greatest failure of reform thus far for Africa is that it has been overwhelmingly urban, while the continent is not. In most cases the rural poor has been neglected and yet they are the majority. (According to United Nations Economic Commission for Africa Rural Progress Vol. XII, No. 1, 1993)

2.3.2 Kenyan perspective

Kenya as well have gone through almost a similar scenario whereby the overall national incidence of poverty in Kenya was estimated at 52 per cent based on welfare monitoring survey III of 1997. The number of poor increased from 3.7 million in 1972-3 to 11.5 million in 1994 and is now estimated to have reached some 15 million.

The Kenyan PRSP estimate that, three quarters of the poor lives in the rural areas. The prevalence of poverty in 1994 was highest in North Eastern province at 58 per cent and lowest in Nyanza and Central provinces at 42 and 32 per cent respectively. However by 1997 poverty had increased tremendously at the same time changed its distribution where by Nyanza province had the highest at 63 per cent.

2.3.3 Nyanza province perspective

Based on the welfare monitoring survey (WMS) and other data, the incidence of overall poverty reached 53 per cent of the rural population in 1997 in Kenya. The WMS of 1997 recorded Nyanza and rift valley province as having the highest number of individual below poverty line, which is at 2.67 million and 2.69 million respectively, while Nyanza province
had the highest households below poverty line at 507,720. as compared to total household below poverty line of 2,537,197. in the whole country.

2.3.4  Siaya District situation

According to the Ministry of Finance, Siaya District Development Plan 2002-2008 the overall poverty level is at 58 per cent, showing that the District must be one of the major contributors to the high percentage of the Nyanza province poverty situation. Karemo Division of Siaya District where the study is going to be conducted in two of its locations is one of the Division with the poorest Agricultural land among the Divisions in Siaya District.

In general some of the causes of poverty as outlined by the Kenya PRSP are low agricultural production, low livestock production, insecurity, unemployment, bad governance, landlessness, inadequate roads, high cost of social services, high cost of education, HIV/AIDS, gender imbalance and disabilities.

2.4  Orphans situation

“The impact of HIV/AIDS on orphans and vulnerable children is enormous, particularly to children themselves, their families and society at large. At the moment, over 900,000 children in Kenya have been orphaned due to HIV/AIDS. Due to widespread poverty in Kenya, many such orphans will not receive adequate support from their families and may soon become visible as street children.” (According to Margaret Buyela, Director Children Services)

By 2003 more than 13 million children under 15 years of age had lost one or both parents to AIDS globally, 11 million of them, being from Sub-Saharan Africa. In Kenya the estimate by then indicated that 2.2 million Kenyans were HIV positive, 1.5 million had died leaving
behind about 1.3 million orphans under 18 years of age (Kenya National Development Plan 2002-2008) The orphan figures were projected by UNICEF to reach 1.8 million by 2005.

The surging number of orphans is actually reversing the gains that Kenya has made in its development plans especially in opening up rural economies. This has also incapacitated communities to deal with the orphans’ situation as societal problems as they used to previously. According to Kenya PRSP 2001-2004, indicated that poverty situation in other regions in Kenya has made it difficult for communities to take care of orphans. One of the principles of the National Guideline on support to orphans march 2003 emphasizes on strengthening economic capacities of families and communities to cope with orphan support.

2.5 Microfinance and its evolvement

Countries all over the world are beginning to see the staggering potential of microfinance. It is a potential far greater than an effective credit methodology or a specialized niche of development. Today, microfinance means designing entire financial systems in developing and transition economies that, for the first time, serve the majority of poor people. It means taking down the walls that separate our efforts from those made on behalf of the formal financial system, domestic capital markets, and development. (Extract: Elizabeth Littlefield, Director of CGAP)

In the 1950s, development projects began to introduce subsidized credit programs targeted at specific communities. For example, governments and Donors provided subsidized agricultural credits to small and marginal farmers with the goal of raising productivity and income. These schemes were rarely successful because the funds seldom reached the poor, ending up in the hands of better-off farmers. Moreover subsidized interest rates introduced a
culture of non-repayment, which in turn made it difficult for lasting financial system to emerge.

Failure of the subsidized system led to emergence of social systems in credit, where by in 1970s a few NGOs in Bangladesh, Bolivia and a few other countries, started to extend tiny loans to groups of poor women so they could invest in micro-business. This type of credit was based on solidarity of the group lending where every member guaranteed the repayment of all the members.

In the 1980s and 1990s these NGOs improved their lending systems. They realized that the poor not only utilizes loans well but repay well as well. The poor were also willing to repay interest rate that would allow the Microfinance Institutions to cover their costs.

In the process it was discovered that: not all poor people run micro enterprises therefore not all are reached with microfinance services, because such services were not suitable to all of them. It was also apparent that financial needs of the poor extend beyond working capital loans but encompass savings; credits, insurance and money transfer services.

The CGAP Annual report of 2003, goes further to suggest that microfinance on its own is not sufficient to reduce poverty. Poverty alleviation requires comprehensive approach with concerted efforts in many fronts. The financial services should be complimented by other interventions such as access to education, adequate physical infrastructure, and fair markets.

7 The microfinance products designed were not appropriate for certain class of poor and vulnerable people like orphans.
It continue to argue that the destitute who do not have any source of income are not appropriate clients for microcredit, and might be better served initially through targeted safety net or grants programs. The CGAP Phase III Strategy 2003-2008, reiterate that not all the poor run growing microenterprises, but all poor people need, use, and benefit from different kinds of financial services. In fact, poor people are extremely diverse and their needs vary widely with their circumstances.

According to the CGAP Phase III Strategy 2003-2008, Supply-driven credit methodologies have reached a relatively narrow band of potential clients within the spectrum of the poor, often leaving behind both extremely poor and remote clients, and only reaching the less-poor with larger enterprises.

2.6 Orphans Support and Microfinance

The CGAP Annual Report of 2003 as well reiterate that much of microfinance today has focused on credit (loans) and micro enterprises. However not all poor people are entrepreneurs and their financial needs vary widely with their circumstances. Although the publication continues by indicating that other products or services are being designed, there is an urgent need to find and design product that would help in sustainable support to orphans.

The Siaya District Development Plan outline strengthening of credit system as one of the strategies to reduce poverty which seem to be higher in Siaya District which is in the Nyanza Province which is recorded to be having fairly high number of orphans in Kenya.

The research seeks to find if there could be products designed to meet the needs of such group without wholly relying on grants, which is always not available.
2.7 Microfinance for Agricultural Production

According to The Consultative Group To Assist the Poor (CGAP) in their Information Notes of January 2004, they argue that financing for Agriculture still falls outside the scope of the mainstream microfinance industry in many countries. Where rural microfinance providers do exist, they are mostly limited to diversified rural economies and to clients with a number of income sources. Rural areas that are not densely populated, or that are dependent on a few principal crops and livestock activities, have generally been avoided by MFIs because of higher transaction costs, price and yield risks, seasonal clients' incomes, and collateral limitations inherent to the Agricultural sector. Conventional microcredit methodologies rely heavily on short-term loans with frequent regular repayments, which do not fit well with seasonal crop or livestock production.

The paper continues to point that despite the desperate picture painted on MFIs and financing of Agriculture, a few innovative MFIs have led the way in adapting their operations and products to expand viably into Agricultural lending in more difficult rural areas.

A consideration by the public investment to support such MFIs and help them meet the challenges is highly crucial for financing the Agricultural sector.

2.8 Summary and Gap to be filled by the Study

Various studies, both quantitative and qualitative, document increase in income and assets and decreases in vulnerability of the poor who utilize microfinance services. But then these studies have been done by generalizing microfinance clients without special attention to the different groups of the poor and nature of their vulnerability.
A study in Indonesia shows that borrowers increased their income by 12.9% compared to increase of 3% in control group-incomes. Studies conducted by World Bank in 1990s in Bangladesh showed that female clients increased household consumption by 18 takas for every 100 takas borrowed, and that 5% of clients graduated out of poverty. A save the children study on different microfinance programs reports that in Honduras clients indicated that participating in the credit and savings programs increased their earnings and the availability of the resources.

An impact study of microfinance program in Uganda, conducted for the USAID-AIMS project, showed that client’s households invest more in education than non-client households. It continues by stating that Clients were more significantly more likely than non-clients to pay school charges for a non-household member. This has an implication for keeping orphans and the children of the households affected by HIV/AIDS in school.

The millennium development goal focuses on reducing the number of people living in absolute poverty, who live on less than a dollar per day. But the microfinance strategy is feared by other proponents that may not reach people in absolute poverty due to the costs of extending microfinance to such group of people. The very poor people tend to take smaller loans, and as average loan size tends to be smaller the costs of recovery tend to be higher.

All the above studies seem to be general without categorizing the poor into different situations and circumstances and thus looking at what products suite what group of the poor, they are rather looking at the poor in general and from the hard line of microfinance institution sustainability.

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10 Shahidur Khandker (1998): Fighting poverty with microcredit
12 C Barnes, Gary Gaile and R. Kimbombo (2001) Impact of Microfinance programs in Uganda
This study therefore was to look at what minimal sustainability levels microfinance institutions would achieve while they provide products that would help the absolute poor people gain access to the financial services and particularly the orphans. It looked at how can products be designed based on the region specific to the clients and the interest and manageability of such clients to operate.

3.2 Target Population

The study population was limited to children in orphanages and children taking care of orphans and other vulnerable families for the sustainable support to the orphans.

3.3 Target Population

The target population was limited to children in orphanages and children taking care of orphans in the region specific to the clients and the interest and manageability of such clients to operate.
CHAPTER III

METHODOLOGY

3.1 Introduction to Methodology

This chapter describes the methods and material used in this study and how the same were adopted to suit the study specific objectives and conditions in the study area, which was to establish whether there are microfinance products that would help in providing sustainable support to orphans and as well enable microfinance institutions to operate cost effectively.

3.2 Research Design

The study was to find out if there are microfinance products that would be provided to Foster parents/Guardians taking care of orphans and as well as child headed families for the sustainable support to the orphans.

Therefore a cross sectional, analytical study was conducted. Where by both quantitative and qualitative studies were done. The study used semi-structured questionnaires to head of households where there is orphan or orphan headed household. The study also conducted in-depth interview to key informants like the microfinance experts and head of microfinance institutions.

3.3 Target Population

The study population was from the 4072 Households in East and South East Alego locations who by the time of the study were taking care of at least one orphan or a household whose head is the orphan. The orphan should have been in the household for at least three months. Qualitative data were collected from ten microfinance experts and or microfinance institution leaders.
3.4 Sampling Design

The universe was the entire two locations, and then was stratified into seven sub-locations. The sub-locations were then clustered into 37 Villages, (sampling frame).

From each cluster (Village) at least five (5) households in fifteen (15) villages and at least six (6) households in twenty two (22) villages with orphans were selected with the help of village elders and the enumerators who were residents of the sub-location.

The study used the Fischer's model in calculating the sample size, whereby

\[ n = \frac{z^2 (pq)}{d^2} \]

Where

- \( n \) is the desired sample size
- \( z \) is the standard normal deviation set at 1.96, which corresponds to 95% confidence level.
- \( p \) is the given prevalence rate of orphans or probability of household Having an orphan at 16% of the total population of the two locations
- \( q \) is the probability of household without orphans which is at 84%.
- \( d \) is the degree of accuracy desired set at 5% or 0.05

Which is 32,575 people.

The key informant interviews were done to ten experts in microfinance were from organizations delivering microfinance services in the same study area adjacent areas to allow for comparisons.
3.4.1 Sample size

Using the above Fischer's formula we got the sample size as follows:

\[ n = \frac{(1.96)^2 (0.16 \times 0.84)}{(0.05)^2} \]

\[ n = \frac{3.8416 (0.1344)}{0.0025} \]

\[ n = 0.5163104 \]

\[ n = 206.5244 \text{ or } 207 \text{ Households} \]
3.5 Data Collection

3.5.1 Instrument

The data collections was done using structured questionnaire for the quantitative data, which was administered to the head of households that are taking care of orphans or orphan head of household. While the in-depth interview to key informants were conducted using a unstructured interview guide.

3.5.2 Enumerators selection

The enumerators selected had a minimum of form four level of education with good command of both English and local language (Dholuo). A total of 14 Enumerators were selected two from each sub-location, where by each enumerator was expected to administer at least 6 questionnaires per day for three days. There were two supervisors each being in-charge of each location and who received the completed questionnaires and conduct thorough checking before final checking by Lead Researcher for completeness.

3.5.3 Training and pre-testing

A two day training was conducted to the enumerators and attended by the supervisors to help them acquaint themselves with the tools, translations and how to frame questions. A mock pretest was used during the training to gauge the understanding of the enumerators as well as detecting the errors in the tool.

A day then was taken to pretest the tools in a community nearby that exhibits similar characteristics. After pre-testing the enumerators discussed the process and tools for adjustments in readiness for actual data collection days.
3.5.4 Actual Data Collection

The actual data collection day the two supervisors were in the field with selected enumerators and also at central places within the sub-location to collect completed questionnaires and attended to enumerator's problems.

As a lead researcher I was stationed at a central place to receive completed questionnaires, did cleaning and entering the data in the computer for eventual analysis.

3.6 Data Analysis

The process of data analysis involved editing the questionnaires to check the completeness, and then coding the data, data entry into the computer for analysis. The Statistical Package for Social Science (SPSS) was used for data analysis. The group discussions were manually analyzed by grouping the responses and discussions around main themes thus coming up with main messages to come up with the report.
CHAPTER IV

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

The fourth chapter of this research project presents the findings of the study according to the pre-established objectives and largely considering the variables outlined in the conceptual framework.

The broad objective of the study was to investigate the impact of microfinance on the provision of sustainable support to orphans in East and South East Alego Locations Siaya District.

The study as well looked at the ages and sex of caregivers/guardians of orphans and whether they would be able to sustainably support the orphans under their care.

4.2 Overview of findings

The study was done in 207 households in two locations which have orphan(s) and out of the 207 households 88.9% were either headed or being taken care of by female guardian/caregivers, the study also found that 40.1% of the guardians/caregivers are above 51 years of age and precisely 19.8% are above 61 years of age showing that the caregivers/guardians are elderly and may not appropriately rely on sources of income that are quite cumbersome to generate.

Mutere (2003) on the effects of Aids induced orphan hood on third generation (grandparents) care givers in Budalangi Busia District-Kenya found out that, 85% of care givers of orphans
are Female Grand parents. This therefore confirms that guardians of orphan are mainly female elderly people who often are vulnerable as far as income generation is concerned.

Out of the 207 respondents only 1.9% could be categorized as child headed families, which also manifest how difficult it could be for such families to earn a living and possibly access financial services for investment. These families are either having one of the siblings as the head of the household or a young mother who started family at an early age.

The study found out that 52.2% of the households interviewed are caring for as many orphans as four (4) and above, a number that naturally weighs down the resource base of such household, further more some of those households as well take care of their own children.
like the study found out that 30% of the households also take care of other children that are not orphans.

4.3 Orphans Information

The majority of households interviewed has 5 and above orphans living in the household, this represented 34.3%. This shows a large family of orphans in one household. While among the households interviewed only 30% had other children living in the households who are not orphans and 69.1% households did not have other children apart from the orphans.

53.6% of respondents had their orphans fully attending school, while 39.6% of respondents indicated that only some of the orphans are attending school, and even though some are not in school, the majority are due to under age and over age.

Figure 4.2
4.4 Households income

Out of the 207 households interviewed 75.4% are derive their income from farming which is actually reflect the fact that they are rural based. Only 18.4% responded having been engaged in trading activities, and even further still they are trading in agricultural based produce like grains and horticultural produce.

The majority of the respondents felt that their incomes are inadequate to enable them support their families.

Figure 4.3

adequacy of the household incomes

<table>
<thead>
<tr>
<th>Source</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>very inadequate</td>
<td>20%</td>
</tr>
<tr>
<td>inadequate</td>
<td>60%</td>
</tr>
<tr>
<td>fairly adequate</td>
<td>10%</td>
</tr>
<tr>
<td>adequate</td>
<td>10%</td>
</tr>
<tr>
<td>very adequate</td>
<td>0%</td>
</tr>
</tbody>
</table>

4.5 Microfinance activities

To gauge whether household members have ever been able to join the microfinance it came out that only 39.6% of the respondents have been members of microfinance institutions while 60.4% have never been able to join any form of microfinance institution.
Out of those who have been members of microfinance institutions 19.8% have been with the microfinance institutions for about 4 years while the rest for lesser periods as shown in figure 4.4 below.

Figure 4.4

Period of being a member of microfinance institution

Those who have not been members of the microfinance institutions cited reasons as being unavailability of microfinance institution, fear that they may loose their money if they are asked to save first, fear of taking loans as they may be auctioned if they default, some do not know microfinance and their activities and some felt they do not have money to join the microfinance institutions.

4.5.1 Types of financial services offered by microfinance institutions

Within the study area there were few families that have had experience with the microfinance given that the study area was rural with very few concentration of microfinance institutions.
Only 39.6% of respondents have been members of a microfinance institution and therefore have prior experience with the microfinance products.

But even though this percentage has been members of the microfinance institution, they have mostly gained these experiences in the urban regions where they either previously lived or temporarily lived.

The respondents that have never had experience with microfinance institutions which stood at 60.4% had various reasons for not joining the microfinance institutions ranging from the fact that microfinance institutions are not available in their locality, lack of money to save before accessing loans, fear of loosing their money because of what they consider as rigid conditions of microfinance institutions and also some felt that microfinance institution are not open enough to share the finer details of their operations to the potential clients.

Among the products that are known in the region are Business loans or microcredit, which seems to be either the most popular or the most known product as 89.4% of respondents felt if they were to join microfinance institutions then they would be hoping to benefit from the business loans. Other products are savings, micro-insurance, school fees loan. There was no mention of services like money transfer\(^{13}\) probably because of the rural nature of the study area where money transfer are not quite popular.

4.5.2 Impact of microfinance on households with orphans

Out of the households interviewed 88.4% reckon that microfinance can help in providing better support to orphans with only 1.4% saying to the contrary and the rest were not sure.

This shows that guardians are able to sustainably support the orphans when they access

\(^{13}\) Money transfer is where clients are able to send money to their friends and family members through the financial institutions.
financial services. With only 39.6% of the households having prior experience with microfinance services the impact to the orphans in those households was not quite clear at the same time many of them generalized the benefit to the whole family.  

The guardians interviewed felt that microfinance services especially the loan product is able to help in meeting the orphans’ basic needs like clothing, shelter and food. 70% responded were positive to loans being the most instrumental product for boosting income through either investing in business, agriculture or even school fees. The respondents were quite optimistic that microfinance services if introduced appropriately would help in meeting not only the basic needs of orphans but of the rest of the family members.

4.5.3 Microfinance and its appropriateness in orphans support

Although the respondents feel strongly that microfinance services can help in sustainable support to orphans 65.7% of the guardians felt that the current microfinance services are not appropriate to the needs of the vulnerable people like guardians of orphans and orphans themselves. More often the conditions of microfinance institutions are not favorable to certain investments, which elderly guardians may easily engage in.

Among the interviewed guardians/carers 75.4% derive their livelihood from agricultural production while only 18.4% from trading activities, this means therefore that for a microfinance services to reach such target group then it must have products that are agricultural oriented. And discussions with the microfinance practitioners indicated almost zero direct participation in agricultural production by the microfinance institutions. One practitioners said “its true agriculture is the mainstay of rural economies, but risks inherent in

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14 Whole family is the family where orphans are taken care of including the other children within the households who are not orphans.

15 Most microfinance institutions do not offer particularly loans to agricultural sector.
the sector to microfinance institutions is quite enormous that requires more investment one may not be sure when such investments can be recouped."

Figure 4.5

![Pie chart showing major sources of household income]

The CGAP in their Donor brief No 20 of August 2004 titled Housing Microfinance, reiterate that the traditional housing finance companies have not been able to target the low income people, but the new providers are developing creative approaches to the problem. It goes further to describe that a range of financial institutions are applying good microfinance practice to housing finance, and are successfully delivering much-needed services to the poor customers.

From the study it came out that microfinance institutions can provide loans for basic needs and the vulnerable in terms of housing, education and food, but none of the microfinance institutions discussed with are in housing business.

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16 Housing is one of the basic needs of not only the orphan but all human kind.
4.5.4 Microfinance and orphans education

The study found out that among the households sampled 53.6% have their orphans attending schools and even those that are not attending school majority are under age and over age giving a clear indication that the free primary education introduced by the Kenya Government may have enabled many orphans to access school at primary level.

At the secondary level where it is apparent that fees have to be paid the majority of respondents felt that school fees loan would be appropriate for supporting orphans education. 72.9% of respondents asserted that school fees loan from microfinance institutions can help orphans access education.

More so the respondents felt that loans in form of business capital or agricultural capital or even direct, as college fees would help orphans access both technical education and even finance working tools for their self-employment. 73.4% respondents felt that loans can enable the orphans access technical education. And such loans could either be provided in a material form or given to guardians for investments and use the profit to pay fees for technical colleges, although majority of respondents at 22.7% favored paying the fees direct to the colleges.

4.5.5 Orphans and utilization of microfinance services

The study found out that a number of orphans especially the grown ups ones have benefited from the microfinance services either indirectly through their guardian or even as loanees themselves. When the respondents were asked whether they think orphans cannot utilize loans well, about 62.3% disagree with the statement showing that they really believe that orphans who are old enough can, not only utilize loans well but also repays well.
This feeling could therefore dispel the fear that very vulnerable poor may not able to utilize or repay loans. The guardian and the orphans therefore seem to hold different attitude possibly with microfinance practitioners.

4.5.6 Microfinance and agricultural production

According to the area of the study which is rural based the main economic activity was overwhelmingly agricultural based where 75.4% indicated their major income source as agriculture and even the 18.4% that are doing trading the majority are trading in agricultural based produce like grains, horticultural products and others.

The trend is not unique to the region alone but widely spread across Kenya and even in most African countries. Despite agriculture being the main stay of the rural economies the study found out that trading activities are easily financed than the agricultural activities.
The respondents also felt that loans could be very instrumental in increasing agricultural production within the households, 87.4% of respondents favored loans for agricultural production in general and particularly 37.7% favored farming of grains, 22.7% favored livestock keeping including poultry and 26.1% favored horticultural production. Asked on how such loans should be extended 84.1% favored the fact that loans should be provided during farming seasons and repaid back during harvest and possibly after sale of the produce.

4.5.7 Microfinance services that are appropriate to guardians of orphans

Through this study and other studies on guardians of orphans it is apparent that most of the guardians or carers of orphans are elderly people and mostly females. In this study 88.9% of guardians are female while 40.1% of the guardians/carers are above 51 years of age.
This scenario therefore suggest that the microfinance services that such group would benefit should be less straining and activities based on their daily experiences. Out of the respondents 38.2% favored loans for agricultural production, while 34.3% favored loans for business followed by saving at 15.5% an indication that agricultural based loaning system would not only be popular among the guardians of orphans but as well the elderly people who may not have energy enough to operate businesses that requires long travel and other involvement.

Figure 4.8

Savings takes a low percentage at only 15.5% probably because the guardians mostly are producing for consumption, which more often is not enough and therefore may not afford to save for either later consumption or investment.
CHAPTER V
SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the overall feeling based on the findings of the study and largely based on the variables as outlined in the conceptual framework and specifically as defined on the main problem for which this study was necessitated.

The chapter as well tries to compare and contrast the literature available and which were reviewed for enabling this study and trying to help in striking a balance between the various arguments as far as microfinance and support to orphans and other vulnerable people are concerned.

5.2 Summary

Based on the findings it is clear that the available microfinance institutions have by and large concentrated their activities in financing not only the urban and peri-urban based clients but have carefully concentrated in offering credits to trading activities with clients of certain moderate level of income.

It also clear that there is little innovation to include the most vulnerable like orphans into mainstream microfinance either directly or through their guardians, since most of the products offered seem to be based on profit levels and concentration of the clients in a given geographic location.

The study also confirmed that the majority of the vulnerable people and especially those who live in the villages depend largely on agricultural production for their livelihood and thus have experience in agricultural activities to which they are capable practicing if provided
with capital input. Although it also came clear that agricultural production is the least considered sector by the microfinance institutions.

5.3 Discussions

5.3.1 Microfinance Services

There are various types of microfinance offered in the market and each brand of those products depends on the convenience of the particular microfinance institution offering such products.

Generally the broad category of products that can be easily distinguishable from each other are products like loans, savings, micro-insurance, money transfer among others, but you will realize that among this products they are again branded in different categories which somehow describe the method of delivery of such products.

The loan as a broad product would be categorized in many sub-products for example, business loan, agricultural loan, home loan, individual loan, group loan and more others. Saving products may also be sub-divided into compulsory saving, voluntary savings and so on.

During this study it was found out that the majority understands this products in their broad terms for example loan as loan and also believed that loans are meant for business ventures and not necessary other ventures like agriculture. This was confirmed by the fact that 89.4% of the respondents asked on what products or services they know and would want to utilize from microfinance institutions, mentioned loans, and 58.9 of the total respondents wanted loan for business venture despite the fact that 75.4% of the households or respondents derive their major livelihood from agricultural productions.
The study have therefore shown that loans for business ventures are still popular than other products among the poor possibly due to the fact that most microfinance institutions do start by offering business loans and go into other products later, also probably because the poor needs financial capital to struggle their way out of abject poverty. But based on this study there is a serious need for microfinance institutions to consider not only venturing into agricultural loans but popularize the same since the majority of their clients at least practice farming in one way or the other.

5.3.2 Access to basic needs by orphans

Orphans have various basic needs just as any other human being may require, but depending on the level of income of the guardians, who by this study confirms are mostly elderly people who are either retired or just their, their basic needs are always hard to come by, and therefore seen as vulnerable people.

The orphans require education, food, clothing's, shelter, health services and all this needs some level of income for the guardian or orphan her/himself to provide. During the study 88.4% of the respondents felt that microfinance services can help in providing better support to orphans basic needs. When asked how 71% responded that, by providing loans. At the same time 62.3% respondents’ felt that grown up orphans can utilize loans well and repay.

The guardians that were discussed with and are currently members of microfinance institutions and are accessing loans felt that they are better of in terms of providing basic needs to members of their households. This give a hopeful indication that microfinance targeting directly the guardians and the orphans would not only be able to generate profits but fulfill their mission of supporting poor people out of hopelessness.
The educational aspect of orphans has been somehow taken care of by the government policy of free primary education but then the secondary college or technical trainings have to be financed from certain sources. The guardians then need to work round clock to be able to finance those levels of education and training.

At this level is where then the microfinance institutions may need to design loan products that would finance the technical training for the orphans.

5.3.3 Microfinance Practitioner’s view of orphans

The view given to orphans and other vulnerable children may not be real to their potential since they are just as normal as the rest of the human kind, with the only difference that they may always not be endowed with resources to make their own livelihood decisions.

More often it has been taken that orphans may only require grants for their support but then the study found out that some orphans are capable of joining microfinance institutions, even through their guardians and access loans, do business and repay the loans. In the study the majority of respondents at 62.1% felt that orphans can utilize loans well from microfinance institutions.

Discussions held with microfinance practitioners confirm this fact that the orphans and the very vulnerable groups are in fact the most faithful in repaying loans, “these are people who have everything to loose by not repaying the loan therefore are over keen in fulfilling their repayment schedules”. Asserted by one of the practitioner.
5.3.4 Improvement in Agricultural Production

Although it's true that very few secular microfinance institutions do finance agricultural activities as also confirmed by the CGAP Information notes of January 2004, where they argue that financing for agriculture still falls outside the scope of the mainstream microfinance industry in many countries, the reality as found out during the study is that many of the loan clients use part of their loans to hire laborer to prepare their land as they use the remaining part of the loan to finance their business.

This in itself shows that even though the agricultural production is not legitimately financed it is financed anyway especially in areas where agriculture is the most favored economic activity. In fact in some cases the loans are used to purchase farm implements like ox-plough, as one male respondent explained that, "I got kshs 20,000.00 and only invested kshs 12,000.00 and the rest I bought ox-plough and the yolks which were not part of the loan agreement, but is the one that contributed more in repaying the loan as I was able to be hired to prepare other peoples land at a fee."

But even though the agricultural sector seem not to be favored by many microfinance institutions, it still remain the most widely known economic mainstay of many rural families and even many vulnerable persons have enough experience in the agricultural industry, as they are born and grow up in the industry.

Discussions with microfinance practitioners found out that they would like to keep a float by going into short term industry that use short term loans with high yielding returns and fewer risks. But then the agricultural sector seems to be equally viable and display certain level of advantages as opposed to business ventures. In the area of study it was apparent that most
respondents are practicing farming and in either their own farms or family farms which can easily be used as collateral, and one thing that people seem to be keen about is to let go family land therefore this may commit the loanees to repay as they are bound to lose their treasure otherwise.

The respondents also favored that dairy animals can be a viable project to be funded by the microfinance institutions as 79.2% felt it is quite viable, although a number of respondents felt it is also quite involving and therefore such a loan when being extended should be accompanied by a rigorous training on the management of such animals.

They also felt that the repayment of such loans should be done weekly from the time the animal is able to produce the milk. Animals were favored by the respondents as some felt that orphans could also be able to practice poultry by keeping local chicken, the loan provided for such a product should be to purchase the medicine, construction of birds house and proper training be done on diagnosis and treatment of the birds. A respondent reckoned that local chicken has supported one of her orphans through primary where he was required to purchase school uniform, books, and other school equipment.

Other microfinance practitioners interviewed also felt that financing of agricultural crops like sugar cane cotton, and other cash crops could be viable but they require careful designs that may have to be long term in nature. Crops like cotton if financed and the market rejuvenated can really go along way in not only enabling many orphans access to basic needs but can open up economies in the regions where they are practiced since cotton growing is less mechanized at household level and therefore could be practiced by many families including the most vulnerable.
5.3.5 Enabling Access to Education and Training

The education of orphans at primary level in Kenya and to especially where the study was
carried out portrayed a very optimistic situation, which is likely due to the free primary
education of the Government of Kenya. At least 53.6% of respondents confirmed their
orphans are attending school and even those who are not attending majority are due to under
age or over age and only 14.5% mentioned due to lack of school fees, which may mean that
they are only not able to attend secondary and post secondary level of education.

(i) Access to formal Education

72.9% of the respondents felt that school fees loan as a product would support orphans access
to better education especially at secondary level. And they suggested two ways of administering
such loan, one: that loan should be given to the guardian to invest in a business venture, earn
profits and then use the profits to repay school fees loan, second suggestion was to provide
orphans with the loan by paying direct to the learning institution and such an orphan would
be required to repay after getting employed. Of course the second suggestion may not be
palatable to most microfinance institutions except a public institution that may not operate
with the profit motive. But then the first suggestion may not be different from the secular
business loans that are always provided by mainstream microfinance institutions, except that
it may target specifically the guardians of orphans and therefore require special attention in
monitoring and frequent support services like trainings.

The practitioners felt that to address the educational aspect of orphans and possibly their
health needs, their guardians need to join micro-insurance schemes that are currently gaining
popularity among the microfinance services. But even though this would help in later offering
school fees to the orphans the process of delivery of such product needs to be carefully
explored such that it may be offered just as a rider business to support other microfinance
services as loans, because insurance principle are about pooling resources which means the guardian may have to pay premium. But then this is only possible if they are already in an income-generating venture, which could enable them save to pay such premiums.

(ii) Access to Technical training

Most of the microfinance practitioners felt that financing technical training for particularly orphans can be viable. One practitioners suggested that it would be quite appropriate to finance apprentice who could be attached to already skilled technician where the apprentice would be able to learn on practical thus gain experience at the same time.

Apprenticeship loan could be provided for short-term technical skills like tailoring, mechanics, carpentry, plumbing, masonry and others, as such skills would almost be used immediately after the training especially if the apprentice had interest in the subject matter.

Such loans would be a matter of may be one to two years to fully recover which may run equally as the normal business loans. In fact 73.4% of the respondents felt that loans for technical training of orphans are quite appropriate and would go along way in preparing the orphans for self-reliance.

5.3.6 Access to Employment Opportunities

According to Economic Recovery Strategy for wealth and Employment creation 2003-2007 of Kenya, the number of people openly unemployed stands at over 2 million or 14.6%of the labor force, with the youth accounting for 45% of the total. The strategy document goes further t point that the majority of the unemployed though educated, do not have necessary skills. In Kenya the estimate indicate that 2.2 million Kenyans are HIV positive, 1.5 million had died leaving behind about 1.3 million orphans under 18 years of age (Kenya National
The figures were also projected by UNICEF to reach 1.8 million by 2005. This gives a very pessimistic situation as far as the economic growth is concerned, since a lot more resources may have to be channeled towards supporting the orphans.

If the orphans’ technical schools could be enhanced through appropriate systems such as provision of loans then the orphans may be able to struggle for survival using the skills acquired.

The study also found out that 80.7% of respondents favored that loans could be extended to orphans with technical skills to purchase working tools, which they can repay with interest. The respondents felt that such loans should be provided in material form that is the tools can be purchased by the microfinance institution and given to the orphan applicant.

Some of the possible tools and equipments are sawing machines; carpentry tools, welding machines, electrical installation tools, mechanical tools, plumbing tools, and many others that would enable the orphans start or develop their ventures. In this way orphans would be able to engage in gainful employment.

Discussion with the microfinance practitioners confirmed that this could be equally viable avenue for the microfinance institutions to venture in, although many may have not already considered it.

The study also found out that most of the guardians are elderly people and this poses a lot of pessimism as far as extending secular loans to such clients are concerned. But at the same
time study has found out that such elderly people are quite sincere in loan repayment, but may lack innovation on the type of business activity to engage in, which is less involving.

In some regions during the study it was apparent that less involving income generating activities like shallow wells and even boreholes would be quite profitable, and of course less involving in operating. In the regions with inadequate access to clean water such wells fitted with pumps could fetch enough not only to repay the loan but also for the upkeep of such family or families.

This kind of innovations although are already practiced in other parts of the country and the world but may still have not been exploited to the full potential, and especially to support vulnerable families. Such a well fitted with a simple hand pump would only require the guardian to sit and collect fees from water users.

5.4 Conclusion

in general the study confirmed that microfinance services are still quite inaccessible to poor and vulnerable families as 81.2% said that the services are not accessible, and where they are available the respondents reckon that their conditions are much away of their means, coupled by the fact that their products are not appropriate for the study target group. 65.7% of the respondents felt that the products of microfinance institutions available are inappropriate to their conditions.

From the study it is also apparent that orphans and guardians of orphans are capable of utilizing the microfinance services but only if such services are tailored towards their needs and financing activities that are less strenuous in operation.
Activities that have come out in favor of the study target group are such as:

- Financing of agricultural activities, ranging from crops, livestock, poultry to agricultural equipment and implements.
- Financing of innovative and less cumbersome activities like shallow wells and boreholes for sale of clean water.
- Direct financing of orphans technical trainings for example through apprenticeship.
- Financing of working tools and equipment for the orphans to start their own workshops.

The research also confirmed that most microfinance do not penetrate the rural with their services as many respondents were not members due to unavailability of microfinance institutions, and yet 81.6% of the respondents feel that they are capable of utilizing microfinance services especially loans.

5.5 Recommendations

There is need to incorporate guardians/carers of orphans to the design of microfinance services as a distinct target group with special features.

Microfinance institutions need to invest more in product research along side the needs of their clients to be able to come up with products that are not only appropriate but, will open up unique niche.

Agricultural sector is the most widely relayed upon in the rural economies and as well practiced on different scale by different income groups, so to design products that
adequately enhance the sector will be opening up avenue for the vulnerable people such as orphans.

5.6 Suggestions for further Research

There is need to conduct product specific research on the suggested products for the orphans and their guardians so that the process of delivery could be appropriate, as this research is short of specific design process.

Due to the limitation of this research as outlined in chapter II, it would still be appropriate to conduct an almost same design of the research in a wider study area possibly of different ethnic and racial groups to draw definite conclusions.


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### APPENDICES

#### Appendix I Time Schedule

<table>
<thead>
<tr>
<th>Activity</th>
<th>Duration</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact community leaders</td>
<td>2 days</td>
<td>27th-28th May</td>
</tr>
<tr>
<td>Development and production of tools</td>
<td>3 days</td>
<td>29th-31st May</td>
</tr>
<tr>
<td>Selecting of enumerators</td>
<td>2 days</td>
<td>2nd-3rd June</td>
</tr>
<tr>
<td>Training of enumerators and pre-testing</td>
<td>3 days</td>
<td>6th-7th June</td>
</tr>
<tr>
<td>Quantitative data collection</td>
<td>3 days</td>
<td>8th-10th June</td>
</tr>
<tr>
<td>In-depth interview</td>
<td>2 days</td>
<td>13th-14th June</td>
</tr>
<tr>
<td>Data editing and coding</td>
<td>3 days</td>
<td>17th-18th June</td>
</tr>
<tr>
<td>Data entry to computer</td>
<td>3 days</td>
<td>19th-20th June</td>
</tr>
<tr>
<td>Data analysis</td>
<td>5 days</td>
<td>21st-25th June</td>
</tr>
<tr>
<td>Data interpretation</td>
<td>2 days</td>
<td>26th-27th June</td>
</tr>
<tr>
<td>Report writing</td>
<td>10 days</td>
<td>28th June-7th July</td>
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## Table 2

<table>
<thead>
<tr>
<th>Activity</th>
<th>Where</th>
<th>Who</th>
<th>Days</th>
<th>Cost in Kshs</th>
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<tr>
<td>Contact community leaders</td>
<td>East Alego and South East Alego locations</td>
<td>Lead researcher and two Research assistants</td>
<td>2</td>
<td>-Transport 1,800</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>-Accommodation 1,500</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>-Stipend 3,000</td>
</tr>
<tr>
<td>Development and production of tools</td>
<td>Kisumu Town</td>
<td>Lead Researcher</td>
<td>3</td>
<td>-Lunches 600</td>
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<td></td>
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<td></td>
<td></td>
<td>-Stipend 1,500</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-Stationary 12,000</td>
</tr>
<tr>
<td>Selecting enumerators</td>
<td>East Alego and South East Alego locations</td>
<td>Lead researcher and two Research assistants</td>
<td>2</td>
<td>-Transport 1,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-Accommodation 1,500</td>
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<td></td>
<td></td>
<td>-Stipend 3,000</td>
</tr>
<tr>
<td>Training of enumerators and pre-testing</td>
<td>Ngiya at CISS Anchor site</td>
<td>Lead researcher, two-research ass. And enumerators</td>
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<td>-Transport 3,500</td>
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<td></td>
<td></td>
<td></td>
<td>-Accommodation 4,500</td>
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<td></td>
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<td>-Stipend 1,700</td>
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<tr>
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<td></td>
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<tr>
<td>In-depth interview</td>
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<td>Lead researcher and two-research ass.</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>And 14 enumerators</td>
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<td>-Accommodation 1,500</td>
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<td></td>
<td></td>
<td></td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td>-Stipend 1,500</td>
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<tr>
<td>Data entry to computer</td>
<td>Kisumu Town</td>
<td>Lead researcher</td>
<td>3</td>
<td>-Lunches 300</td>
</tr>
<tr>
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<td></td>
<td>-Stipend 1,500</td>
</tr>
<tr>
<td>Data analysis</td>
<td>Kisumu Town</td>
<td>Lead researcher and data analyst</td>
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</tr>
<tr>
<td></td>
<td></td>
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<td>-Stipend 2,500</td>
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<td>Lead researcher</td>
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<td>Lead researcher</td>
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<td>-Stationary 3,000</td>
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</table>

38 Grand total 95,600
Appendix III (Household Questionnaire)

Households With or Caring for Orphan(s)

Questionnaire
Kenyatta University
April-June 2005

Questionnaire Number __________________________ Date of Interview __________________________

Location __________________________ Sub-location __________________________

Village __________________________ No of interviewer __________________________

Name of Interviewer __________________________

SECTION [A] Head of Household

1. Name of Respondent __________________________ Sex 1-male, 2-female

2. Age of Respondent
   1 (5-19yrs), 2 (19-30), 3 (31-40), 4 (41-50), 5 (51-60), 6 (61 and above)

SECTION [B] Orphans

3. How many orphans are living within the household?
   1 (1), 2 (2), 3 (3), 4 (4), 5 (5+)

4. Other children living within the same household and are not orphans?
   1 yes, 2 No

5. If yes, how many? [If No>>Q6]
   1 (1), 2 (2), 3 (3), 4 (4), 5 (5), 6 (none)

6. Are all the orphans attending school?
   1 (yes), 2 (some), 3 (none)

7. If some or all not in school Why?
   1 (lack of School fees), 2 (lack of uniform), 3 (under age), 4 (over school age)

SECTION [C] Income

8. What are the major sources of your income?
   1 (farming), 2 (trading), 3 (employment), 4 (charity), 5 others, specify
9. Please expound on the sources above, what exactly are the activities you do?

10. Do you consider these sources enough for your family up-keep?
   1 (very adequate) 2 (adequate) 3 (fairly adequate) 4 (inadequate) 5 (very inadequate)

SECTION [D] Microfinance activities

11. Have any member of your household or you been a member of any microfinance institutions?
   1 (yes) 2 (no)

12. If yes, for how long?
   1 (less than 1 year) 2 (less than 2 years) 3 (less than 3 years) 4 (less than 4 years)

13. If No why not?
   1 (Mfi's not available) 2 (can lose my money) 3 (fear loans) 4 (do not know their activities) 5 (others specify)

14. Do you agree that orphans cannot utilize well the loans from Mfi?
   1 (strongly agree) 2 (agree) 3 (not sure) 4 (disagree) 5 (strongly disagree)

15. If you were to join any Mfi what services are you likely to benefit from or have benefited from?
   1 (loans) 2 (savings) 3 (money transfer) 4 (insurance) 5 (others specify)

16. In what activities would you utilize such services of the microfinance?
   1 (trading) 2 (farming) 3 (school fees) 4 (training fees) 5 (domestic consumption) 6 (others specify)

17. Are you capable of utilizing a microfinance loan?
   1 (yes) 2 (no) 3 (do not know)

18. If yes, what kind of specific activities would you prefer to finance? [IF NO >Q20]
   1 (trading) 2 (agriculture) [Note probe the respondent to be specific e.g. sale of grains, horticultural farming etc.]

19. Do you consider the current products/services of Microfinance institutions appropriate?
   1 (very appropriate) 2 (appropriate) 3 (less appropriate) 4 (not appropriate) 5 (very inappropriate)

20. Why do you feel you cannot utilize Mfi’s loans?
   1 (products not appropriate) 2 (conditions not favorable) 3 (others specify)
21. What would you wish to be done or changed in Mfi services so that you can use the services adequately? [Probe to get specific responses]

22. Would your participation in microfinance services help you to provide better support to the orphans you live with? 
1 (yes) 2 (no) 3 (don’t know)

23. If yes how? If No why not?

24. Do you consider the services of microfinance easily accessible? 
1 (very accessible) 2 (accessible) 3 (less accessible) 4 (not accessible)

25. What kinds of microfinance services do you think could be suitable to your situation?

26. Do you think loan services can help in support to orphans’ basic needs e.g. food, shelter, and clothing’s? If yes how? [IF NO >Q27]

27. What kind of microfinance services would help in providing basic needs of orphans?

28. Would school fees loan be useful to orphans education? [IF NO >Q30] 
1 (yes) 2 (no)

29. How would such loan be provided and repaid back?

30. What would be appropriate for orphans’ school fees?

31. Could loans help orphans in acquiring technical skills in technical colleges or polytechnics? [IF NO >Q33] 
1 (yes) 2 (no)

32. How should such loan be provided and paid back?
33. How could orphans finance their technical education?

34. Can loans be extended for agricultural activities?

35. What kind of agricultural activities?

36. How should such loans be provided and repaid?

37. Could funding of dairy farming be profitable and viable?

38. How could the loan be repaid?

39. Can orphans with technical skills be provided with loan for purchase of tools and equipment?

40. How should such loan be provided and repaid?

41. Can water well or borehole be viable for an IGA in such an area?

42. If funded can it repay the loans and still support the orphans?

43. What are some of the suggestions you have for the microfinance service providers to people taking care of orphans like you?

Thank you very much for your patience and taking your precious time to respond to our many questions.
Appendix IV [Key informants Interview guide]

Form 002 Confidential

Key Informants Interview

Microfinance Organizations/Specialist

Kenyatta University

April-May 2005

1. Name respondent__________________________ Desig________________

2. Organization______________________________________________

3. How long have been in microfinance business?

4. How many types of microfinance products do you offer to clients?

5. Do you have specific products for specific clients?

6. Do you segment your market or clients based on certain parameters? And what parameters do you use?

7. Have you ever considered extending financial services to orphans/foster parents/childheaded families?

8. Do you think they could utilize financial services offered currently or do they need special products?

9. What kind of products would suite such clients?

10. Would you or your organization design such products?

11. In your opinion do you think orphans/guardians benefit from Agricultural loans?

12. What aspect of agriculture do you think would be most viable to such groups? E.g. horticulture, livestock crops, etc

13. What about farming tools like ox-plough, water pump, oxen’s etc?

14. Would such clients benefit from loans to finance shallow wells for sale of water or boreholes?

15. Could orphans benefit from loans to finance their training e.g. on tailoring, carpentry, mechanics, shoe making etc?

16. Would such loans be extended to finance work tools like sawing machines, and other tools?
17. What would be your recommendation/suggestion or conclusion for MFIs in providing products for sustainable support to orphans?

Thank you for taking your time to answer the questions