EFFECT OF MICRO-FINANCE SERVICES IN POVERTY ALLEVIATION IN SLUM AREAS IN NAIROBI COUNTY

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DECLARATION

I declare that, this research project has been composed entirely by myself and that the work has not be submitted for any other degree or professional qualification. Submitted by **JOEL MUKETA KUNDU** Date…………………….

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Dedication

I do humbly dedicate this great work to my dear wife, who has been always supportive and inspiring both financially and morally that I attain the best. It is also dedicated to my beloved parents, who through years have taught me that even the largest task it can be achieved when done one step at a time.

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ABSTRACT

Microfinance having been identified as an important pillar for economic development, it has likewise been branded as an instrument for enabling the poor in managing their risks, asset building , improving capacity earnings on income, enabling them establish small enterprises to generate income, hence ensuring improved livelihood . Though, we have several merits relating to microfinance, poverty level is still high with over 40% leaving below a dollar, in the world, even in Kenya. Hence, the question, if microfinance can eradicate poverty, why is it that we still have poverty? In order to ascertain this, it was necessary to have this study with the main objective of determining the effect of slums in the county of Nairobi. The population size of 250 was targeted with employment of descriptive research method involving data collection from Nairobi slum household members who have benefited from microfinance services with the main view of determining microfinance service contribution on poverty eradication by improving their livelihood. The study used purposive sampling to select households for data collection. This study noted that microfinance services have a positive significant effect on the livelihood of poor people through expansion of businesses, better shelter, access to health care and opening up of opportunities for the poor to access education and improve their living standards such as improved sanitation. The study concludes that microfinance services help in poverty reduction by making financial services accessible by those of low income, less educated and in the informal sector which assists in business expansion, better housing, access to education, health and improved living standard. From findings, strategies designed by microfinance institutions to reduce poverty include ; offering financial management skills, offering loans at reduced interest rates and collateral free credit facilities have contributed positively to poverty alleviation, though managerial, and entrepreneurial skills should be included in education programmes for the poor.

LIST OF ABBREVIATIONS

IMF	: International Monetary Fund
LDCs	: Less Developed Economies.
MC2	: Means (M) and the Competences (C) of the Community
MDGs	: Millennium Development Goals
MF	: Micro Finance
MFS	: Micro Finance Services
MFC	: Micro-finance Credit
MFI	: Micro Finance Institutions
NGO	: Non-Governmental Organization
SACCOS	: Savings and Credit Co - operative Societies
UN	: United Nations

CHAPTER ONE: INTRODUCTION

1.1.0 Background of the Study

Poverty being a global concern, United Nations (UN) as an institution with its agencies like World Bank and International Monetary Fund (IMF), for the past decades, have initiated poverty reduction programs globally. Having a global responsibility for the wellbeing of world populations, their programs for Third World Countries, have been tailored to improve peoples' standard of living (United Nations, 2009). It has been put forward that microfinance can facilitate both Millennium Development Goals (MDGs) achievement and National Policies targeting eradication of poverty , women empowerment, helping disadvantaged groups , and improvement of standard of living (World Bank, 2002)). Muhammad Yunus, 2006 Nobel Peace Prize winner, is recognized as the pioneer for modern version of microfinance. Yunus offered small loans to destitute basket weavers in the 1970s.He carried on for a decade before forming Grameen Bank to serve his target poor people in 1983. The Grameen Bank's 2,500 branches has been achieved, serving over 8 million credit beneficiaries in approximately 81,000 villages. Grameen states that his clients repay loans well with 97 percent of repayment time with a recovery rate being higher than formal banking system. During 1950s to the 1970s, before modern MF system, financial services provided by the government and charitable organizations were mainly subsidies on rural credit programmes. Having poor credit management , loan default was high which lead to losses hence even not reaching the very poor households. Microcredit services has made it possible by generating enthusiasm and created hope to poverty eradication.

Microfinance (MF) is a banking system tailored for the unemployed or small income earners, who are not privileged to access formal financial services. Core function of MF is to enable less privileged poor people become self sufficient through savings, microcredit and insurance services. Poverty deprives peoples' well-being, like happiness, unity, peace, and freedom from anxiety, stress, and harmony, even ability to access basic needs like food, shelter, clothing and land. It is a barrier for socio-economic development and security by creating discontent, apathy and despondency.

Approximately 71.9% of Sub-Saharan Africa urban population resides in slum. An approximate of 166 million out of 231 million of people who dwell in urban in African Sub-Sahara are slum dwellers.(UN-HABITAT 2003a.14). Poverty eradication rate is majorly affected by political unrest, mismanagement of resources, high population growth and short term goals set by politicians to win elections. It is that 60 percent of populations in Nairobi are slum dwellers, in that around 2.5 million dwell in about 200 slum settlements. They lack enough physical infrastructures, sewerage system, drainage, clean water and sanitation facilities, electricity and street lighting. In addition, they also lack medical facilities schools and even play grounds. People are trapped in poverty as they are denied a say, threatened with violence and insecurity. They need their rights to break poverty trap. The strategic policies for poverty reduction are for greater prerequisite for securing sustainable economic development for achieving the vision 2030 being a condition for increased investment and wealth creation.

1.1.1 Micro-Finance Services

Microfinance is a credit union or cooperative designed for provision of financial services to poor entrepreneurs with an aim to eradicate poverty. Microfinance promote employment creation through support of micro-entrepreneurs.

(http://grameen-info.org.). MFS is offered by: cooperatives, Non- governmental Organizations, commercial banks and credit unions. NGOs provide financial services in remote areas to those who have no access to banking services. The main aim of these organizations is to provide to the poor credit that is subsidized and carry strategic efforts for poverty eradication achievement. MF promoters believe that when one access a required range of good quality financial services like savings and credit and insurance will eradicate poverty at a greater level.

MF proprietors do educate target destitute groups on basic financial management skills. Especially those who seek to join MF organizations. They are taught on how to develop savings, manage micro-enterprises, how to budget, manage debt and cash flow. After education, they are allowed access to loans. Since borrowers cannot offer any collateral, micro-lending operations often pool together people seeking loans. As the continuity of the program depends on group contributions, the group peer pressure ensures loan repayment. MF operations require loan beneficiaries to establish a collateral savings account and personal savings account for future use (Morduch, 2003).

1.1.2 Poverty Alleviation

Poverty is the greatest society problem that needs to be fought right from its roots. Having spread all over the face of the world, it does exist differently both in levels and forms. In 2009,it was estimated by World bank that 25 percent of development region population lives below the line of poverty(United Nations, 2009). It implies that the global population of about 1.3 billion or 20 percent leaves in poverty. A widely spread poverty, usually is attached to social problems, even security, being a national challenge. The insecurities in Kenya are attributed to poverty as a result of unemployment among the youth who turn to terror groups just to meet their family's needs.

Poverty is not only a rural calamity; it is also observable in the urban settings in most developing countries. In Nairobi city, it is evident that people sleep in kiosks, petrol stations, lorry stations, roadsides, parks among other unsecured places. The pathetic level of slums in our cities really confirms urban poverty existence. Poverty alleviation encourages the offer of microcredit empowering the poor; hence being economically independent and less vulnerable to economic crises. The poor may not meet their daily basic needs like food, clothing, shelter, clean water and even health care, quality education and job opportunities that are vital for better human capital and social mobility. Narayan et al (2000) in his words, defines poverty as "don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at my utensils and the clothes that I am wearing. Look at everything and write what you see. What you see is poverty". Those in extreme poverty lack basic education hence vulnerable to calamities (Lindervert, 2006). Financial access empowers the poor to come up with and expand micro-enterprises improving household income.

1.1.3 Effect of Microfinance Services on Poverty Alleviation

Due to great poverty impact on poor's livelihood, great effort is being made by various development agencies to reduce poverty, hence the formulation of poverty alleviation strategies and instruments that improve poor's standard of living by helping them break profound cycles of poverty in slum households. Such poverty alleviation instrument is MICRO-FINANCE, by gaining world recognition since 1990s. It has proved having positive effect on eradication of poverty levels in developing countries (Hossain et al., 2008).

MFSs, like micro-mortgage and micro-insurance are tailored to address financial needs for the poor have been developed. Through MFIs, poor are able to access low interest loans that are collateral-free, enabling them to create micro-enterprises, educate children, and improve homes (Carr & Tong, 2002).

There are different study results on statistical impacts of MFSs on poverty alleviation. The practitioners argue that MF plays a pivotal role as a tool intervening poor people realize their inner potential and strive for better livelihood. In doing so, MF provides the avenue for clients to create wealth. MF is concerned with the advancement of micro-credit to poor entrepreneurs for creation of mechanism for poverty alleviation through provision of financial services available to the rich, at small scale. It avails financial institutions that deliver MF services to the poor, enabling them take advantage of available chances increasing their output level hence better life (Okurut et al., 2004). Mjomba (2011) had a study on the development of micro-finance in Kenya particularly on financial empowerment for women in Kenya. He identified positive impact of micro financing as empowering women. Kiiru (2007) had a study on MF, entrepreneurship and rural development in Makueni District; he noted micro-finance had a weak positive impact on household income.

Though, MF having proved being effective and powerful weapon for poverty eradication, MF, like other tools for development, has not sufficiently reached to the poorer societal strata. The very poor form the fraction of those who lack access to basic education and health care. The importance of MF is to eradicate poverty and the MF banks beneficiary number is very small compared to those in need of benefiting. Therefore, there is need to assess on the extent at which microfinance has impacted on poverty eradication in slum settings in Nairobi city. That was the overall objective of this paper.

1.1.4 Slums in Nairobi County

Slum is a heavily populated urban informal settlement that is evident by substandard housing and poverty. They do lack reliable sanitation, clean water, electricity, and even law enforcement and social disorganization. The roots of Nairobi slums are traced back before independent between 1971-1995. The informal settlements number within Nairobi rose from 50-134, and population of slum dwellers increased from 167000 to 1886000 individuals (UN-HABITAT, 2003a). Today, rural to urban migration in search of jobs contributes to growth of urban slums. A bigger proportion of formal and informal city labor is provided by slum dwellers hence playing a great role in cheap housing provision to those who leave on less than a dollar.

MF services has empowered slum dwellers to access financial services that assist them establish micro-enterprises , educate children, meet medical costs, and even create employment. The managerial skills provided by MFIs has led to entrepreneurial abilities that has made it possible for slum dwellers to exploit their potentials, make viable decisions in regard to business ventures. Credit facility access has been made available without collateral, saving habit natured and team work on projects (Hashim, 1997).

Basic services provision is non-existence in slums, approximately 400 people share one toilet, and they result to dig pit latrines. This has led to health hazard among dignity erosion and loss of self respect among individuals. Nairobi County will be the area of study which is one of the 47 counties in the country. The county has a proximately about 3 million population. It has 17 constituencies and 85 number of county assembly wards. The area is 694.85 sq km. Due to this high population and limited employment opportunities, many informal settlements have emerged in form of slums. In Nairobi County we have over 200 slum settlements. Data for this study was collected from the Nairobi residents who have accessed microfinance services and who form part of the slum area population, with an aim of determining the impact of microfinance to these households.

1.2.0 Research problem

MFIs having been identified as the pillar to economic development, development personnel and strategic policy makers present MFS as vital instrument for enabling the poor regulate risks , build assets, improve income earning capacity, develop income generating enterprises hence guarantee improved life (Betty, 2006).

Despite MF services having several merits, Kenyan poverty level is still high at above 40 percent living under a dollar and poor business performance being an evidence for slow economic growth of below 6%. Even with a good designed MF programme, chances are low for positive impact on very poor, unless it aims in particular, to reach the poor a good designed product and aim (Wright, 2000). Through experience , it has been noted that, there must be a targeting tool for the poor to fill included by seing the programme is meant for them and have what it takes for it((Navajas et al.,2000; Simanowitz, 2004)).

Various impact evidence of Microfinance on borrower's condition has been produced by World Bank study. Findings shows improvement in wealth indicators including revenue generating assets, increase in house value, income level, basic needs per capita expenditure and general expenditure on households (Husain, et al., 1998). Having these proves, interested parties have gone on raising concerns on effectiveness of MF on poverty eradication. They question that, if MF was good to eradicate poverty, then it should have eradicated it (Chowdhury, 2009).

Few studies have been done in Kenya on MF. However, they haven't provided adequate information on MF impact on livelihood in Kenya. Mjomba (2011) had a study on microfinance development in Kenya , specifically in consideration of MF on women financial empowerment in Kenya. The study identified MF having a positive empowerment effect on women ; majoring on Kenya women finance trust , he was women biased and did not give evidence on effect of micro finances on poverty eradication in Kenya. Joy (2007) succefully had a study on MF impact on rural development in Makueni County. Having tailored the studies on the field of impact of MFSs, it was specified on poor household's income for eradication of poverty. The study didn't have enough evidence to affirm the MF impact in Kenya . Kiiru **(2007)** had a study in Makueni district on MF impact on entrepreneurship and rural development, he got a weak positive MF impact on household income. The setting was rural. It is also noted that in Kenya, as many other countries, regulation approaches on MFIs are complicated due to different legal structures. This study therefore, was to seek to evaluate the effect of MFIs on poverty alleviation in slums in Nairobi County, Kenya.

Previous studies have not concentrated on effect of MF credit on poverty alleviation in Kenya, especially in urban slum areas. It is in line with these that the study on effect of microfinance on poverty alleviation in urban slum areas was necessary. Is there any relationship between MFC and poverty alleviation at household level for slum dwellers? (Kiiru, 2007)

1.2 Research objective

The study objective was to determine the effect of microfinance services on poverty alleviation in slums in Nairobi County.

1.3 Value of the study

The significance of the study result is attributed to the degree of usage by relevant parties as stated below.

1.3.1 Government

Poverty eradication and livelihood improvement have been prioritized by governments for years in Kenya. In taking poverty reduction drive, the government having the aim of supporting MF development, the study will help in determining the viability of their investments and offer opportunities to policy makers in redesigning strategic policies that use microcredit services to reduce the incidence of poverty.

1.3.2 NGOs and MFIs

To provide a guide to non-governmental organizations in prioritizing support programmes towards poverty reduction through micro credit and MF services. The study may enable MFI becoming more innovative through product formulation in relation to clientele objectives.

1.3.3 Academicians/ researchers

This study, having main focus on slum dwellers in Nairobi County, will attract many academicians and researchers who maybe in need of generating solutions to lack of credit access in Eastern Africa, hence a starting point for similar studies on effect of MFSs on poverty alleviation in Kenya.

1.3.4 Investors

Investors need to know MFIs financing challenges and whether they are achieved the predetermined goals. Such information enables the make rationally viable decisions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter has three parts. The first part discusses the theories related to MFSs and poverty, the second part discusses the empirical review from both the international and local perspective and finally the last part discusses the determinants of poverty alleviation.

2.2.0 Theoretical Review

This study stands to test the stated MF theories that specifically relates to poverty alleviation. Most MFIs have their basis formed on these theories as lending programmes depict. These theories describe operations of MF in relation to poverty alleviation which supports value creation for the poor. The more the value created by household through accessing micro-credit, the more the value on poverty alleviation (Milstein, 2003)

2.2.1 Micro credit theory

The psychological microcredit theory component, social consciousness-driven capitalism, advanced by Muhammad Yunus (1998). It suggests that a private venture for profit making considers the client welfare is to be formed. It suggests the possibility of developing enterprises that maximize private profits in consideration of members' interest. Profit maximization attracts people to venture in business without client welfare consideration.

Having the aim to address the poor's' welfare, MF strategic plan must consider the interest of the poor through provision of tailor made MF services which doesn't command unachievable requirements by the subject. Micro-credit theory therefore, advocates for MF services that cares the slum dwellers interest. The repayment intervals, repayment bulk, and the interest charged should be friendly.

2.2.2 Micro Finance Lending Model

Micro Finance Lending Model is also called Grameen Model. This model is based on formation of small groups voluntarily for mutual and morally supportive group that provide guarantor-ship as a collateral requirement for conventional banks. This usually overlooks credit collateral as required by developing system of banking grounded on an accountability, group participation, mutual trust and innovation. Professor Yunus , the founder of Grameen bank present credit services as a cutting edge tool affecting inequalities that confines poor people in a poverty cycle through realization of their inherent abilities. This rejuvenates the lost social power denied due to lack collateral. Professor Yunus also argued that the system of conventional banking is not for the poor, women or illiterate , hence leading to keeping status quo between the haves and don't haves. Group based lending has proved to be the best way of advancing credit of small amounts of Money to many clients who lack collateral. The group organizes members to get a loan given to a selected number before advancing to others later in relation to repayment behavior of those given first. An individual group is jointly responsible for loan repayments, which is done through weekly collection meetings. For repayment to be assured, joint liability and peer pressure are used in making sure that they are not disqualified from being legible for further loans as one member becomes a defaulter (Morduch, 2003).

2.2.3 The MC2 Model

MC2 are created by micro development rural banks for keeping community norms. It advocates savings as the power of progress, fuel as awareness that moves the engine , loan as lubricants and services as solutions to poverty problems. Dr. Paul K. Fokam , the promoter of this concept, indicated that Victory to overcome Poverty (VP) is only possible if Means (M) and Competence (C) of Community (C) are put together. Hence VP=M x C x C = MC2. MC2 model advocates for the poor, empowers them to be self-reliant, promote wealth creation with an aim of improving their livelihood. The key objective this model is to sustain economic and financial welfare for the individuals and group members with social dimension. The targets is to the poor and micro-business. Microcredit services enable beneficiaries to gain financial management skills to provide competence. (Fotabong, 2011).

2.3 Determinants of Poverty Alleviation

There are several factors that cause poverty. Improvement or getting rid of these factors will contribute to poverty alleviation at household level.

2.3.1 Business Expansion

Lack of finances, has limited individuals to attain certain expansion level. Though households have competing needs of funds, they may have to forego the need to expand business temporarily. Those households which have at least the basics covered can thus use the borrowed funds to expand business hence improve their income levels and living conditions (Kiiru, 2007).

2.3.2 Expenditure on Education

Education is not only effective in poverty eradication but also important human capital. Education leads to high degree of creativity which reduces the chances of households remaining in poverty. Quality education is a great contributor to reduction in poverty. Education greatly contributes to better decisions and thinking of individuals. It removes individual from the traditional view of life and steers development in a society (World Bank, 2001).

2.3.3 **Microfinance Credit**

Microfinance is concerned with micro lending to the poor entrepreneurs to create ability of alleviating poverty through provision of resources limited to the wealthy at a small scale. With the large majority in Kenya not accessing formal banking facilities MF groups comes in handy to fill the gap in providing credit to the unprivileged (Brau, 2004).

2.3.4 Housing and Shelter

Lack of enough shelter is as a result of urban poverty. Due to poverty, people rent poor structures or erect informal settlements illegally, as they lack options of life. This in turn makes it impossible for them to get mortgage facilities. Housing in normally financed from savings (World Bank, 2002).

2.3.5 Income/ Resource/ Saving

Micro-finance institutions having been established credit and savings associations for enabling financial service access to be easier by creating help groups to attain savings accumulation capacity by members.

2.3.6 Healthcare

Improved health care is fundamentally important in improving productivity levels and income resulting to quality life. Country programmes of major organizations empower families in making viable decisions on health. Health is one the basic needs on the Maslow hierarchy of needs and achieving it is a step closer to a better life (Latifee, 2003).

2.4 Empirical Review

A number of empirical studies have been carried out with a view of determining the impact of microfinance on poverty alleviation worldwide. Despite of these studies, no agreement has been reached on the effect of MF on poverty reduction hence having conflicting views on MF effectiveness on poverty eradication in less developed economies(LDCs). In some studies , it was evident that MF credit have positive impact on poverty eradication (Goldber G., 2005; Khandker, 2003). On the other hand, it was reported that there is no positive effect (Duong and Izumida, 2002; Hulme and Mosley, 1996). Illiteracy, un-experience and managerial skills have affected the effectiveness of MF services on poverty eradication (Pollin, 2007). Basic infrastructural development capacity and the managerial, entrepreneurial skills are key requirement pillars to an effective tool for poverty alleviation. Some researchers found a positive relationship others negative relationship and some mixed findings.

2.4.1 International Evidence

Azad and Shamsuddoha (2004) carried out a study to asses MF impact on poverty alleviation; Bangladesh Perspective. The objective being an assessment of MF services effect on poverty alleviation. Primary and secondary data being used covering micro finance programs of GB (Grameen Bank), BRAC (Bangladesh Rural Advancement Committee) and ASA (Association of Social Advancement) operating under district of Chittagong, Bangladesh. Results showed some low MF impact on poverty eradication of poorest Bangladesh people. Impact differences were evident from program to program, one area of study to another area and MFI to MFI

Obeng (2011) had a study on Microcredit effect on poverty reduction in rural areas in Jaman North Ghana District. Objective of the being assessment on whether MF has a positive or negative impact on reducing poverty. Findings were that people, especially those who were vulnerable and marginalized were enabled to access credit that had a positive impact on poverty levels for beneficiaries.

Banerjee et.al (2014) study was to establish if MFI had a good impact on living standards of the poor living at Hyderabad city in India. Random sampling of borrowers was done and the ability to service their loan plus changes in their living standards was analyzed. The Survey was carried out in partnership with Center for Microfinance (CMF) at Institute For Finance Management Research (IFMR) in Chennai and Spandana being the MFI growing so fast at the time. The researcher used descriptive statistics and regressive analysis to interpret data. Findings indicate that MF assists households in carrying out inter-temporal consumption decisions . It was established that access to microfinance had insignificant effect to borrowers. This study was carried out in one small city in India and could not result could be true representation of others cities.

2.4.2 Local Evidence

Muhia (2014) carried a study on the social economic effects that MF has on youth micro entrepreneurs. The aim was to establish the effects of MF on individual livelihoods, the performance and sustainability of micro enterprises and the effects of training on youth micro enterprises. The study was conducted in Thika Township in Kiambu County among youth micro entrepreneurs. The study used primary and secondary data. A sample size of sixty one (61) respondents who were youths operating micro enterprise businesses within the township were interviewed. The study showed considerable positive effect on the youth livelihood. The study, though being in urban setting, the target group were those with business, and biased to the youth.

Kiiru (2007) did a study on impact of MF on rural poor households' income and poverty vulnerability; case study in Makueni county, Kenya. The objective being to assess the MF impact on household income and as a measure of household vulnerability to poverty after access to MF.The study targeted MF programme participants and non-participants in Makueni county over time. The results showed a positive significant impact on household income. The results showed that MF has improved livelihood for the poor, has also enabled them access affordable credit services. He noted that MF plays a key role in poverty reduction through stimulation of entrepreneurship in economic growth.

Okibo and Makanga (2014) had a study on effect of MFI on poverty reduction in Kenya, focusing on PAWDEP in Kiambu County. Intention was to cover credit facilities provided by MFI and client's view on better income and reduced poverty level. The study used descriptive survey design with 9 staff and 46 PAWDEP clients as target population.

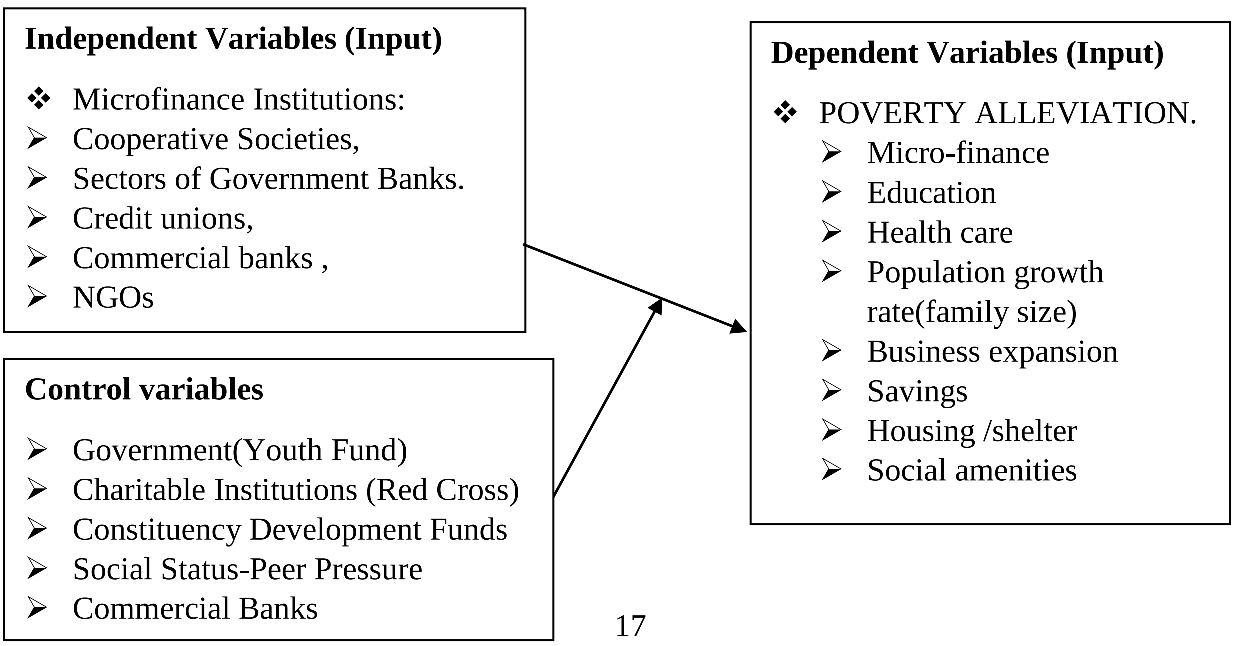
Previous studies have not concentrated on MF credit effect on poverty alleviation in Kenya, especially in urban slum areas. The settings for the most studies are rural and biased on either women or youth. Having that these studies haven't dealt with effect of MF on urban poverty alleviation in Kenyan setting, I do propose this study.

2.5 Conceptual Framework

The independent variables are the Microfinance services offered by Microfinance institutions. The intervening variables are the factors that affect an individuals' preference to access Microfinance loans services to a certain level. The dependent variables results from interaction between input (independent variables) and intervening variable. When faced financial constrains due to household budget they will seek for soft loans(from microfinance institutions) in relation to the extend at which the Government has subsidized and the amount or level of assistance from constituency development fund office and the loan from commercial banks so as to pay as low interest rates as possible. This lowers the credit costs. Social status may determine the necessity level, credit limit, hence overall expenditure and cash management style of an individual. The individual education level may influence the usage and management of Microfinance loans and even the project viability.

In determining the impact on microfinance on poverty alleviation, the intervening variables will be assumed to be held constant. To minimize the effect the threats to validity due to extraneous variables such as historic effects, the time period between the collections of data from first respondent to the last respondent will be minimized. Selection bias of sample area and information section will be minimized through random sampling and tape recording. The instrument effect will be minimized through uniformity of data collection instruments and administration.

Figure 1: Conceptual Framework



2.6 Summary of Literature Review

Many studies show micro entrepreneurs below poverty line who usually have low income increment after getting credit than those who are well off. Its also evident through studies that the poor uses loans on consumption goods at a lager extent th0se above poverty line, hence their income tent to increase less (Gulli, 1998). It is noted that the poor has high possibility of using credit to meet daily basic needs, and yet their loans are high in cost than formal financial institutions (Ghatak et al., 1999). meeting daily basic needs, yet their loan repayment rates are higher than repayment rates for the formal financial institutions that are normally used by those who are financially better of (Ghatak et al.,1999). By the available data, there is no much study done in the country in reference to the effects of microfinance credit on poverty alleviation. This is necessary since lately there is an increasing trend on the rate at which institutions come up with the aim of reducing poverty but the impact has not yet been felt among the people.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

The chapter details about research design, targeted research population, sample , sampling procedure, data validity , reliability and data Presentation. It also includes the method used in collecting data and a model for analyzing the data to come up with answers to the research questions.

3.1 Research Design

The research design employed descriptive research method as the study involved data collection from Nairobi slum household members who had benefited from MFIs with an aim of determining if MF contributes to poverty reduction through better income. (Lokesh, 1984) noted that ‘descriptive research is designed for obtaining precis and pertinent information gathering (Creswell, 2003) emphasize that descriptive designs assist in preliminary and exploratory studies allowing the researchers to gather information , summarize, present and interpret for end users. The aim was to get findings that enable researcher make assertions on effects of MF on poverty alleviation to slum dwellers in Nairobi County in Kenya. Using descriptive research design therefore ensures in-depth description of the study findings.

3.2 Target Population

Target population is normally the larger group which one intents to generalize findings (Mugenda and Mugenda, 1999). The target population for this research were the selected slum households who had received credit or any other benefit from the micro-finance institutions. The population of households that have benefited from MF services is approximately 1,250 households in the five slums which are Mathare, Huruma, Kibera, Korogocho and Mukuru. The target population of the research was

250 slum households consisting of 50 households from every selected slum area. The choice of slum areas in Nairobi was informed by the high poverty levels and also the fact that it is the capital city of Kenya and biggest city in the East African region.

3.3 Sample Design

As to Wiersman (1995), a small portion of target population selected through systematic procedures is a sample. Purposive sampling was used in household selection for data collection. This sampling method involves deliberate non-random sampling aiming at selection of events or sample of people with a predetermined traits (Mugenda and Mugenda, 1999). A sample of 250 households living in selected slums and which had benefited from MF were selected for this study.

3.3.1 Research Area

The research study was conducted in the slums of Nairobi County who make the target area. Kibera being Africa's biggest slum , was to give this study true image of the slum lives and not undermining Mathare, Huruma, Korogocho and Mukuru.. We have approximately 2.5 million people living in about 200 informal settlements in Nairobi.

3.4 Data Collection Techniques

3.4.1 Questionnaire

The questionnaire was tailored for data collection to achieve the main study objective through getting information from the respondents. The questionnaires were simple hence self-administered.

3.4.2 Interview Method

The interviewer was prompted to use unstructured interview to get more information when need was of concern. This was noted down either in presence or absentia of respondent or as researchers' skill to hold a conversation. Focused group interview was used involving those who have benefitted from MF services.

3.4.3 Observation Method

First hand eye witness through direct observation was made by the researcher drawing direct evidence. Narayan et al (2000) stated that "don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at my utensils and the clothes that I am wearing. Look at everything and write what you see. What you see is poverty". Hence some information were gathered without necessarily asking respondents.

3.4.4 Documentary Review

Recoded data, journals, books among other reliable resources will be highly regarded and note overlooked.

3.5 Data Analysis and Presentation

Data completeness, validity, and reliability was checked. Data was then decoded, summarized, and tabulated. Descriptive and inferential methods were used including use of SPSS program to generate; central tendencies (mode, mean and median), dispersion measures (standard of deviation, range, variance and range), relative position of measures and measures of correlation and regression. Pearson's product moment coefficient of correlation was used in testing independent (MF services) and dependent variables relationship the extend of the relationship will be examined by use of the following model.

3.5.1 Analytical model

Y= $\boldsymbol{\beta_{0+}\beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \beta_4\chi_4 + \beta_5\chi_5 + \beta_6\chi_6 + e}$

Y= Poverty alleviation (As shown by section E of questionnaire)

β_0= Constant term

β_1= Coefficient measuring sensitivity of dependence variables to unit predictor variable change. .

χ_1= Microfinance services (as shown by section B of questionnaire)

χ_2= Business expansion(as shown by section D of questionnaire)

χ_3= Savings (as shown by section E of questionnaire)

χ_4= Housing (as shown by section E of questionnaire)

χ_5= Expenditure education (as shown by section E of questionnaire)

χ_6= Healthcare (as shown by section E of questionnaire)

The analyzed data was presented through graphs, tables and charts as conclusions drawn with recommendations for report users.

Figure 2. Operationalization of Variables

Variables	Indicators	Measurement scale
Poverty Alleviation	Total Household income	Ratio scale
Microfinance credit	Microfinance loans uptake	Ordinal/nominal scale
Expenditure on education	Enrolment in better rated schools	Ratio scale
Savings	Savings Increase	Ratio scale
Business expansion	Increase in stock levels Increase of branches	Ratio scale
Housing and shelter	Rent Expenditure Relocation to better neighbourhoods	Ratio scale Ordinal scale
Health care	Access to better health facilities	Ordinal/nominal scale

3.5.2 Test of Significance

The significance of each independent variable was tested. F-test tested the significance of the overall model at a 5% confidence level. The dependent variables (determinants of poverty alleviation) with values less than 5% were taken to have significance effect on poverty alleviation. Hence, measures considered significance level of 5% and confidence level 95% for determinants of poverty alleviation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents the analysis and findings of data in accordance to research methodology. This analysis has been done in respect to MF services effect on poverty reduction in slums in Nairobi County. For study findings discussion, descriptive statistics has been used.

4.2 Response Rate

The population size of 250 respondents was targeted, of which all 250 questionnaires were filled and collected representing 100 percent response rate as it was purposive method. Response rate was satisfactory enough to enable researcher make conclusions. This response rate was attributed to the approach used being use purposive sampling to select households for data collection.100% of the respondents were microfinance programme beneficiaries hence giving relevant information required by the researcher.

4.3 Data Validity

The literature was collected from respondents in slum areas in Nairobi county, study findings from previous studies and literatures were also considered. I think I used the most appropriate statistical analysis to analyze data. Understanding impact of microfinance, and that real figures may be insufficient to depict a real pictorial view of work, our questionnaire were coupled with Likert Scale and multiple –choice. Likert Scale base satisfaction level for different variables in relation to the standard of living for slum dwellers, by thinking that it will give better results over other measurements. The hypotheses tests, regression and correlation analysis were used, as analysis results supports both research question and objective.

4.4 Descriptive Statistics

In the descriptive statistics table 1 below, its noted that independent variable mean to business expansion (3.33), increased savings (3.27), access to education (3.15), access to healthcare (3.06), access to better housing (3.05) and access to MF credit (1.49), all means happen to be above 5-point satisfaction scale midpoint, hence showing peoples' good perception on these attributes.

In order to determine variables, five point likert scale was used, where 1 represented less effect and 5 larger extent. As shown in table 4.1 below, business expansion has to a very large extent effect on education having a mean of 3.33 standard deviation of 1.292, followed closely by microcredit with a mean of 3.15 and a standard deviation of 0.930. , savings increase with 3.27 mean and 1.234 standard deviation. Medicine/hospital expenses ability to pay had 3.06 mean and 1.065 standard deviation, housing and shelter had 3.05 mean and 1.171 standard deviation and access to credit has a 1.49 mean and 0.275 standard deviation 0.275.

Skewness and kurtosis tests from a sample of test scores are given and all are negative, an indication of a slightly left-skewed and peaked data (leptokurtic) compared to a normal distribution. On the rule of thumb application by dividing each value with its standard erro (Std.Error), they give values ranging from -0.25896 to -1.12205 except education which gives -4.25692 for skewness and values from 0.902 to -2.868 for kurtosis , where all are within ±1.96 limits except the two . this suggests the normality departure is not too extreme except for education for the case of skewness and credit for the case of kurtosis.

TABLE 1: DESCRIPTIVE STATISTICS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Health Services	248	1	5	3.06	1.165	1.356	-.285	.254	-.547	.503
CREDIT	246	0	2	1.49	.524	.275	-.214	.253	-1.434	.500
SAVINGS	242	1	5	3.27	1.234	1.524	-.417	.254	-.741	.503
BUSINESS	193	1	5	3.33	1.292	1.668	-.365	.281	-.842	.555
EDUCATION	206	1	4	3.15	.930	.865	-1.077	.253	.451	.500
Housing	247	1	5	3.05	1.171	1.371	-.065	.251	-.897	.498
Valid N (listwise)	243									

4.4.1 Model summary

The Model summary table 2, indicates R-square value as 0.531. It means 53.1% for the family living standard improvement variation (dependent variable) , the five independent variable can help in explanation. Generally, R-square increases with the addition of independent variables to a multiple regression model. This model has 0.485 as an adjusted R-square, indicating a slight overestimation with the model

TABLE 2: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.729[a]	.531	.485	17594.382	.531	11.615	4

4.5 . Correlation Analysis

On applying a multivariate regression model in determining microfinance credit on poverty alleviation in slums in Nairobi County, table 3 below, shows a strong positive relationship between the poverty alleviation and education followed by housing and then savings. This is shown by Spearman coefficient of correlation of 0.617, 0.558 and 0.390 respectively. It also has a weak positive correlation with business expansion ,access to health care and MF credit with Spearman coefficient of correlation of 0.241, 0.054 and 0.08 respectively. This implies that changes in these variables are not correlated with poverty alleviation.

As all Pearson's r-values are positive, it implies they all contribute positively to poverty alleviation with a positive correlation.

SPSS did put a negative sign for credit in relation with other variables except MF credit . This implies that when amount of other variables increases, credit decreases (as credit finances them).

The Sig. (2-Tailed) value in our table 3 is 0.0 for housing, savings and education. These values are less than .05. Hence there is a statistically significant correlation between them and poverty alleviation. The Sig. (2-Tailed) values for health, business and credit are above 0.05. This implies no statistically significant correlation between them and poverty alleviation, hence, implying that the increases or decreases in either one of them does not significantly relate to increases or decreases in poverty alleviation in area of study.

TABLE 2:REGRESSION MODEL SUMMARY

Correlations									
			Health Services	Business	Housing	Savings	Education	Poverty Alleviation	Credit
Spearman's rho	Health Services	Correlation Coefficient	1	0.005	0.001	0.033	0.069	0.054	-.232*
		Sig. (2-tailed)	.	0.972	0.996	0.761	0.558	0.626	0.028
		N	250	170	242	236	203	234	245
	Business	Correlation Coefficient	0.005	1	.317*	0.214	.324*	0.241	-0.082
		Sig. (2-tailed)	0.972	.	0.012	0.095	0.019	0.066	0.522
		N	246	173	170	170	143	162	173
	Housing	Correlation Coefficient	0.001	.317*	1	.471**	.508**	.558**	0.014
		Sig. (2-tailed)	0.996	0.012	.	0	0	0	0.895
		N	244	170	247	239	203	236	247
	Savings	Correlation Coefficient	0.033	0.214	.471**	1	.347**	.390**	-0.094
		Sig. (2-tailed)	0.761	0.095	0	.	0.003	0	0.383
		N	244	170	239	242	201	231	242
	Education	Correlation Coefficient	0.069	.324*	.508**	.347**	1	.617**	0
		Sig. (2-tailed)	0.558	0.019	0	0.003	.	0	1
		N	247	143	203	201	206	195	206
	Poverty Alleviation	Correlation Coefficient	0.054	0.241	.558**	.390**	.617**	1	0.08
		Sig. (2-tailed)	0.626	0.066	0	0	0	.	0.46
		N	244	162	236	231	195	239	239
	MF. Credit	Correlation Coefficient	-.232*	-0.082	0.014	-0.094	0	0.08	1
		Sig. (2-tailed)	0.028	0.522	0.895	0.383	1	0.46	.
		N	245	173	247	242	206	239	250
*. Correlation is significant at the 0.05 level (2-tailed).									

4.6 Regression Analysis and Hypotheses Testing

The coefficient of determination depict the extend at which dependent variable variations can be shown in respect to either independent variable variations or percentage dependent variable variation (Poverty Alleviation) as shown by the six independent variables (savings, business, education , health care, MF. credit and housing). From table 2 above, for all the six independent variables under study, explains only 53.2% of MF effect on poverty eradication in Nairobi County as represented by R^2. Other factors count for about 46.8% on MF effect on poverty alleviation, hence the need to investigating these factors.

Tables 4 indicate how regression model predict dependent variable. There is a statistical significance of regression model, as being Sig. 0.00, being less than 0.05, an indication of statistical significance prediction regression model outcome variable as a good fit for the data.

The F-test is significant, hence an assumption can be drawn that we have a linear relationship between variables in the model.

TABLE 4. ANOVA

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14382061146.244	6	3595515286.561	11.615	.000
	Residual	12692052984.191	244	309562267.907		
	Total	27074114130.435	250			

4.6.1 Regression analysis

In determining existing relationship between poverty eradication in slum in Nairobi county, the six variables , and a multiple regression analysis was conducted. According to SPSS generated table, the equestion ;

Y= $\boldsymbol{\beta_{0+}\beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \beta_4\chi_4 + \beta_5\chi_5 + \beta_6\chi_6 + e}$ which becomes

Y=2889.472+302.968X1 + 0.363X2 + 7.512X3-1.710X4+ 0.748X5+ 542.076X6+ ę

Where; Y = Poverty alleviation

β0 = Constant term

β = 1….6 coefficient used in measuring sensitivity of dependent variable to unit variation in predictor variables.

X1= Microfinance Credit

X2= Business Expansion

X3= Housing and Shelter

X4= Saving

X5= Expenditure on Education

X6= Healthcare ę= the error term capturing unexplained variations in the model and which is assumed have a normal distribution with zero mean and constant variance.

From regression equation formulated, when all factors taken into account to be held at zero(Savings, credit, education, health care, housing and credit), Poverty will be alleviation in Slums in Nairobi County by ksh. 2,889.472. The data analyzed results also indicate independent variables held at zero unit , giving a unit increase in business expansion leading to 0.363 increase per unit for individual unit household poverty alleviation. Credit facility credit increase leads to ksh. 302.968 increase on poverty alleviation. Unit increase in education leads to 0.748 increase on poverty alleviation and for health care increment on a unit will lead to ksh. 542.076 increase in poverty alleviation in Slums in Nairobi County.

When significant level is at 5%, and confidence level is at 95%, credit facilities have highest of a 0.956 level of significance, healthcare at 0.831 ,business at 0.234, savings at 0.051, education at 0.027 and housing at 0.00 level of significance , being the lowest.

In the table 5 below, in considering family standard of living improvement as depended variable , better education access , better healthcare acces, business expansion, good savings , better housing and cheaper credit access by households as independent variables. Our null hypothesis is , there is no relationship between improved family standard of living and better education , healthcare access , business expansion, increase in savings, better housing and better family access to credit. The alternative hypothesis states that better education, healthcare, business expansion, increase in savings, better housing and better family access to credit relates to family living standard improvement.

Coefficients table 5, shows significant predictors of family standard of living being independent variables. From significance column, the beta coefficients for family education access, healthcare access, and good credit are significant. Beta coefficient for good family credit access shows that a unit increases in improves living standard by 0.363 units averagely if other factors are held constant. Coefficients table reveals better housing being the most significant predictor of poverty alleviation with a high beta coefficience of 0.719 (Sig. of 0.000)

TABLE 3: COEFFICIENT OF DETERMINATION

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2889.472	12371.725		.234	.817		
	Business	.363	.301	.138	1.208	.234	.918	1.089
	Housing	7.512	1.475	.719	5.093	.000	.603	1.658
	Savings	-1.710	.848	-.278	-2.016	.051	.633	1.581
	Education	.748	.325	.259	2.300	.027	.946	1.057
	Health Services	542.076	2520.323	.024	.215	.831	.948	1.055
	Credit	302.968	5398.650	.006	.056	.956	.977	1.023

a. Dependent Variable: POVERTY ALLEVIATION

4.7. Discussion of Research Findings

A multivariate regression model was applied in determining effect MF services on poverty alleviation in slums in Nairobi county. The results indicate a positively strong relationship between poverty alleviation and micro-credit with a Spearman's coefficient of correlation of 0.08. Also, coefficient of determination of ksh.302.968 implied that the microfinance credit accounted for ksh.302.968 of changes in poverty alleviation. ANOVA results indicate a p value of 0.0000, which is less than 0.05. This implies that the developed model is reliable for prediction and that MF credit and poverty alleviation relate significantly. Coefficients obtained by the model mostly were positive, it implies that microfinance credit amount obtained, expenditure on business expansion, on housing, on education and on health services do increase household income and hence poverty alleviation. The amount of health care had the highest coefficient at ksh.542.076, implying that for every shilling increase in health care, household income increases by shilling 542.076. The constant of Ksh. 2,889.472 imply that if microcredit financing is held at zero and all the other independent variables are zero, the individual households will still have an income of Ksh. 2,889.472. The model developed by the study was;

$$\mathbf{Y=2{,}889.472+302.968X1 + 0.363X2 + 7.512X3-1.710X4+ 0.748X5+ 542.076X6+ ę}$$

Where; Y = Poverty alleviation , β0= Constant term ,β = 1… .6 coefficient measuring sensitivity of independent variable (Y) to unit change in predictor variables, X1=Microfinance Credit ,,X2= Business Expansion ,X3= Housing and Shelter, X4=Saving ,X5= Expenditure on Education , X6= Healthcare ę= the error term capturing unexplained variations in the model and which is assumed have a normal distribution with zero mean and constant variance.

The findings for the study were in agreement with those of Obeng (2011) who found that vulnerable and marginalized households in Ghana who had an access to credit facilities were positively impacted on poverty levels. In Kenya, the findings were similar with those of Kiiru (2007) who got a significantly positive impact of MF on household income ; Okibo and Makanga (2014) were able to establish that when positioned properly, MF was useful tools for poverty alleviation.

From respondent data, majority of microfinance credit users were less educated with 29% had tertiary education, 26% had secondary education ,25% had primary/middle level education level, 11% others while 9% had no formal education. It was also noted that mjority of the respondents at 69% had between 0 to 4 dependents, 23% had 5 to 9 dependents, 9% had 10 to14 dependents while 0% had above 15 dependents. The respondents also were low income earners with 40% of the respondents had income below Ksh. 5,000 per month, 31% had between ksh. 10,000 to ksh. 15,000 monthly income , 17% had ksh.15,000 to ksh. 20,000 monthly income , and between ksh. 5,000 to ksh. 10,000 were 11%., while none had monthly income above Ksh. 35,000.

For microfinance credit usage, 47% used the credit to expand business, 25% to pay school fees, 13% to cover basic needs, 7% to develop sanitation, 2% to improve housing and shelter, and none for savings. It is encouraging to find that majority of the respondents used credit finance to expand business and education and none took it just for savings. 49% of the respondents had challenges in repaying the micro finance loans while 51% had not. Those who had challenges in repaying the loans obtained pointed out that it was due to lack of source of income to pay (53%), poor market for produce (20%), diversion of funds from its intended purpose (13%), (7%) for non-income generating activity and others was (7%) .None was due to natural/accidental disaster.

It was noted that 97% of the respondents were in agreement that microfinance credit was vital to them in increasing the level of their income with 42% of the respondents indicating microcredit had assisted them to improve their businesses, 26% were enabled to access better education, 17% benefited in other ways, 9% had developed better housing, 6 % were able to improve sanitation. Microfinance credit was found by very large extent affect business expansion had 3.33 mean and 1.292 standard deviation, education had 3.15 mean and 0.930 as standard deviation, savings increase with a man of 3.27 and standard deviation of 1.234, medicine/hospital expenses ability to pay had 3.06 mean andn1.165 as standard deviation. Then, lastly, by housing and shelter had a mean of 3.05 and 1.171 as standard deviation. Respondents aged between 18-30 years were 43%, 42% aged between 31-50 years and 15% aged above 51 years. 53% of the respondents were male while 47% were female.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMENTATIONS

5.1 Introduction

The chapter discusses findings, recommendations and concussion of the data. Conclusions and recommendations are tailored in line with effect of MF services on poverty alleviation in Slums in Nairobi County.

5.2 Summary of findings

The study objective was to determine the effect of MF services on poverty alleviation in Nairobi county slum areas. It was found by the study that MF service has led to expansion of businesses, better shelter, better education, access to health care and opportunities for the poor in accessing education and improved their living standards such as improved sanitation.

When all factors are considered (micro credit, savings, education, housing, healthcare and business) to be held constant at zero value, poverty eradication will beksh.2,889.47. The data analyzed indicate that when independent variables are held constant at zero, a unit increase in business expansion leads to 0.363 unitary increase in poverty eradiation process. A unitary increase in credit facility leads to ksh 302,968 poverty alleviation increase and unit increase in education leads to .0748 poverty alleviation and increase in healthcare leads to ksh.542.076 increase in poverty alleviation in Slums in Nairobi County.

As part of the findings, among the MF credit users, 60% having secondary education and below. Most of the microfinance customers were found to be low income earners with 82% of the respondents having monthly income below Ksh. 15,000. On the usage of microfinance credit obtained, the study found that 47% used the credit to expand business, b25% to pay school fees, 7% to develop sanitation, 18% to cover basic needs, 2% to improve housing and shelter, and zero savings. It was noted viable as most of the respondents (47%) used credit to expand business and school fees. None took credit to save. 49% of the respondents were having challenges in MF loan repayment . Those with challenges explained that its normally due to lack of income source to pay from (53%), credit used for non-income generating activity (7%), and diversion of funds from its intended purpose (13%), their produce had poor market (20%), others (7%) and none was due to natural/accidental disaster (0%)

5.3 conclusion

Basing on research findings above, it is well noted that microfinance credit plays a crucial role in poverty alleviation in Slums in Nairobi County. MF services help poverty reduction through access to credit services by low income earners, less educated and expansion of business, access to better residential places and health care. MF is taken to be poverty eradication strategy and a way to enable the poor to access micero-credit. When properly positioned, they are important tools for poverty alleviation. From findings, MF strategies that are in place for poverty eradication that do offer financial management skills, avails loans at reduced interest rates and collateral free credit facilities have contributed positively to poverty alleviation.

However, the respondents were dissatisfaction with accessible amount. Microfinance beneficiaries' perceptions on strategic policies for microfinance institutions were taken to be positive as they help to reduce poverty trends.

The variables that affected poverty alleviation in Slums in Nairobi County were in varying Degrees. When the level of significance is at 5% and 95% confidence level, credit facilities reported highest level of significance at 0.956, healthcare showed 0.831 level of significance, business showed 0.234, savings 0.051 education 0.027 and housing showed 0.00 being the lowest level of significance respectively.

5.4 Recommendations

MF being an effective tool in fighting poverty among unprivileged, it has enabled provision of MF services being available to the poor having been overlooked by the other financial institutions. Financial services provided by (MFIs) include and not limited to insurance, savings and credit. MF have tailored its services to suit its clientele like removal of collateral on credit; simple procedures, less requirements, and less documentation. It has come up with group lending for security with easy and flexible repayment schedules, consultation services for financial management skills, thus advocating for learning acquiring entrepreneurial skills necessary for better business performance.

This study recommends for an elaborate MFI to assist in facilitating easier financial services access. MFIs need to be empowered financial and economical strategies be in line with their mandate so as to be enabled in offering unprivileged with the unlimited credit for rapid economic growth. Having an elaborate MFI structure, many will take advantage of such tailored services for micro business setups. With regular trainings on financial management skills, and entrepreneurial skills, the target group will have better performing businesses. Therefore, from this study, it was realized that MF credit plays an integral role in poverty alleviation in Kenya with better income after the access to microfinance.

5.5. Limitations of the study

Having faced by good number of challenges can inherently affect the results, it cannot go without mentioning them. The target population being limited to slums in Nairobi County, The results cannot be generalized as true representation of other areas, counties or Kenya being that locations differ in opportunities and threats for effectiveness of microfinance services on poverty alleviation. The sample size of 250 households was also not sufficient in consideration of the general population of households who have accessed microfinance services.

Time limit could not allow detailed information from the respondents through clarification. Interviews were time consuming and even persuading respondents to fill questionnaires. Hence, time constraint limited the bulkiness of information collected hence few aspects might have been left out.

Some respondents did not answer all questions as they thought it was not relevant to them. This affects the generalized conclusion drawn.

5.6 Suggestions for Further Research

This study having been meant for determining effect of MF services on poverty eradication in Slums in Nairobi County. Having mentioned above the limitations faced during the study, we suggest a further study on effect of microfinance services on poverty alleviation on other Counties both rural and urban setting both in Kenya and other countries by use of a larger sample.

MF having great impact on poverty alleviation, as drawn from conclusion , another study should be carried out to address the challenges facing individual household in accessing micro-credit facilities and factors affecting their ability in improving their livelihood through microfinance services.

We also recommend a similar study on MF services effect on poverty alleviation but done over a longer period of time , say , data collected monthly over two to five years. This may lead to data accuracy and completed reliable data as target population is monitored over time as changes are recorded.

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APPENDIX I: QUESTIONNAIRE

The questionnaire is meant to collect information on the effects of Micro-finance services on Poverty alleviation, narrowed to slums in Nairobi County. It is purely an academic exercise.Your responses will be accorded the utmost confidentiality they need.

SECTION A: PERSONAL DATA

1. Age 18-30 years ( ) 31-50 years ( ) 51 and above ( )

2. Gender Male ( ) Female ( )

3. Marital Status Married ( ) Single ( )

4. Educational Background A. No Formal Education ( ) B. Primary/Middle Level ( )

C. Secondary ( ) D. Tertiary ( )

E. Others (please specify) ( ) ....

5. Do you have any dependants? Yes ( ) No ( )

If yes, How many? A. 0 – 4 ( ) B. 5-9 ( )

C.10-14 ( ) D.15 and above ( )

6. What do you do for a living? A. Farming ( )

B. Trading (e.g. selling of vegetables, clothes) ( )

C. Jua Kali (Manual work) ( ) D. Teaching ( )

E.Others (Please pecify)...

SECTION B: MICROFINANCE DATA

1. Are you a member/beneficiary of any microfinance programme?

Yes ( ) No ( )

2. If yes, how much have you saved since?

A. Below KSh 10,000 ( ) C. KSh 21,000-35,000 ( )

B. KSh 10,001-KSh 20,000 ( ) D. Above 35,000 ( )

3. Have you gotten any microfinance credit/service? Yes( ) No( )

   If yes ,what was the nature/purpose of your credit/service?

   A. Expand Business ( )

   B. Cover the basic needs (housing, food, clothing) ( )

   C. Improve housing and shelter ( ) E. Pay for education ( )

   D. Increase savings ( ) F. Develop sanitation ( )

   G. Other, Please specify below...

4. Do you have problems in paying your credit? Yes( ) No( )

5. If yes in above, then why?

   A. limited sources of income to pay ( )

   B. Credit is mainly used for non-income generating activity ( )

   C. Diversion of funds from its intended purpose ( )

   D. Poor market for produce ( ) E. Natural/Accidental disaster ( )

   F. Other, Please specify below. ....

6. Does the credit benefit you in any way? Yes ( ) No ( )

7. If yes then how?

   A. Credit has helped improve my business ( )

   B. Credit has facilitated access to quality education ( )

   C. Credit has enabled the development of better housing ( )

   D. Credit has helped improve sanitation system ( )

   E. Other, (specify)……………………………………………………………

SECTION C : <u>INCOME INCREASE</u>

8. What was your income before uptake of microfinance credit (KSH)?

   A. Below Ksh 5,000 ( ) C. 10,001-15,000 ( )

   B. 5,001-10,000 ( ) D. 15,001 - 20,000 ( )

E. More than Ksh 20,000 ( )

9. What is your household income after uptake of microfinance credit?

A.Below Ksh 5,000 ( ) B.5,001-10,000 ( )

C.10,001-15,000 ( ) D.15,001-20,000 ( )

E.More than Ksh 20,000 ( )

10. What is your household income through personal initiative without microfinance services? A. Below Ksh 5,000 ( ) B. 5,001-10,000 ( )

C .10,001-15,000 ( ) D. 15,001-20,000 ( ).

E.. More than Ksh 20,000 ( )

SECTION D : BUSINESS EXPANSION

11. Are you engaged in any other income generating activity? Yes ( ) No ( )

12. If yes, were you running the business before taking credit? Yes ( ) No ( )

13. If yes , how has your business changed after taking of microfinance credit?

A.. Increase in stock levels ( ) B) Increase in products and services offered ( )

C . Expansion of business to more than one shop ( )

D . Increased number of employees ( )

Other, Please specify below. ....

SECTION E : <u>IMPROVEMENT ON THE STANDARD OF LIVING</u>

14. Kindly tike (×) in the table against the extent the following has improved as a result of MFI programs.

ITEM	**Least Extent**	**Extent**	**Fair extent**	**Good extent**	**Most extent**
Housing and Shelter					
Medicine/ Hospital					
Savings					
Business/projects					
Education					

15. Kindly indicate how much you spent on the following after uptake of credit (on a monthly basis) Item Before (KSH) After (KSH)

ITEM	Business	Housing rent	Savings	Education
Before (KSH)				
After (KSH)				

16. Kindly indicate the how average credit you received from Microfinance institutions for the last five years

YEAR	2015	2014	2013	2012	2011
KSH.					

17. Kindly tike (×) in the table against the extent the following has improved NOT as a result of MFI programs.

ITEM	**Least extent**	**Extent**	**Fair extent**	**Good extent**	**Most extent**
Housing and Shelter					
Medicine/ Hospital					
Savings					
Business/projects					
Education					

18. Kindly indicate how much you spent on the following

ITEM	Business	Housing rent	Savings	Education
NOW (KSH)				
LAST 6 YEARS (KSH)				

SECTION F: IMPACTS OF MICROFINANCE

19. If you have ever requested for a loan from microfinance, kindly rate the following statements. Where (5-Strongly agree, 4-Agree, 3-Neutral, 2-Disagree and 1-Strngly disagree)

	1	2	3	4	5
a) It was easy to be given a loan					
b) The criteria used by MFI in offering loans is fair					
c) The criteria used by MFI is easy to be met					
d) I can conclude that MFI has helped in developing my business					
e) I would like to obtain another loan if need be from MFI					
f) Am happy with loan repayment conditions given					
G) Interest rate offered was fair					

Thank you for taking time to answer this questionnaire .

APPENDIX II: DATA COLLECTED

TABLE 6: DATA COLLECTED

VARIABLES	**DETAILS**	**FREQUENCY**	**%AGE**
AGE	18-30	108	43
	31-50	106	42
	51<	36	14
		250	**100**
EDUCATION	NO FORMAL EDUCATION	22	9
	PRIMARY/MIDDLE LEVEL	63	25
	SECONDARY	66	26
	TERTIARY	71	29
	OTHERS	27	11
		250	**100**
NO. OF DEPENDANTS	0-4	172	69
	42618	56	23
	010-014	22	9
	15<	0	0
		250	**100**
CREDIT PURPOSE	EXPAND BUS	118	47
	BASIC NEEDS	33	13
	HOUSE	5	2
	SAVINGS	0	0
	EDUCATION	63	25
	SANITATION	16	7
	OTHERS	0	0
FAILING TO SERVICE REASON	NO INCOME	133	53
	USED FOR NON-INCOME	17	7
	FUND DIVERSION	33	13
	POOR MAKET	50	20
	ACCIDENTAL DISASTER	0	0
	OTHERS	**17**	7
HOW CREDIT BENEFITED	IMPROVE BUS	106	42
	QUALITY ED	64	26
	BETTER HOUSE	22	9
	IMPROVE SANITATION	14	6
	OTHERS	42	17
AFFECTE OF CREDIT ON	STOCK LEVEL	147	59
	INCREASE ON PRODUCTS	30	12
	EXPANTION ON SHOP	34	14
	INCREASE IN NO. OF EMPLOYEES	18	7
	OTHERS	15	6

TABLE 4: DATA COLLECTED

VARIABLES	DETAILS	FREQUENCY	%AGE
IT WAS EASY TO BE GIVEN A LOAN	1-STRONGLY DISAGREE	56	22
	2-DISAGREE	56	22
	3-NEUTRAL	34	14
	4-AGREE	86	35
	5-STRONGLY AGREE	19	7
THE CRITERIA USED IS FAIR	1-STRONGLY DISAGREE	6	2
	2-DISAGREE	19	7
	3-NEUTRAL	77	31
	4-AGREE	142	57
	5-STRONGLY AGREE	3	1
THE CRITERIA USED IS EASLY MET	1-STRONGLY DISAGREE	0	0
	2-DISAGREE	25	10
	3-NEUTRAL	80	32
	4-AGREE	128	51
	5-STRONGLY AGREE	15	6
IT HELPED TO IMPROVE MY BUSS	1-STRONGLY DISAGREE	0	0
	2-DISAGREE	6	2
	3-NEUTRAL	22	9
	4-AGREE	127	51
	5-STRONGLY AGREE	40	16
I WOULD LIKE TO GET ANOTHER LOAN	1-STRONGLY DISAGREE	0	0
	2-DISAGREE	3	1
	3-NEUTRAL	34	14
	4-AGREE	201	80
	5-STRONGLY AGREE	15	6
AM HAPPY WITH REPAYINGMENT CONDITIONS	1-STRONGLY DISAGREE	0	0
	2-DISAGREE	3	1
	3-NEUTRAL	86	35
	4-AGREE	154	62
	5-STRONGLY AGREE	6	2
INTEREST RATE IS FAIR	1-STRONGLY DISAGREE	22	9
	2-DISAGREE	12	5
	3-NEUTRAL	105	42
	4-AGREE	102	41
	5-STRONGLY AGREE	15	6