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FACTORS AFFECTING THE PERFOMANCE OF MICRO FINANCE INSTITUTIONS IN THE ERADICATION OF POVERTY IN MIGWANI SUB-COUNTY OF KITUI, KENYA

BY

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DECLARATION

This research project is my own original work and has never been presented for the award of a degree in any institution or University.

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This research project has been submitted for examination with my Approval as a University Supervisor:

Professor Edward Mburugu **Date**

Signature ….………………………. ……………………………………

DEDICATION

To my beloved parents

for their financial and emotional support

towards my education.

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TABLE OF CONTENTS

Table of Contents **Page**

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS AND ABBREVIATIONS

BRAC- Bangladesh Rural Advancement Committee.

C B O-Community Based Organizations

K-REP-Kenya Rural Enterprise Program

KWFT-Kenya Women Finance Trust

MDGs-Millennium Development Goals

M F I-Microfinance Institutions.

MPI-Multidimensional Poverty Index.

N G O Non-Governmental Organizations

O P H I-Oxford Poverty and Human development Initiative.

ROSCA-Rotary Saving and Credit Association.

S D M-Savings Development Movement.

S M E-Small and Medium Development Enterprises.

S P S S-Statistical Program for Social Sciences.

S S A- Sub Saharan Africa.

UN-United Nations.

U N D P-United Nations Development Program.

USD-United States Dollars.

ABSTRACT`

The general objective of this study was to identify and understand factors that affect the performance of micro finance institutions in eradication of poverty in Migwani Sub-county of Kitui County. The objectives of the study were to identify development projects among the women in Migwani Sub County which have been funded by Loans procured from microfinance institutions, to establish the level of management knowledge and training among the women who utilize loans from microfinance institutions in Migwani sub-county, to establish the role played by Microfinance institutions in the eradication of poverty among the women in Migwani Sub County and to examine factors related to the performance of MFI funded projects among women in Migwani Sub-County.

Lottery method was used to determine the groups that were to be involved in the study where three groups were selected through that. Then systematic sampling was used to select the appropriate individuals to include in the study, Data was collected through the questionnaire administered to 95 women who were selected from these three groups and interview guide administered to the Loan officers and the Managers of Micro finance institutions within Migwani Sub County. Data collected was analyzed using the SPSS and excel programs and the use of thematic or content analysis. Themes that relate to the factors that affect the performance of microfinance institutions were analyzed. The analyzed data was presented using both descriptive and inferential statistics namely tables, pie charts, frequencies, percentages, cross tabulations.

The important factors that affect the performance of Microfinance institutions were identified from the microfinance beneficiaries and also the loan officers and managers of the microfinance institutions within Migwani Sub-County. Lack of knowledge and training among the loan beneficiaries, little involvement of the MFIs to the loan beneficiaries, improper steps taken to the loan defaulters by the Microfinance institutions are the major factors that were found to immensely affect the performance of MFIs in poverty eradication.

The study proposed that the microfinance institutions should train the beneficiaries before entrusting them with loans, Microfinance institutions to venture in the field of research in order to carry out the study on the challenges that face the MFI borrowers.

The researcher points out that the government has a role in instilling the policies on the operations of the microfinance institutions in order to help the poor come out of poverty. The research proposed further research on the applicability of the information technology in the field of the Microfinance.

CHAPTER ONE: INTRODUCTION

1.1 Background Information

Microfinance is simply defined as credit advanced to the poor who normally do not have collateral to pledge. It involves provision of financial services via microfinance services (MFI) either to the working poor or those people who rely on their small business for income and those who are not considered bankable because they lack collateral to pledge as security or are considered high risk by the main stream or traditional banking sector (Daley Harris 2002).

Microfinance can be conceptualized as credit given to the poor of the poorest since they lack guarantee to pledge. It involves giving financial services through microfinance services to the workers who are poor or individuals who depend on their small enterprises for their income and those that are seen as the unbankable because they lack collateral to pledge or they are seen as high risk by the mainstream or traditional banking sector (Daley Harris 2002).

Microfinance was started by Professor Mohammed Yunus in Bangladesh in 1973. He started by providing loans to individuals who could not access the loans through the formal process. This later evolved and led to the establishment of the Grameen bank dedicated to providing financial services to the unbanked.

The benefits of microfinance in the discipline of development gained much recognition when the micro credit summit in 1997 was launched. The objectives of the summit were to reach more than one seventy five million poor families of the world and particularly the women. (Micro credit summit, 2005) recently, the UN as previously stated declared 2005 as the international year of Micro credit.

Microfinance is a way of creating accessibility to productive capital for the disadvantaged. In addition to human capital that is enhanced through education and training and also through local organizations which help individuals move out of poverty (Otero 1999) She adds that, when the poor are given material capital we help to enhance their dignity and hence empowering them to be able to contribute towards the development of the economy and also the larger society.

When we provide microfinance to the poor also, we do not only provide capital to them rather we help create organizations that will give financial assistance to the individuals who are continuously ignored by the other financial institutions like the banks and cooperative societies (Otero 1999) The poor are continuously ignored from the formal banking sector of the economy. (Littlefield and Rosenberg 2004) Therefore microfinance institutions came to solve this problem of market failure. When we address this problem in a sustainable way Microfinance can take their rightful role in the financial sector in the country, hence helping them to fund their lending hence multiplying the number of poor people they serve translating to poverty reduction in the communities and in the larger society (Otero 1990).

This was done by setting out a series of time bound goals with target deadline of 2015. In 2005 the countries that participated in developing the millennium goals (MDGs) engaged in an evaluation of the goals. The bleakest prosperity was noted for the sub Saharan Africa countries. The following evaluation shows summery of the existing extreme poverty in the region and the progress made as of 2005 " Africa sooth of Sahara has the highest proportion of people living in poverty with nearly half of its population around 300 million people living below the international poverty line of USD 1 a day. In the 1990s the number of poor in the region increased by one quarter. The number of improvised people in sub Saharan Africa was expected to rise from 318 million in 1999 to 404 million by 2015. If current trend continues Africa will be the only region where the number of poor people in 2015 was estimated to be higher than in 1990. (http://www.africangreenrevolution.com/en/greenrevolution/africas_predicament_/poverty/index.htm/) in analyzing Poverty in sub Saharan Africa Sachs etal (2004) concludes that large parts of sub Saharan Africa are stuck in poverty trap. Poverty trap according to this analysis refers to existence of extreme poverty in this region leading to low savings, low investments productivity, poor wealth, persisted diseases and lack of infrastructure thus crippling the possibilities of economic growth. (World Bank 2005)

In Migwani sub county poverty is recognized to be a dominating factor despite the presence of the microfinance institutions in the region. It is worth investigating into the contributing factors to the despite the availability of these MFIs which are expected to reduce poverty.

1.2 Problem statement

The main aim of microfinance in Kenya was and is to address poverty. Between 1980s and 2000 NGOs and Multilateral agencies were behind many MFIs. They were co-financing agencies. These agencies were concerned with improving social capabilities available and access to resources and participation in decision making. Between 1980s and 1990s the dominant and specialized microfinance institutions in Kenya were Kenya women Finance Trust (KWFT), Kenya Rural Enterprise Program (k-REP), Faulu Kenya and Family Finance. So far some of them have converted to fully fledged Banks.

A study conducted by World Bank showed that Microfinance has a wide range of impacts on the condition of borrowers (Njenga. 2013). The outcome of the research revealed that among the BRAC states there was observed positive change on income, expenditure of each individual on food, material possession, household structures and the amount of money earned (Hussein et al, 1998). Although we had these positive changes being experienced some observers were not satisfied that microfinance institutions were playing a part in poverty alleviation. The main worry is: If Micro finance is so good, How come it has not eradicated poverty in Kenya and particularly in Migwani Sub-County. (Chowdhury, 2009)

The role played by microfinance institutions in poverty eradication is only insignificant Microcredit could not be of much helping providing financial services for the most of the poor communities and especially the rural poor. (Chowdhury, 2009:1) In this regard the results of David Hulme and Paul Mosley (1996) provide evidence that the poor families do not gain from microfinance. It is only non-poor borrowers (with incomes above poverty line) who can improve their social economic status with loans got from microfinance institutions and enjoy a recognizable positive changes (Chowdhury,2009:1) This is because most of those individuals with starting income below the poverty line actually ended up with less incremental income after getting these loans.

Literature on the relationship between performance of micro finance institutions (MIF) and poverty eradication in Kenya is limited. There is only little empirical research that has been done over time in connection with the micro finance institutions capacity to reduce or alternatively eradicate poverty in the poor communities. A study was conducted by Kiiru (2009) in Makueni

District on Micro finance, entrepreneurship and rural development. It showed that there was a negligible contribution of Microfinance on families' income. Kurgat (2011) studied the role of savings in Microfinance institutions in the country.

In Migwani Sub County like all other places in the country Micro finance is used as a strategy to eradicate poverty. There are a number of Microfinance institutions that have been existing in Migwani sub-county for quite some time. Some of these microfinance institutions include Uwezo Fund, Women Enterprise Fund, Faulu Bank, Equity Bank and also Kenya Women Finance Trust (KWFT). Microfinance has a strong link with women in development for a long time (Mayuox, 1998 a).

This shows that Microfinance has been used as an intervention method to address the issue of marginalization of women with the hope that when these women are empowered through provision of credit they would realize socioeconomic development and therefore become actively involved in the development of their households, communities and even the wider society.

Although, microfinance institutions have existed in Kenya as early as 1980 up to date, the beneficiaries of these microfinance institutions still remain in poor socioeconomic status. This means that the expectation that these microfinance institutions should free people from poverty has not been met. This study therefore examines the factors that affect the performance of Microfinance institutions in eradication of poverty in Migwani sub-county of Kitui county Kenya.

1.3 Research questions

The study was guided by the following research questions

i. Which development projects among the women in Migwani sub-county have been funded by the loans procured from the micro finance institutions?
ii. What is the level of management knowledge and Training among the women who utilize loans from the financial institutions in Migwani sub-county?
iii. What is the role played by the Micro finance institutions in Migwani Sub County in eradicating poverty among the women?
iv. What are the factors related to performance of MFI funded projects among women in Migwani Sub-County?

1.4 Research objectives

1.4.1 General objective

The main objective of the study was to identify the factors that affect the performance of micro finance institutions resulting in failure of borrowers move out of poverty.

1.4.2 Specific objectives

The specific objectives of the study were:

i. To identify development projects among the women in Migwani Sub County which have been funded by Loans procured from microfinance institutions.
ii. To establish the level of management knowledge and training among the women who utilize loans from microfinance institutions in Migwani sub-county.
iii. To establish the role played by Microfinance institutions in the eradication of poverty among the women in Migwani Sub County.
iv. To examine factors related to performance of MFI funded projects among women in Migwani Sub-County.

1.5 Justification of the study

Micro credit institutions can be traced in Africa from the year 2000.In the year 2009, there were 34 out of 48 countries in Africa having some type of micro credit programs. A total of 297 MFIs operating in the region.22 operating in Kenya the largest number in any one country at the time. Uganda, Benin and Senegal also had a good number of MFIs operating at 22, 19, and 17 respectively. Sub Saharan African (SSA) countries suffer from extreme form of poverty. Approximately 50 percent of the population of the region was still living below the internationally defined poverty line of less than $1 a day (Mondal I 2009).

This therefore calls for a research to investigate into the why these countries still experience enormous poverty despite the many micro finance institutions investing in the region.

Migwani Sub County has not been left aside; despite the presence of many micro finance institutions the individual borrowers of these micro finance institutions are still poor. Therefore the research intends to find out the factors that lead to poor performance of micro finance institutions in eradication of poverty.

1.6 Scope and limitations of the study

The study covered the various Micro finance institutions found in Migwani Sub-county and some that are in the larger Mwingi that support women groups in Migwani Sub County. It hoped to examine the factors that affect performance of the microfinance enterprises in eradicating poverty in Migwani Sub County. The study also sought to establish the form of management knowledge and training among the beneficiaries of the microfinance loans as it might also be the result of poor performance of the microfinance institutions in eradicating poverty. The research also endeavored to establish the roles played by the microfinance enterprises in eradicating poverty.

The study limited itself in studying the micro finance institutions that are found in Migwani Sub County and in the Larger Mwingi. For more conclusive results all the Micro finance institutions that support projects In Migwani Sub County regardless of their physical location should have been studied. However, this was not possible due to time, financial and other logistic constrains.

Definition of Key terms and Concepts

Dearth–This is inadequate supply or the scarcity of something.

Poverty-Poverty can be viewed as lack or scarcity of a certain amount of material possession for survival.

Poverty Eradication-These are techniques used to fight poverty.

Microfinance institutions-Microfinance institutions are the institutions that provide credit to people who don't have collateral to pledge.

Beneficiaries-According to the study the term beneficiaries are defined as the people who gain from the microfinance institutions.

Collateral-This is the security individuals produce or deposit at the financial institutions to be retained whenever an individual is unable to pay the loan procured.

Peri-Urban Areas- These are the areas which have the characteristics of both the urban and rural areas.

Structure-These are the rules and regulations set to control the social behavior. Structures can also be viewed as the arrangements of and relations between the parts or elements of something complex.

CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Literature Review

2.1.1 The history of microfinance

Micro finance can be traced back in nineteenth century in Europe. It was engineered by cooperatives such as Haas, Schulzel-Delitzsch and Raiffeisen who gave loans to the poor people who lacked collateral to borrow from the commercial banks. These institutions utilized the opportunity of the local communities to provide loans on conditions that were sub optimal for controversial bankers and their techniques formed the basis for cooperative movements in many other nations Guinnane (2001).

Although cooperatives in Africa now resemble those that were in Germany in 19th century the origin of the contemporary microfinance institutions can be traced in 1970's when several development programs began providing credit services to the poor from the rural areas that lacked collateral and could not borrow from the banks. Microcredit institutions in those times were not profit oriented like the contemporary micro finance institutions. Their main focus was to bring social change and poverty eradication Stieglitz and Weiss, (1981)

There were two profound most pronounced micro credit institutions in 1970's that included ACCION and Grameen bank. ACCION concentrated its efforts in Venezuela and Grameen bank was found by professor Yunus in Bangladesh Yunus (2004)

While ACCION'S efforts were concentrated in Latin America, Until 1900 the Yunus Grameen Bank provided Loans to the poor in Bangladesh and South Africa before gaining Global acceptance (Chu, 2007)

The United Nations declared 2005 the International year of Micro Credit when there were approximately 3313 Microfinance Institutions reaching approximately 113261 beneficiaries worldwide. Daley-Harris (2006)

Prof Yunus and the Grameen Bank in the year2006were awarded the Nobel peace prize for their struggles because they had created a social and economic development from below through their incitation of microfinance institutions (Nobel Foundation 2006)

Following this notion, Microfinance institutions continued to grow in vast parts of the world which included India, Brazil, and Africa. Institutions like Bancosol in Brazil, K-REP, and Equity Banks in Kenya came up and are still excelling their operations (Mango, 2013)

After understanding the challenges that were experienced in the provision of credit services to the poor Inspired the emergence of the Micro credit institutions (Elahi and Rahman, 2006) The challenges that the poor were faced with were; Little or no information about the micro finance institutions and their potentiality, Lack of Collateral to pledge, High transaction costs incurred by both the lenders and the borrowers, high risks and systematic market bias (Elahi and Rahman 2006)

The term Micro credit was soon getting replaced by microfinance in the early 1900's (Helms, 2006). After the success of the microcredit programs it followed the 1997 Micro credit summit that attracted over 2900 delegates' from137 countries that represented more than 1500 Microfinance institutions. The term micro credit then was conceived in 1990's by (Elahi Rahman Edward and Olsen, 2006)

They argued that Micro credit is the provision of small loans to the poor while Micro finance involves a wide range of services that include savings, insurance, Money transfers training and socio engagement plus credit provision.

2.1.2 Micro finance in Africa

Micro finance in Africa can be traced from different origins. Therefore the history of microfinance in Africa is analyzed in different nations on how it evolved in these nations.

In Nigeria Micro credit can be traced in the 16th century during the era of the 'Esusu' Rotating saving and credit associations (ROSCA) among the Yoruba which acted as a form of social capital and used to be transported during the slave trade to the Carriberrian Islands (Bascom, 1952:69) where these two institutions and their terms exist even up to date. It emerged from the rotating work associations where labor as a scarce commodity was accumulated and allocated to one member at a time. These transactions therefore with the advent of money they were replaced by money transactions such as pounds, cowries, and Naira.

The record of microfinance in Zimbabwe is known from 1960's with the commonly known saving clubs. But before this, people could get credit from friends, relatives, and neighbors. Raymond and Adams 2008 Asserts that Informal credit sources that include friends, family members, money lenders, commercial agents and group based rotating services and credit associations (ROSCA) have provided the poor with credit for quite some time.

According to Lacoste Raflopolous (2001) and Bond (1998) Microfinance in Zimbabwe was initiated by the catholic Missionaries where they started Savings development movements (SDM) which focused on savings mobilization by the local women. The savings were supposed to be done in groups hence in the end forming saving clubs which were supposed to be sustained by the money collected as savings of the clubs.

Lacoste and Raflopolous says that these clubs in 1970 grew from 30 to 1500 in 1974.Membership also increased from 2000 in 1970 to 3000 in 1975 with over 60000 active members. However their organizational tasks were obstructed by the liberation struggle that took place in 1976-1980.

In South Africa modern micro credit began in 1980's driven by forces of institutions such as for profit companies, NGO's and Governmental institutions .Its growth is categorized into four distinct phases David, (2003)

Pioneer phase (1980-1994), the break out phase 1995-1990, the consolidation phase 2000 onwards and the maturity phase that has not been reached yet.

David points out that in the pioneer phase a non- profit and commercial micro financiers got to the market products that stimulated micro enterprises and absorbed the increasing labor force in the mounting mobile municipal population outside the conventional financing systems the lenders could charge very high interest but since they were too small they were not noticed by the regulation enforcers.

According to him, in breakthrough phase microcredit expanded very rapidly leading to the success of the pioneers. In 1992, these micro credits were legalized and restrictions were removed leading to increased flow of funds from formal financial sector to micro lenders and hence further expansion. The consolidation period came as a result in 1990 that was not sustainable due to growth in competition among the micro lenders and search for individuals who could pay their loans and there was established a micro finance regulatory council (MFRC) that reduced the margins of micro lenders forcing them to retire from the industry. Maturity phase will come when micro finance industry will achieve steady growth and can sustain itself in the onset of the regulatory phase (David, 2003)

The micro finance sector in South Africa has undergone tremendous where the savings collectors no longer go from door to door collecting savings. Instead, they have established offices where their clients can go and see them as they pay their savings steel; (Andah, 2005)

Micro finance institutions in Kenya emerged to address poverty and poverty alone Kaburi et al (2003) According to him, between 1980 and 2000 NGOs and Multinational agencies supported many micro finance institutions by then. Their major aim was poverty alleviation and employment creation. Kaburi at al adds that microfinance institutions like Kenya women finance Trust (KWFT), Kenya rural Enterprise Program (K-REP) , Faulu Kenya and Family finance were the mostly existing microfinance institutions in Kenya between 1980’s and 1990’s.up to now most of these institutions like Family finance and also Faulu Trust have started operating as fully fledged banks. Their interests have now changed from poverty alleviation to interest oriented where they charge very high interest to the borrowers (Kaburi et al, 2013.)

2.1.3 Micro credit and poverty eradication

Over the last decade in addition to the development of microfinance institutions in many countries worldwide discussions on the capability on the microfinance institutions to alleviate poverty have been ongoing. A study conducted by Bui T. V in Vietnam on whether access to credit contributes to reduction of household poverty .It tested the hypothesis whether microfinance and household economic welfare were positively correlated. They used an econometric model to tell how the total amount of credit contributed to the increase or decrease in household welfare in the society (Bui, 2004).

The research found out that house hold credit was being affected by various factors that include house hold head age; house hold size, land holding area as well as well as the availability of house hold funds and informal funds in the community.

In regard to the effect of accessibility of credit and house hold outcome they found a significant and a positive correlation between household and credit and per capita expenditure on nonfood items.

Microfinance is a way of fighting poverty and in particular the rural areas where most poor people in the globe live (Bansal, 2012). The poor can use the microfinance to move from everyday survival to planning for future. This can help the microfinance borrowers to invest in better nutrition of their families, building of better houses for their families, better health care provision for the families and communities, Access to education and training services, better employment opportunities, Exposure to life changing environments and other many social amenities the poor may plan to fund using the funds borrowed from the microfinance institutions.

Supporting the SMEs the MFI's help in employment creation and they increase income to the affected household. The small and medium enterprise have created employment to almost 90% of the individuals who are unable to complete school successfully, the retired and the retrenched employees from the government sector and also private companies, Different professionals who have not yet been successful to acquire a formal employment from the government mainstream or even private companies, the marginalized in the society, women and Army veterans (Wamasembe 2001).

Microfinance institutions have been able to come up with products that suitably serve all the categories of the borrowers. While the formal banking systems are more inclined to using collateral based borrowing systems which is mostly inaccessible to the poor since they lack collateral. The microfinance sector organized by NGOs provided micro credit to the poor and mostly targeting the poor rural women thereby improving their payment rates and improving their living standards (Van Tassel, 1999; Ghatak, 1997).

Microfinance enables low income people to access financial and non-financial services. The MFIs have created financial product services that are packaged in a way that make low income earners to access small loans, saving schemes and other services for working capital and income generation. This makes these small income earners to graduate and become clients of larger financial firms. Nathan F, Margret B and Ashie M, (2004).This therefore provides a stepping stone to the poor to access the formal and informal financing systems.

2.1.4 Challenges that face microfinance institutions

2.1.4.1 Targeting of the poor

Microfinance institutions have their core mandate as to alleviate poverty, through giving loans to the poor of the poorest in the society who cannot afford collateral to pledge Despite this fat they also need to increase their profits since they have their needs to be met through this job they do.(MFFED,2001) This leads to these micro finance directing their efforts to a small proportion of the poor in the society and those who are targeted are given a name code ‘‘the cautiously active poor’’ The MFI define the cautiously active poor as those that are involved in inventions or any other way of getting income and they have the capacity to repay back the loans through these inventions or these other tasks they perform. This therefore pushes them to select the richest among the poor who are just close to the poverty line to benefit from their loans. They come up with a criterion that pushes away the poor of the poorest so that they are told that they don’t qualify for the loans since they don’t meet those minimum Qualifications. The MDI act of 2004 motivates those MFIs moving towards the non-clientele who will have the capacity to repay back the loans. This therefore leads to the microfinance institutions running them as a business geared towards maximizing the profits and therefore blocking the poor of the poorest from accessing the loans and hence failing to reduce poverty in the society.

2.1.4.2 Microfinance Institutions being urban based

Microfinance institutions strive to reduce costs incurred during the operation of their activities, and improve their financial Muscles. This therefore affects where they locate their premises and also and their mode of operations. This therefore leads to most of the Microfinance institutions being located in urban and Peri-Urban areas Wamasembe (2001) According to him, this is so because these microfinance institutions would want to minimize the operational costs and maximize their profits thereby denying the rural poor the access to these microfinance institutions.

Microfinance institutions have a substantial impact in confidence building, development of knowledge and skills among the borrowers, empowering the individuals with courage to take control over their own lives, but this is not attributed to positive rural development and especially poverty reduction in Sri-Lanka. (Premaratne, 2011) Premaratine adds that accessibility and affordability of these microfinance services is determined by various factors such as individual income, the distance people travel so that they can reach those microfinance institutions, the products offered by these micro finance institutions, the interest charged for the products of these microfinance services, Availability of collateral to pledge. Premaratne observes that most of the rural poor are unable to afford these requirements and hence they are left out in credit provision from the microfinance institutions.

2.14.3 Gender bias

Most microfinance institutions and the general public passé, view gender responsive as the direct focus on women**.** In the study Achievements and challenges of microfinance institutions by Nathan, *et al* (2000) asked his respondents how gender responsive their policies were in provision of credit. Most of them said that the sector of microfinance was one of the genders responsive in the globe since their target beneficiaries were women. In addition, they said that most of the employees in the microfinance sector were women. This clearly shows a great misconception of what gender responsive is all about. Gender, however refers to the socially constructed differences and cultural distinctions between relations of men and women which are learned, vary widely among the societies and culture. They change over time. Gender analyses the roles, statuses, attributes. Responsibilities, constrains, privileges, opportunities, according to men and women as well as their access to and control over the resources and benefits. All these distinctions can change according to time, place, and the development of climate of all in area or a given context (MFPED, 2000:8).These gender relations affect how responsive the policies can be and thus reflecting on the contribution of men and women in microfinance activities. The important aspects in this relation include gender roles, ownership and control of resources and decision making. Most microfinance push towards empowering of women and neglect the men forgetting that both men and women have a significant role in poverty eradication and if any gender is left out we cannot experience uniform development and hence poverty will still be an issue in the society.

The duty of INGOs, NGOS community based organizations (CBOs) Faith based organizations FBOs and other civil organizations have a considerably low level of contribution on the perception of the respondents to improve the equality and personality of female headed households and women in general in Sri-Lanka in relation to them taking their rightful role in making contribution in the development of their lives. Dissanayake, S and Yogendrajah R.(2013) Further they adds that a substantial fissure are still recognized in the discipline of equality and personality in relation to accessibility of credit and the use of those credits whenever availed to the borrowers. (Dissanayake and Yogendrajah, 2013)

2.1.4.4 Making products that properly respond to the needs of the poor

Nathan F.O 2004 says that the poor are not consistent in the way they go to borrow loans or they use the microfinance products and repayment of the loans. for example most of the products provided by the microfinance institutions are set in such a way that after getting the loans the loaner is able to pay it within a certain period of time like saying 4-12 months and then the loaner organizes himself/herself so that they can be able to pay their loan in a certain interval agreed with the microfinance institution that has provided the loan. According to (Okurut Et al 2000) Most of the poor people practice Agriculture and the get their income after a very long period of time maybe a year. Repaying their loans therefore becomes a challenge to them because most of the microfinance institutions set their products so that they are paid after a certain interval maybe a month, a week or two or a certain short period which they deem fit.

2.2 Theoretical Framework

Different people have proposed so many different approaches to fighting poverty and various studies adopt different underpinnings in order to find the appropriate answer to the problems at hand. In this study the researcher adopted the following theories.

2.2.1 Social capital theory

The concept of ‘social capital’ acts as a connection between inactivity and activity. It can be seen as the value attached to the peoples’ connection and activities that bring both the individuals and community together. This theory concerns itself with the nature, structure and the resources that are connected with the people’s nature of relations (Seibert et al 2001)

Social capital is collection of individual attributes, created as a result of virtual community actions that lead to creation of a common social behavior, norms, values, rules that bring about cooperation for mutual benefit.

The current Discussions on poverty reduction on individuals who lack collateral to pledge lean mostly on the idea of social capital. Kamusaala (2016) says that in alleviating poverty efforts are directed towards Nature, Human capital, and also produced capital. Together all these he says constitute the wealth of nations and are used as the stepping stone for economic progress.

There is a very strong connection between people and their societies. Individuals are as a result of the communities they live and the communities are shaped by the actions of the individuals who live in those communities. Putnam (2000) says that it is this connectedness between individuals and communities where individuals are able to make associations which lead to trust and reciprocity among these members of the community and this connectedness can be perceived as social capital. No wonder people who have strong relationships are able to fight problems in communities easily among which poverty is inclusive.

Social capital can also be seen as togetherness, common identification with forms of leadership, culture and even behavior that contributes to social order. Baas (1998) social capital baas adds that helps in encouraging solidarity and hence solving the problem of market failure through working together to pool common resources. Most of the institutions use social capital as security to credit. Those individuals who do not have collateral to pledge are capable of obtaining credit through their fellow borrowers who act as security in case they are unable to pay their loans. This concept also can be an important aspect in explaining the challenges that different borrowers face in the use and repaying of their credit.

Social capital will help us understand the strengths and the weaknesses that different borrowers are faced with. Using this concept we are able to mobilize ideas as to why these borrowers are unable to come out of poverty and even some end up not paying their loans.

2.2.2 Structuration theory

The main proponent of Structuration theory is Anthony Giddens in his quest to explain integration (Giddens, 1984). In his writing he argued that he had found a solution for the debate that there is no need of having many sociological theories instead he advocated for one theory of society that integrates both structure and agency**.**

2.2.2.1 Core assumptions of the theory

Behavior and structure are intertwined. People undergo the process of socialization and become hooked up on the predominant social arrangements, but at the equally, social structures are being changed by their actions meaning, social structures control the human actions. These social structures not only control human behavior rather people also contribute in making certain time and space social structures

Structuration theory is built on the assumption that individuals and the structures have to be re conceptualized as a duality .The duality of structural components and social systems coexist so that forms of social behavior are reproduced consequently and across time and space.

The phrase Time space distanciation was coined by Anthony Giddens. According to him, human beings consist of face to face interactions.

Time and space describes an important feature of human life where human interactions continually increase through which social systems that were previously distinctive have become connected and interconnected.

The most basic feature of our existence in the universe is Time and space, we use them every other day although we are aware that time and space are quite different elements of reality though usually viewed equally as important

Meaning of time and space in our lives is a human intervention and that different groups of people look at them differently. The basic domain in structuration theory is social practices are ordered across time and spaces.

Human actions and social structures usually have a strong relationship and they can only be understood if they are in duality (Giddens, 1984). Giddens adds that we cannot separate individuals from society because his actions can only be understood within the context of that society.

Generally the agency structure integration refers to micro level and micro level actors like social class which is a representation of both social classes so collectivism can also be actor.

Giddens sees structuration as “the structuring of social relations across time and space in virtue of the duality of structure” To him structuration theory shows Agency and structures as duality. Meaning that the two cannot be separated from one another; Agency is controlled by the structure and the structure is controlled by the agency. This explanation has provided him with an opportunity to connect both human action with large system and structure which we are party.

In this respect, Microfinance institutions are agencies that have structures ordered across time and space. These structures the way they are ordered determine whether the agencies are able to perform their designated roles which are eradication of poverty.

Microfinance institutions have rules and regulations that if they are ordered in the right manner they will help the society to fight poverty. Also if the rules are stringent they might hinder service delivery and hence their aim of poverty eradication is not achieved.

This study therefore intends to use the structuration theory as stipulated by Anthony Giddens that agencies are structured in a manner to alter or regulate human behavior within their agencies. Therefore the study will investigate to what extend these structures hinder or promote poverty alleviation in Migwani sub county.

2.2.3 Functionalism theory

The study is guided by functionalism theory. Functionalism theory in sociology was originally coined by Auguste Comte who saw it as closely intertwined with his overall perception about the society.

To study the function of the social activity is to analyze the contribution which that activity makes to the smooth running of the general society. The best way to understand the functionalist theory is the analogy of the human body a comparison Comte, Durkheim and other social analysts made. To study an organ such as the lungs of an organism we need to show how that organ relate to the body, when we understand the role it plays in an organism we can be able to connect it with the overall existence of the life of an organism.

Similarly analyzing some aspects of the society such as the religion, means showing the parts it plays in the continued growth and healthy society. Functionalism gives a lot of weight on the essence of moral accord in keeping order and stability in the society. This, can only be realized when we share the same social values. Functionalists view order and stability as the accepted state of the social organizations. The moral stability is embedded in the state of moral consensus among the society. According to Durkheim for example, religion re-affirms people's adherence to social values contributing to social cohesion.

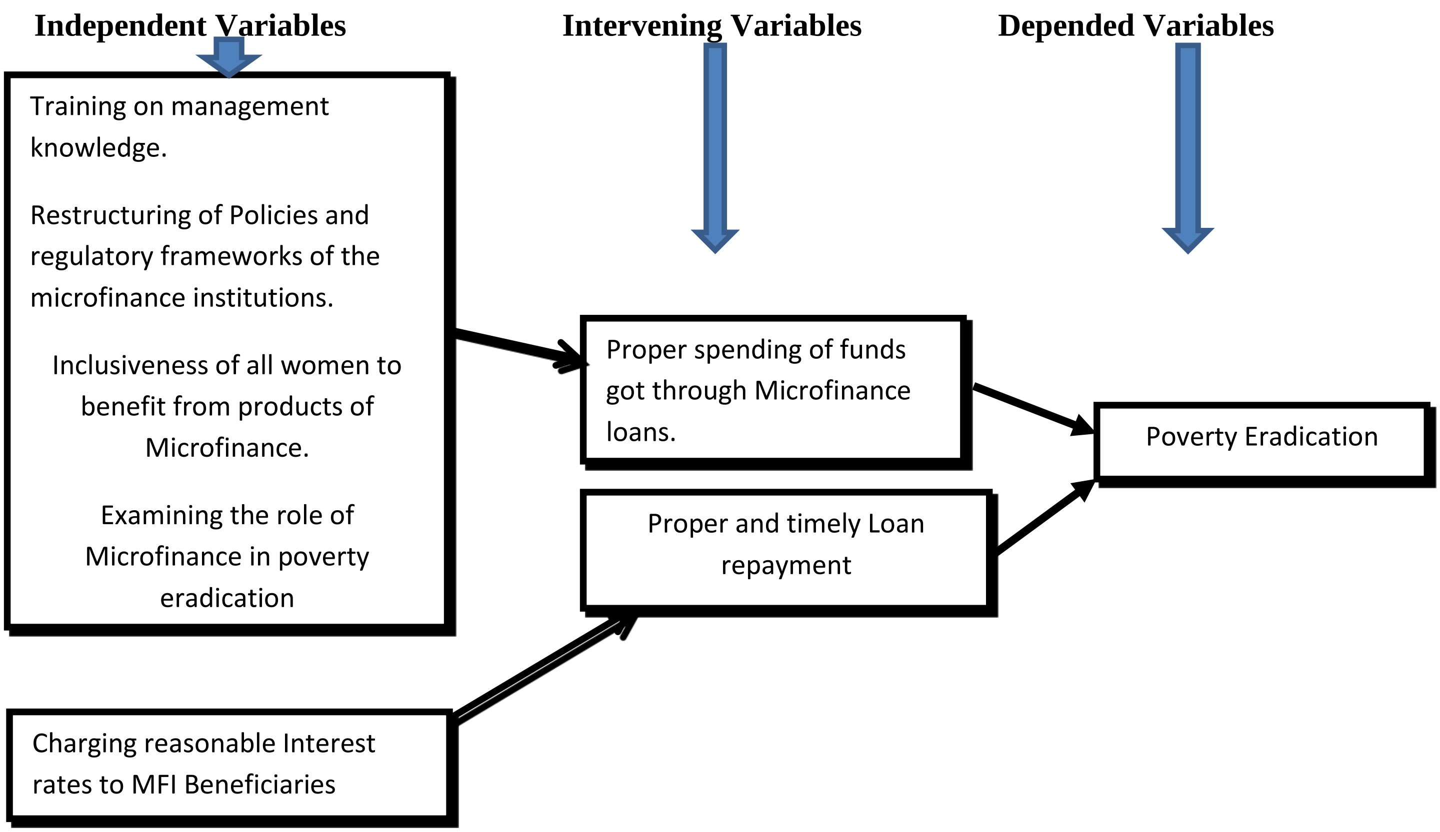
In the similar way the study acknowledges the fact that the Micro finance Institutions are social institutions that are established to achieve certain objectives which is provision of credit to individuals in order to help alleviate poverty, make fully sufficient individuals who can respond well to their basic needs and those of the society. Therefore in striving to bring equilibrium in the Microfinance institutions and the users of their services, the study intended to establish factors that affect the performance of the Microfinance institutions in eradicating poverty, an issue that has been a challenge to the society making many individuals fail to achieve their overall goal hence institutional social dis-organization.

2.3 Conceptual Framework

2.3.1 Explaining the conceptual framework

The conceptual model below was designed after the review of the available literature related to impacts of the microfinance institutions to the borrowers. The development of the conceptual model took into account the attitude and knowledge of the borrowers before and after they go to the microfinance institutions to seek for loans. In addition it also the puts into account the policy and regulatory frameworks put in place by the microfinance institutions and their impact to the borrowers who are the poor the poorest. From the conceptual model, factors such as Lack of management knowledge of the borrowers, Regulatory frameworks of the microfinance institutions, Interest rates charged by the microfinance institutions lead to Mis-appropriation of funds got through loans and the problem of payment of these loans, hence the microfinance institutions not solving the problem of poverty as it is designated. Therefore when we are able to fix those challenges the microfinance institutions will be of importance in eradicating poverty in the society.

Figure 2.1: Conceptual Framework of Factors that Lead to Poverty Eradication



2.3.2 Measurement of the variables

2.3.2.1 Management Knowledge

Management knowledge is the skills individuals acquire to be able to execute a certain task. Therefore absence of such skills leads to the individuals being unable to manage funds acquired from the loans given by the micro finance institutions. In examining such knowledge the researcher will establish whether there is a prior training that individuals go through before they are entrusted with funds so that they are able to utilize it in regard to the training they have go through. In addition the period of time they spent in the training translates to the level of skills acquired therefore the researcher will also endeavor to understand the period taken in the training to establish whether enough skills will have been acquired in the period the individuals will undergo the training.

2.3.2.2 Policies and regulatory frameworks of the microfinance institutions

A policy is a principle or a standing plan for decision making. A policy can also be defined as a course or a principle that guides certain actions of an institution, government, organization, a business institution or even an individual (Australian concise oxford dictionary).A regulation is a guide on certain actions. Therefore in the study the researcher will examine the policies like interest charged to the users of the microfinance loans and establish whether these interest are attainable by the poor in the community. Other factors of importance to the researcher to help him examine the policies will be inclusiveness of the microfinance institutions.

2.3.2.3 Proper use of funds

Misappropriation of funds in this study is seen as a way in which the funds accrued from the loan from microfinance institutions is used in a way in which it was not made for in the study the this attribute will be measured by trying to establish whether the borrowers use the funds borrowed for the purpose it was intended and also whether the funds are used sparingly.

2.3.2.4 Loan repayment

Loan repayment is also a variable we intend to measure in the study. This can be described as a situation where the loaners are not able to pay their loan fully because they don't have the money to pay it or the time frame set by the microfinance institutions is not enough for them to make profit and in turn get some profit and in the end be able to pay the loan. Therefore in measuring the capability the researcher will focus on those two attributes.

2.3.2.5 Measurement of Poverty

This study intends to adopt the Multidimensional poverty Index (MPI) which was developed in 2010 by the Oxford Poverty and Human development Initiative (OPHI) and the United Nations Development Programme (UNDP). This type of Measurement Uses diverse attributes of individuals to determine whether they are poor or not. These attributes May include, Education, Health and Living standards. These attributes are further divided into indicators from which poverty is measured. These indicators include; Child mortality, Nutrition, Years of schooling, school attendance, Cooking fuel, Toilet, Water, Electricity, floor and Assets.

In education and Health attributes the two are weighted at 1/6. this type of indicator views an individual as deprived if No member in the family has completed six years of schooling, Child

School attendance is that a family will be deprived if there is a child in the family who is not attending school up to class eight, The household is deprived if there is a child that has died in the family in the first five years, Nutrition-The family is deprived if any member of the family is malnourished, In the standard of living each indicator is measured equally at 1/18.Lack of electricity a household is deprived, Sanitation a household is deprived if their sanitation facility is not improved according to MDG guidelines or is shared with other households, In drinking water a household is deprived if it does not access safe drinking water(according to the MDG guidelines or one can walk for 30 minutes to and from where they fetch drinking water.

In Floor, a household is deprived if their floor is covered with cow dung, dirt or Sand, in cooking fuel a household is deprived if they cook with dung, wood or charcoal. Asset-a household is deprived if it does not own a motorbike, a radio, TV, telephone, refrigerator and does not own a car or a truck. Any house hold that scores an aggregate of 36.66% and below in the ten indicators is termed as poor.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the researcher explains the research methods that were employed in the study. It explains the design employed, research population, sampling techniques, data collection techniques. In addition, in this chapter the researcher explained how the data was analyzed and presented

3.2 Description of the study area

Migwani sub-county was a division of the former Mwingi district which is in Kitui county Kenya. Mwingi district was sub-divided and more four districts were crafted from it in 2003 by the president of Kenya then as a campaign strategy in order to decentralize the services to the people of the sub county. Migwani sub-county became a district through that criterion. The sub-County is found in the western part of Mwingi Central sub-county from which it was extracted. It has three divisions namely Migwani division, Nguutani division and Nzeluni division. Migwani Sub-County had an approximate population of seventy three thousand (73,000) people in 2009 (Republic of Kenya, 2009). The most common economic activity practiced in the sub-county is farming where most of the dwellers practice small scale mixed farming. More than 95% of the sub-County is served by Earth roads except a smaller part with tarmac road that serves as a boundary of Migwani sub-county and Mwingi central sub-county. Data was sought from the women who were registered in the women groups that are in the three divisions of Migwani sub-County.

THE MAP OF THE STUDY AREA (MIGWANI SUB-COUNTY)

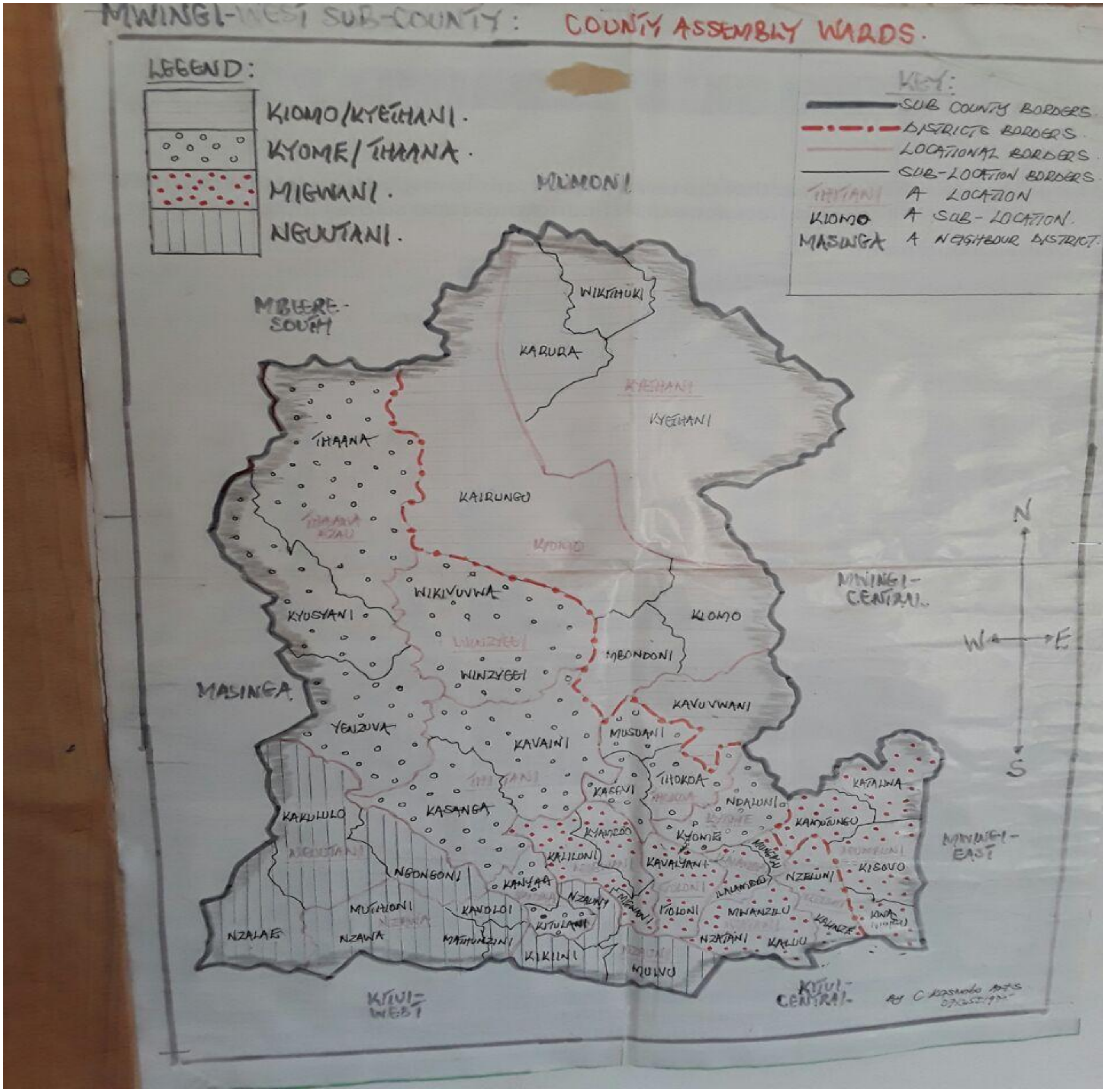


Figure 3: Map showing Migwani sub-county (Source, Migwani sub-County office)

3.3 Research design

Design is an outline or a plan that one uses to generate solutions to a certain problems (Orodho, 2003).

This research was guided by descriptive research design. Descriptive research design is a type of research design that helps in describing the characteristics or a phenomena being studied. (Heikki, 2006.).This type of research is not intended to answer questions such as “how”, “when” and “why”, rather it explores on “what” questions i.e. what are the characteristics of the population or the situation being studied. Therefore the researcher endeavored to describe the various factors that affect the performance of the microfinance institutions in eradicating poverty. This helped the researcher to capture information required in detail interpreting the information by use of numeric, narratives as well as figures.

3.4 Unit of Analysis and units of observation

Analysis denotes a detailed examination of something, somebody, organization or an event. It helps in making sense of the subject under study. Therefore unit of analysis is what we use in helping us to make that detailed examination. In this study the researcher intended to understand the factors that affect the performance of microfinance institutions in eradication of poverty. The unit of analysis therefore was the attributes of both the users of the microfinance loans who were the women in the lending groups and the Microfinance institutions staff who acted as the key informants.

3.5 Target population

Study population denotes the larger group of people, things represented by the sample (Ruane, 2005). The study focused on the women who had registered as members of the women groups within Migwani sub-County and the staff of the Micro finance institutions that serve the locals as the key Informants. There were 6 women groups in Migwani Sub County that are affiliated to the local microfinance institutions. These women groups have a total of 913 women members. Therefore the target population was a total of 913 members from these 6 groups.

3.6 Sample size and Sampling Procedure

3.6.1 Sample Size

A sample is a relatively small number of individuals, objects or events which are selected and analysed in order to find out something from the entire population from which it was selected. A sample is also a small proportion of the targeted population which is selected using some systematic format, (Leing et al, 1983). A sample of 95 members was drawn from a total of 913 women group members. According to Mugenda and Mugenda (2008), a response rate of more than 10% is sufficient for a study when the minimum level of the target population is less than 1000. Therefore the sample size drawn was 95 respondents which were 10.4 % percent.

3.6.1.1Inclusion criteria

For an individual to be included in the study the individual must be a woman that benefits from the microfinance loan or any other services offered by the microfinance institutions. An individual must be a representative of the Microfinance either a manager of the microfinance institutions within the sub county or a credit/Loan officer who works at the microfinance institutions within Migwani Sub-County.

3.6.2 Sampling Procedure

This involves choosing a sub-group from the population to be included in the study. The individuals selected are supposed to be able to fully represent the larger group from which they were selected (Ogula, 2005). Simple random sampling method was used specifically lottery method. All the six groups within Migwani sub-county were involved. Each group was assigned a number. The numbers representing each group were written in pieces of papers which were folded and were put inside a basket which was shaken in order to mix the papers completely. Then the researcher took the papers from the basket randomly. The papers that were picked from the basket were; Numbers 1, 2, and 5 which represented God is able women Self-help group, Katethya Self-help Group and Kwa-Kanyaa Self-help group respectively. God is able self-help group had 200 members, Katethya self-help group had 175 members and Kwa Kanyaa self-help group had 160 members all totaling to 535 members. The researcher equated 535 to 100%.Then He calculated the percentage of each group from that i.e.535 is equal to 100 % then what is the percentage of 200 members (200*100)/535=37.4%, (175*100)/535=32.7, (160*100)/535=29.9.

Then he calculated the total number of members to participate in the study. This was also done by equating 100% to 95 respondents which is the sample size the researcher chose. It was done as follows; (95*37.4)/100 =36, (95*32.7)/100 =31 and (95*29.9)/100 =28.

Therefore the members who participated in the study were 36 members from God is able, 31 members from Katethya self-help group and 28 members from Kwa Kanyaa self-help group. This procedure is shown in table 3.1 below. Since the researcher used systematic sampling in selecting the specific respondents in the study, from each group he selected the nth person to participate in the study by dividing the total number of members in each group by the sample size selected from each group. 200/36=5.5, 175/31=5.6 and 160/28=5.7. From all the groups then the sampling interval was 5 because there is no ½ a person. The researcher then assigned each member from each group a number starting from number one. Therefore the researcher selected a starting point at random and then every 5th person in each group was selected to be a respondent in the study. The table 3.1 below shows the description above and how the research arrived at the sample size and the sampling intervals in each group.

Table 3.1 Target and Sample population

Target group	**Loan Beneficiaries**	**Percentage**	**Number of Respondents**	**Sampling interval.**
God is able women Self-help group.	200	37.4	36	5^{th}
Katethya Self-help Group	175	32.7	31	5^{th}
Kwa-Kanyaa Self-help group.	160	29.9	28	5^{th}
Total	**535**	**100**	**95**	

3.7 Methods of Data collection

There are scales or devices that were used to measure the variables which the researcher was interested within the study (Bowling, 2002). These instruments could be in form of Questionnaires, observation schedules, interview guides, structured diaries and other forms of data collection tools. The researcher used questionnaires and interview guide to collect data from the respondents.

3.7.1 Collection of qualitative data

3.7.1.1 Use of an interview guide

This is a personal exchange of information between the interviewer and the interviewee (Bowling, 2002). In this method the interviewer used a schedule to guide him when discussing with the respondents. The selected key informants were the staff of the microfinance institutions that were deemed to have the essential information that could help the researcher to understand the problems in depth. This interview schedule helped the researcher to collect information from the key informants who gave key information on the factors that affect the performance of microfinance institutions in eradicating poverty in Migwani Sub-County. The importance of this method is that it gives the interviewer an opportunity to interact with the respondents on one on one and get their views on their experience it also helps the interviewer to choose and control the discussion with the interviewer selecting the topics to discuss when and how (Bowling ,2002).

3.7.2 Collecting quantitative data

3.7.2.1 Use of questionnaires

The researcher used questionnaires to collect quantitative data from the respondents. Basically this was done by distributing the questionnaires to the 95 women who were chosen through systematic sampling to represent the entire population by selecting every 5th person in each of the three groups. This was done in order to get their views on the factors that hinder the poor to move out of poverty despite them being the beneficiaries of the microfinance institutions. This tool of data collection is considered appropriate because it is versatile, it saves time to distribute the questionnaires and is cost effective (Ruane, 2005).

They are being observed (Powel 1996). This method of data collection was used in collecting data from the individuals and their environment in collecting both quantitative and qualitative data.

3.8 Data quality control

This is an essential step in research that controls the quality of the research results obtained in the study. This is done by ensuring that the tools of data collection used are capable of measuring what the researcher intends to measure. The researcher employed the following techniques.

3.8.1 Piloting

This is the step where the data collection tools are tested and refined to suit their applicability in the study. This was done in consideration to their capability to be analyzed, the language used whether it could be understood by the respondents and the capability to give the desired results of the study.

3.9 Ethical considerations

It is important that the researcher observes the basic ethics that govern the study/research. Some of the vital consideration that were of paramount to the researcher are; Voluntary participation in the study, anonymity, and protection of the respondents from the possible harm that could arise as a result of participating in the study. Therefore the researcher did the following. Introducing to the respondents the purpose of the study as being for academic purposes only and assuring them that the data would not be used in any other purpose apart from learning purposes.

The researcher also sought authority to conduct the study from the various institutions which included the university administration which had to give an introduction letter to the researcher to the institutions which will visit .A permission was also be sought from the area administration where the study was carried out.

3.10 Data analysis

Data analysis involves making meaning out of the data collected in the field. This will involve analysis is of both the qualitative and quantitative data. Quantitative data was fed in an SPSS program where it was analyzed using descriptive and inferential statistics.

3.10.1 Editing

It is essential for a researcher to do editing of his data to remove the unwanted information and also check for any gaps that have been left out in giving out the data and add. This was done by the researcher in order to safeguard the quality of work.

3.10.2 Data Coding

Coding is where the answers in a particular data set are grouped depending on their meaning by giving them a particular number. This is usually called a code. These codes are assigned to the particular responses for easy analysis of the data. This was done in a SPSS program. The researcher assigned the different variable used a number. These numbers then were anylised in regard to their frequency in the data and then the researcher could understand the frequency of the variables used after looking at the frequency of these numbers (codes).

3.10.3 Tabulation

Tabulation is the presentation of the information obtained into figures and tables for easy understanding by the users of the research work. Data was presented in terms of tables, figures and charts to make the users understand easily their contents.

3.10.4 Establishing the themes

The data was analyzed using the themes that have been established in the study. The themes that the researcher explored include; Examining the level of management knowledge of the users of the microfinance loans, The role of microfinance institutions in poverty eradication, Factors related to poor performance of microfinance institutions in eradicating poverty among the users of the loans, The utilization of funds obtained through the microfinance loans.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The current research endeavored to study pertinent issues on the factors that affect the performance of Microfinance institutions in Migwani sub-County in eradicating poverty. It sought to assess the various gaps that are likely to be bridged as a result of addressing those factors.

Data was analyzed using the SPSS and excel programs and the use of thematic or content analysis. The present chapter presents the analysis and the results of data collected.
The current chapter sought to provide a detailed analysis of the quantitative and qualitative data that explored the perceptions of the microfinance users and the microfinance staff on the factors that lead to the poor performance of the systems of microfinance and the reasons to their failures. Specifically the study sought to identify development projects in Migwani Sub County which are funded from Loans procured from financial institutions, establish the form of Management knowledge and training among the women who utilize loans from financial institutions in Migwani sub-county. Establish the role played by Microfinance institutions in eradicating poverty in Migwani Sub County; examine factors related to performance of MFI funded projects among women in Migwani Sub-County. Consequently the research sought to examine whether changing the approach used by the microfinance institutions can yield any results in eradicating poverty in Migwani sub-county and the society in general.

The chapter presented the data analysis and presentations of the results of the collected data using the interview and survey. The responses were collected from the beneficiaries of Microfinance loans and the Microfinance institutions staff. The questions of the survey asked about the demographic data of the respondents, questions based on certain Likert scale as well as open ended questions that intended to get answers on certain issues regarding the use of Microfinance institutions. Detailed data was also collected from the microfinance loan officers regarding their experience with the policies of the microfinance institutions as well as their experience with the microfinance users.

4.2 Social and demographic characteristics of the respondents

This part analyzed the demographic features of the respondents in the study area. It was important for the researcher to understand the features of the study area so that he may be able to relate those characteristics with the outcome of the study. This part analyzed the age, gender, marital status, education level and the occupation of the respondents

4.2.1 Age of the Respondents

From the table below majority of the respondents are from age 36 years and above reflecting 36-40 as 36.8%, 41-50 are 31.6 % percent and 50 and above 10.5%. This clearly illustrates that majority of the microfinance users are people who are aged 36 years and above. These categories of people are the ones with responsibilities in the society which include paying school fees and this requires them to have a steady source of income. Therefore when the finance they have is not enough for those purposes they result to microfinance institutions which supplement their income. These categories of people have a fixed abode within the communities and hence when they negotiate for loan they are capable of being granted due to the fact that they are permanent in the communities and they may have collateral to pledge. Young people according to this analysis seem not to be so active in engaging themselves on microfinance issues. This can also be a factor to poverty because young people are the people with all the potential to prosper economically since they don't have a lot of responsibilities in the society and when empowered economically in their young age before they get engaged so much they might have grown ecomically

Table 4.1 Age distribution of the Respondents

Age	Frequency (n)	Percentage (%)
18-24 years	5	5.3
25-34 years	15	15.8
35-40 years	35	36.8
41-50 years	30	31.6
50 and above years	10	10.5
Total	**95**	**100.0**

4.2.2 Gender of the Respondents

From the table below, 93.7% of the respondents were females, while 6.3% of the respondents were males. The survey was done on women groups who are beneficiaries of the microfinance institutions. This therefore is obvious to get a bigger turn out of women who were responding to give information to the researcher. The explanation on the males who responded in the survey is that it was revealed during the study that there are usually men who are members of the women groups but their views are represented by their wives and friends. This means that there are many men who are left out within the mainstream of the microfinance borrowing since they are not women and they are not capable of accessing the loans since they are made for women.

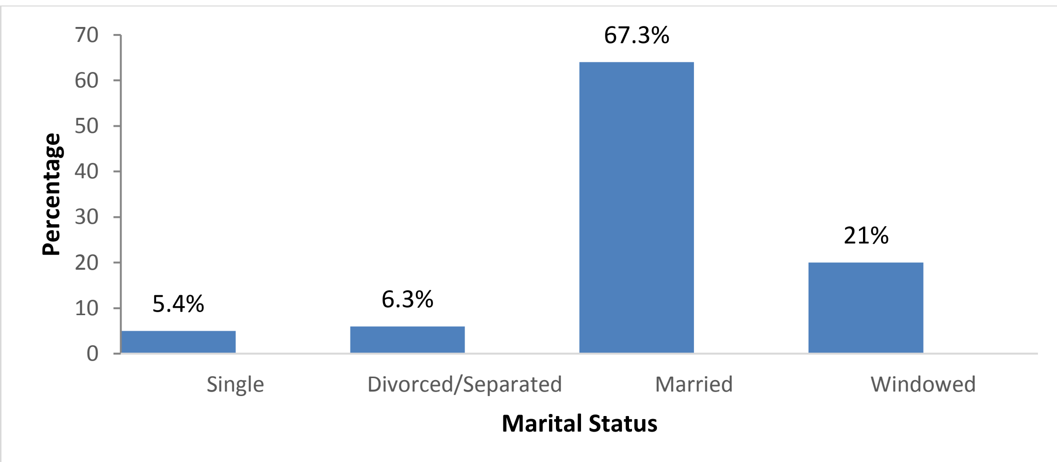
Table 4.2 Gender distribution of the Respondents

Gender	Frequency (n)	Percentages (%)
Male	6	6.3
Female	89	93.7
Total	**95**	**100.0**

4.2.3 Marital status of the Respondents

The figure and the table above shows that majority of the individuals are married either customary or legally. From the response, 67.3% were married, 21 % widowed, 5.4% were single whereas 6.3% were divorced/Separated. Another category of individuals who have a remarkably high number were the widowed who are beneficiaries of the microfinance institutions This can be attributed to the fact that most of the married people have permanent residents from where they can be accessed when they default to pay their loans. The widowed mostly have no other source of income since they are the sole bread winners of their families so they have to look for all possible sources of income in order to make ends meet or their families.

Figure 4.1 Marital status of the respondents (N=95)

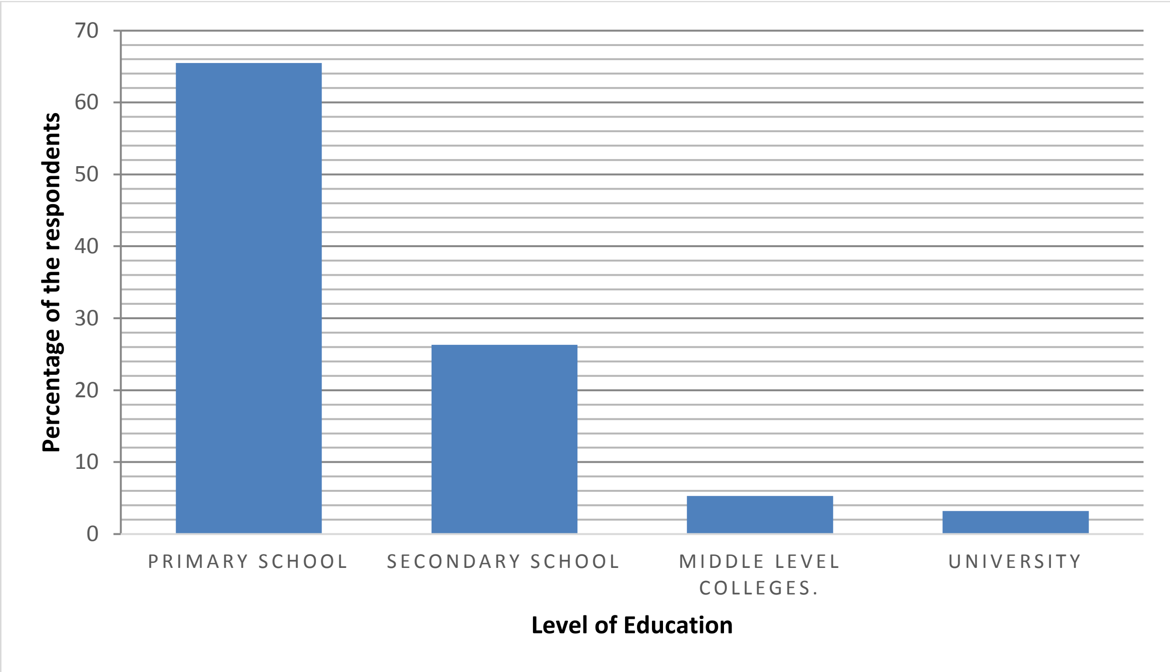


4.2.4 Educational Level of the respondents

The table below shows the educational level of the respondents. There is a majority number of respondents who were primary school leavers with of 65.5%,followed by 26.3% who were secondary school leavers without a formal training, 5.3% of the respondents had attained education up to the college level or those with a formal training in any field and 3.2% were university graduates. This can be attributed to the fact that Migwani sub-County is found in a rural setting and most of the people entirely depend on Peasant farming for their income. There is also a few higher learning institutions within Migwani sub-county where most of these respondents can be absorbed. Educational level also translates to the ways in which the borrowers are able to manage the monies borrowed from the microfinance institutions. Therefore due to poor educational standards people will manage the funds poorly.

This also leads to few people taking the risk to go and maybe borrow money from the microfinance institutions. Lack of knowledge can translate to how much the individuals are able to utilize the microfinance institution; this is because the people with little or no knowledge will have little or no cognition about the microfinance institutions and their potentiality in poverty reduction.

Figure 4.2 Educational level of the respondents (N=95)



4.2.5 Type of Jobs done by the respondents

In the table below, a greater percentage of microfinance beneficiaries within the sub-county have an occupation in business activities having 47.4 %, followed by 31.6%of the Microfinance beneficiaries who do casual jobs within the sub county either employed by other people or doing their private jobs, the third category of individuals are the ones that are doing skilled-Semi permanent jobs having 15.8% .This is a category of individuals who have certain training but they have not been able to procure a permanent job, and the last category of respondents is skilled permanent jobs and they constitute 5.3% of the respondents. The types of jobs individuals are involved in have contribution of the way the microfinance beneficiaries will spent the monies procured from the loans. This is because a greater percentage of respondents are involved in business and end up using the money in boosting their business or even on their daily activities.

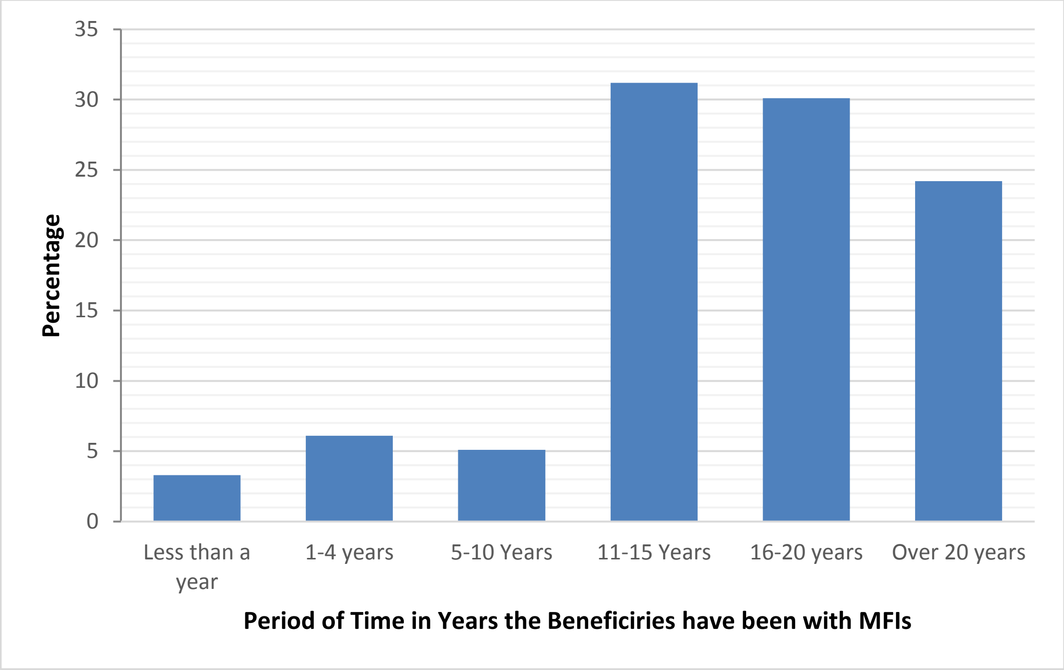
Table 4.3 Occupation of the respondents

Type of Occupation	Frequency	Percentage
Business	45	47.4
Casual jobs	30	31.6
Semi-Skilled permanent Jobs	15	15.7
skilled permanent jobs	5	5.3
Total	**95**	**100.0**

4.2.6 Period of time the beneficiaries have been with Microfinance institutions

The respondents were further asked the period of time the beneficiaries had known the microfinance institutions, 3.3 % of the people had known the microfinance institutions for less than a year,6.1 %for 1-4 years, 5.1% for 5-10 years,31.2% for 11-15 years,30.1% for 16-20 years and 24.2 % for over 20 years. It is clearly evident that the number of years the microfinance beneficiaries had known the microfinance institutions increase with number. This therefore showed that microfinance institutions have been in existence in Migwani sub-county for a good period of time. This therefore should translate to the capability of the microfinance institutions to eradicating poverty. It should also translate to the knowledge these microfinance institutions have been able to transmit to the beneficiaries of the microfinance institutions and the wider Migwani Sub County.

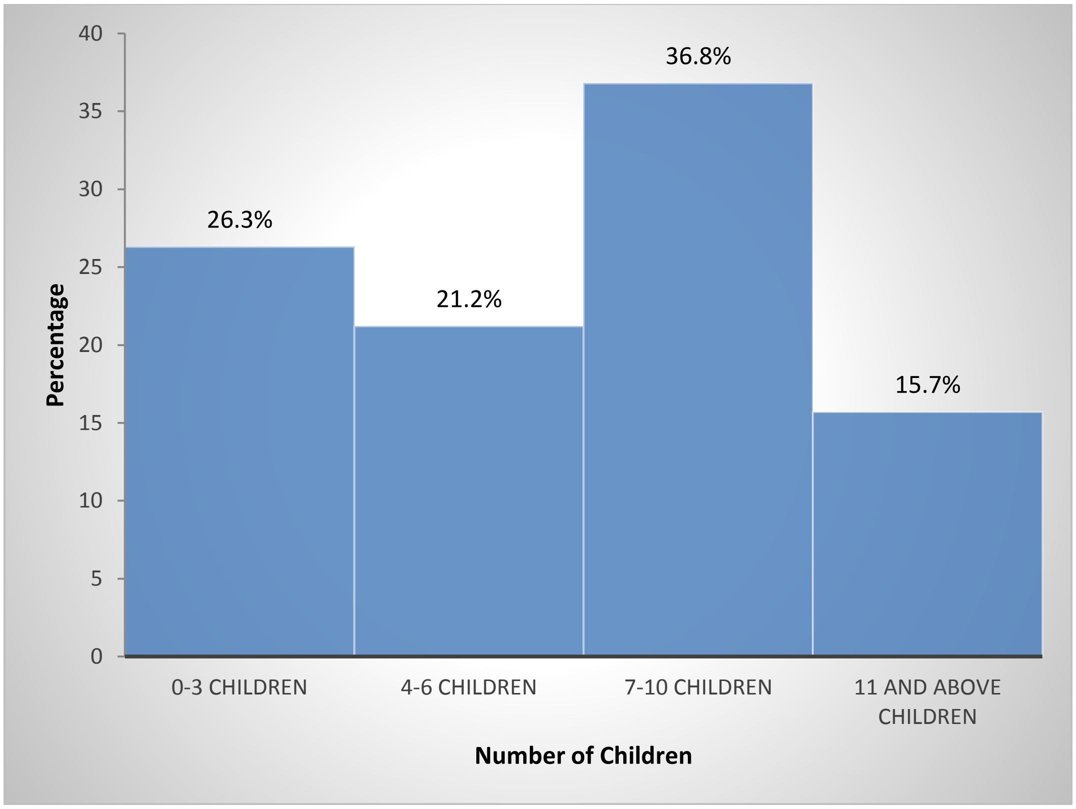
Figure 4.3 Number of years the microfinance beneficiaries have been with microfinance institutions (N=95)



4.2.7 The number of children the microfinance beneficiaries have

In the figure below it shows the distribution of the number of children each microfinance beneficiary has. Most of the beneficiaries have more than 3 children, being distributed as 0-3 children 26.3,4-6 having 21.2% 7-10 having 36.8% and 11children and above having 15.7 %. With this distribution of children it means that most people have not done birth control and it reflects in the spending of the money or income in the families. This is because the more the children a family has the more the needs the family has hence leading to a lot of expenditure of the funds. Therefore even if an individual could be having a good idea before borrowing the money in the end the money could be used in the family needs. The more the children, the more these funds will be channeled to the family affairs due to increased demand of the resources/funds. Therefore the number of children leading to mis-spending of the finances got through the microfinance loan.

Figure 4.4 Number of Children the Respondents have (N=95)



4.3 Development projects funded by microfinance institutions

This part examines the worthwhile of the projects which are funded by the microfinance institutions. It enabled the researcher understand whether the funds got through the microfinance institutions are spent in the right manner.

4.3.1 Whether the respondents have borrowed from Microfinance institutions at the time of the survey

In the figure below 95.6 % of the respondents have accepted that they had borrowed from the microfinance institutions 4.4 % of the respondents did not respond to that question. Therefore it is not known whether they borrowed from the microfinance institutions or not. The Analysis was done on the 95.6% of the people who responded to the question.95.6 % of the respondents said that they had borrowed from microfinance institutions before. 4.4 % of the respondents said that they had not borrowed from The MFIs. This showed that the sub county members were aware of the microfinance institutions and they have been utilizing them in eradication of poverty. This notion was supported by most of the microfinance institutions by asking them how many people they serve within the sub county and most of them said that they served a good number of people within the sub-county.

Table 4.4 whether the beneficiaries had borrowed from the microfinance institutions

Response	**Frequency (n)**	**Percentage (%)**
No	4	4.3
Yes	89	95.7
Total	**93**	**100**

Those who said they borrowed from the microfinance institutions demonstrated that they borrowed small amount of money the highest person borrowing up to Ksh. 50,000 others Ksh.30, 000. With this amount given to start a business or even boost a business it can add an insignificant impact to the borrowers if any, bearing in mind that most of the borrowers had big families and the funds are expected to address their problems as a whole. It also creates an insignificant impact because it cannot be enough to come up with a viable business which is capable of maybe helping the borrowers move out of poverty. In support of this, the beneficiaries of the microfinance institutions were asked whether the funds they borrowed were enough to address the problem they wanted to address when they were borrowing.77.4% percent of the respondents said that the money they borrowed was not enough to address their issues they wanted to address when they were borrowing. They said that you can only borrow money based on the shares that you have in the microfinance institution you are borrowing. This means that small amount of shares leads to one borrowing small amounts of money. Therefore you are limited with the amount of money you can borrow and therefore the money you borrow might not be enough to solve the problems you wanted to solve. Leaving a question with no answer; is the microfinance really for the poor or they are for the people with money to invest as shares. This therefore shows that microfinance ought to re think on addressing poverty or the problems of the poor people in the community.

4.3.2 The purpose of the money borrowed by the microfinance beneficiaries

From the figure below the respondents were asked to tell the purpose of the loan they had borrowed, 65.5% of the respondents said that the loan was made to start or boost their business, 24.9% of the respondents said that the funds were made to pay school fees while the rest 9.6% said that the funds were made to buy family assets. This therefore tells that majority of individuals who borrowed funds from microfinance wanted to invest in it either in business or in school fees to get it in future. The challenge therefore is whether the investment they were making was viable to make the funds invested produce profits to the beneficiaries or the loan users. A question was asked to the Microfinance beneficiaries whether they do a feasibility study to ascertain the use of the funds was worth and most of the beneficiaries said that they did not do the feasibility study they just consulted a friend or even entered in the business blindly. Lack of feasibility study before venturing into any business leads to in appropriate investment and hence a higher percentage of individuals end up getting a loss from the funds they invest.

Table 4.5 The Purpose of loans took by the beneficiaries

Purpose of the loan	**Frequency (m)**	**Percentage (%)**
To start/boost a business	58	65.5
To pay school fees	23	24.9
To buy family assets	8	9.6
Total	**89**	**100.0**

4.3.3 Spending of the funds in the purpose designated

In the table below a question was posed whether the funds got through the microfinance loan ware spent in the purpose designated. Only 30.1 % percent of the respondents said that they spent their funds in the way it was designated for while 69.9 % percent of the respondents said that they used part of the funds for the purpose they said when they were borrowing the money. Others said that whole of the monies were not used for the purpose it was designated. This shows that many of the microfinance borrowers do not use the funds the way it was designated. During the interview with the microfinance staff the researcher inquired whether the microfinance officers ensure that the funds given to the microfinance borrowers is used for the designated purpose. Most of the staff said that it is not easy to control the funds you have given to people because they borrow in large numbers. They also said that they leave individuals to use their funds independently as long as in the end they will pay as they had agreed. This means that there is no control in the expenditure of funds got through the microfinance loans and hence most of the borrowers end up spending the funds in unwise manner. Therefore even if one had good ideas of eradicating poverty they end up being poor. Other microfinance institutions said that the groups they use help in restricting individuals in the expenditure of the funds got through microfinance by ensuring that if individuals are not able to pay the funds in the agreed period of time they help identify their homes and auction their properties. Therefore for the fear of their things being auctioned they have a discipline in their expenditure of the funds got through the microfinance loans. This question instigated the researcher to want to know what the borrowers did with the funds if they did not spent it fully for the purpose it was designed for. Most of the respondents said that the funds were channeled to other family issues that were pressing at that time. This means that the borrowers should have learned about impulse buying before they were entrusted with the funds. The researcher noted that the 30.2 % of the respondents who used funds in the purpose designated their businesses were thriving and some of them have improved remarkably from poverty.

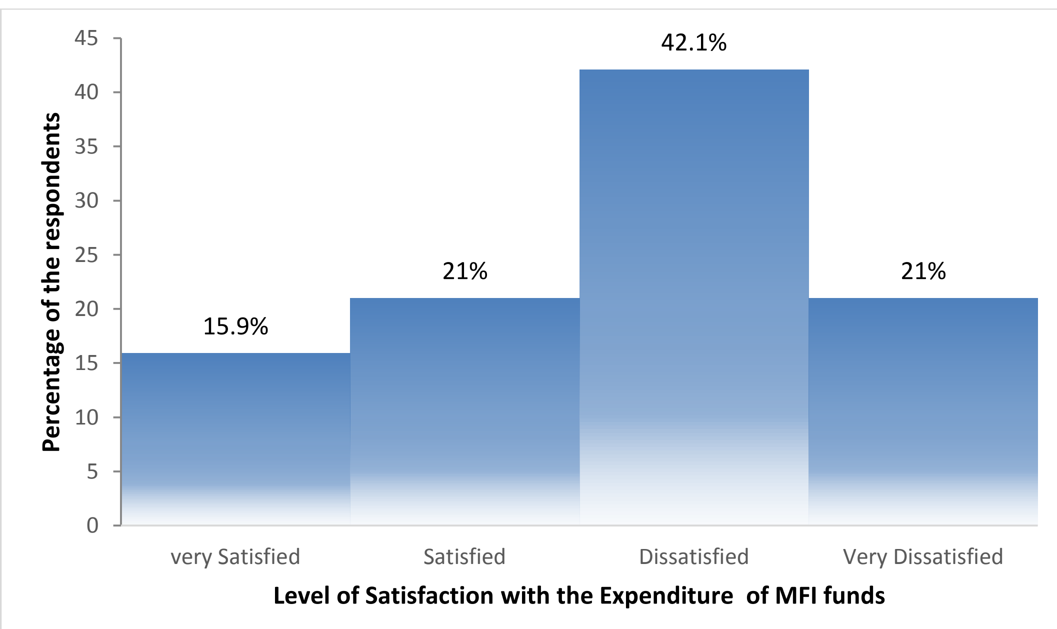
Table 4.6 Response on whether funds were utilized for the designed purpose

Response	Frequency (n)	Percentage (%)
Yes	26	30.1
No	63	69.9
Total	**89**	**100.0**

4.3.4 Level of satisfaction on the expenditure of the funds got from microfinance loans

Researcher inquired from the loan beneficiaries on whether they were satisfied with the loan expenditure. Responses ranged from very satisfied 36.9 % percent of the respondents the responded positively in regard to the satisfaction with the expenditure of the funds got from the microfinance institutions 15.9% percent being very satisfied and 21.0% percent being satisfied. When you observe the businesses or wherever they invested the monies got from microfinance loans they were thriving so well. Therefore they had to actually be satisfied with the expenditure. A greater percentage of the respondents their response was negative in regard to the satisfaction with the expenditure of the microfinance loans. This is reflected by 42.1% percent saying they were dissatisfied and 21.0 % saying they were very dissatisfied. The total number of individuals who responded negatively in regard to satisfaction with the expenditure of the loan was 63.1% percent. When asked why they were dissatisfied they responded that they incurred a loss from the businesses they invested the funds got from microfinance institutions. Infact most of these microfinance beneficiaries said that they were sourcing funds from other avenues in order to pay the loans they had borrowed from the Microfinance institution.

Figure 4.5 Level of satisfaction of beneficiaries with expenditure of their funds (N=95)



4.4 Management knowledge and training among the microfinance users

This part was intended to assess the training and knowledge posed by the users of the microfinance loans. This helps the researcher to understand whether the microfinance users have the capacity to manage the funds acquired from the loans either before or after the loans are entrusted with them.

The part also aimed at unveiling the role played by the microfinance institutions before and after giving the loans to their beneficiaries in terms of inculcating proper discipline in regard to expenditure of the funds got from the loans.

4.4.1 Training before awarding loans

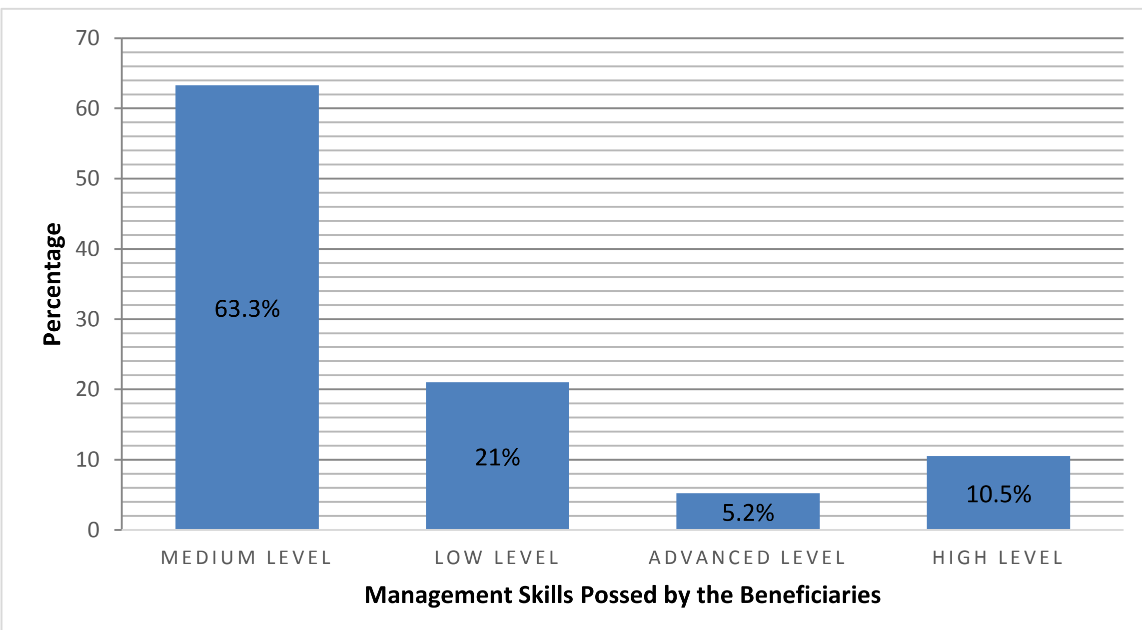
In the regard to whether the microfinance institutions conduct training before awarding the loans, the respondents gave the following responses. Those who said No were 77.3 % percent of the respondents and yes were 22.7% percent of the respondents. This therefore tells that a small number of microfinance institutions train their members before awarding loans to them. The same question was asked to the microfinance institution Managers and most of them responded negatively saying that they assume that before one comes to get a loan they have a particular item they would want to buy or purpose for the loan so they see no need to train them. Other such microfinance institutions said that training would be so expensive to the institutions since different people go to borrow money at their own time so if they were to train people it could be an endless affair. For those who trained their beneficiaries, the researcher went further to inquire the period of time they spent in training and most of the respondents said that they trained for 2 weeks and below. According to the researcher, the longer the period of training translates to the amount of the skills acquired during the training period. Therefore those who trained for two weeks have more knowledge than those who trained for one week or less.

The researcher also inquired from the microfinance institutions how they ensure the users of their services had the right skills in order to be able to manage the funds they get from the microfinance institutions and there was no clear way in which the microfinance institutions do in order to ascertain the knowledge possessed by the loan beneficiaries.

4.4.2 The level of Skills possessed by the microfinance beneficiaries to manage funds

In figure 4.7 below the researcher inquired from the respondents the level of skills they possessed as at the time of the survey, a greater percentage of the respondents said that they possess Medium skills, Followed by Low skills and finally the third category said that they had low level of skills in managing the funds. This therefore showed that most of the loan beneficiaries were not sure whether they were capable of managing the funds got from the microfinance or from any other source. This therefore indicates a clear breakdown in the knowledge acquisition in the management of funds for a greater percentage of the respondents. The researcher went further to inquire from those who said that they had high knowledge of management of funds why they thought that their skills were not being reflected in the management of funds and most of them said that they thought the same was being reflected. The Microfinance beneficiaries proposed that empowerment is necessary to enable individuals to manage their funds in order to help them break the yoke of poverty.

Figure 4.6 management skills possessed by MFI beneficiaries (N=95)

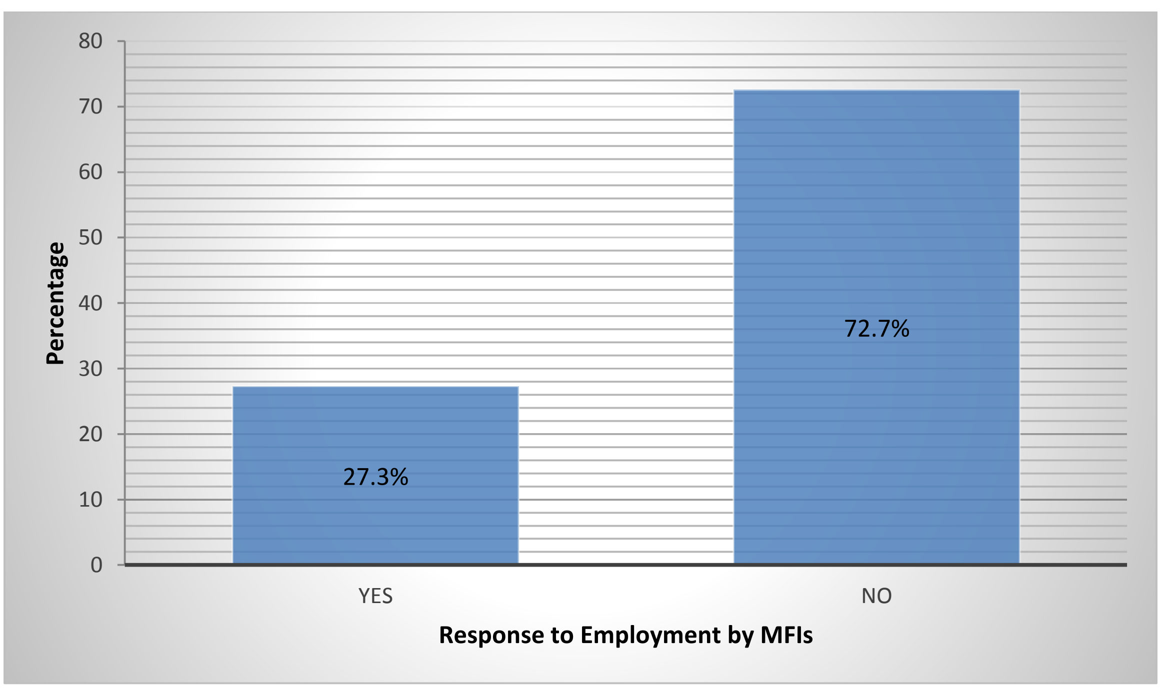


4.5 The role of microfinance institutions in poverty eradication

This part sought to examine the roles played by the microfinance institutions in poverty eradication in Migwani Sub-county and elsewhere in the country. To start with in this part the researcher inquired from the microfinance Managers and loan officers in the various microfinance institutions the major objectives of starting their organizations.

Most of these organizations had a role in poverty eradication in their list. The Microfinance beneficiaries were asked whether they knew of anyone who was working in one of the microfinance institutions from their sub county 72.7% of the respondents could not trace anyone employed in those institutions while 27.3 % of respondents said that they knew individuals working with MFIs. Those who could recall they said those employed were working as subordinate staffs in those institutions. For Microfinance to be accepted and so that it may be seen to be helping the local people it should be able to employ the locals as part of its corporate social responsibility. The MFI institutions were asked whether the employ their beneficiaries as a way of knowing their role in poverty eradication they said that they were in the process of employing the beneficiaries though they said that there were very few people among their beneficiaries who had qualifications to work in their institutions. They said that the few who were already employed in their organizations worked in subordinate jobs.

Figure 4.7 Number of people employed at the microfinance institutions (N=95)



4.5.1 Whether the microfinance institutions involve the beneficiaries

From the table below a question was asked whether the microfinance institutions involve the locals to study whether they involve the locale in identifying their challenges.89.5% percent of the respondents they gave a negative response in regard to their involvement in the study of the factors that affect their performance. 10.5% of the respondents their response was negative in regard to their involvement in the factors that affect their performance. This shows if any there is very little study conducted by the microfinance institutions to identify the challenges that face their beneficiaries and hence they end up not performing up to the expected standards. For those who responded positively they said that their involvement is done once in a while. This means there is no appropriate time when the microfinance institutions put aside to address the challenges of their customers. The researcher was also interested in studying some of the challenges raised by the microfinance beneficiaries who are involved in the study and they said issues like their ways of recovering loans to those who are unable to pay are usually raised, The length of time allowed to pay's the loans and also the amount of interest is raised by the microfinance beneficiaries. The microfinance institution's mangers interviewed stated that it could be a very long process that would cost the institutions money, time and labor when involving the borrowers in the activities. These they said that the borrowers could not be involved because the institutions will have to take a lot of time mobilizing all the beneficiaries of their institutions in order to hear their views.

Table 4.7 Whether the microfinance institutions involve the beneficiaries

Response	**Frequency (n)**	**Percent (%)**
No	10	10.5
Yes	85	89.5
Total	**95**	**100.0**

4.5.2 Microfinance institutions and poverty reduction.

Respondents were asked to say according to them whether microfinance institutions help in reducing poverty. Different respondents give different views as follows; 47.5 of the respondents said that the microfinance institutions do not reduce poverty while 52.5 of the respondents said that MFIS are capable of reducing poverty. Those who said that the microfinance institutions are not capable of reducing poverty gave disadvantages as the way microfinance institutions auction property of defaulters as one of the reason as to why microfinance institutions do not reduce poverty. They said that when they auction ones property they are more likely to leave individuals poorer than they were before they borrowed. In addition the respondents said that the MFIs do not involve the beneficiaries in establishing their challenges and hence it is not easy for them to identify the challenges those MFI beneficiaries face. Microfinance beneficiaries also said that the interests charged by the microfinance institutions is too high to allow individuals make profit out of it and at the same time pay back to the MFIs. They said that most individuals end up paying and even get other sources of money in order to pay the loans.

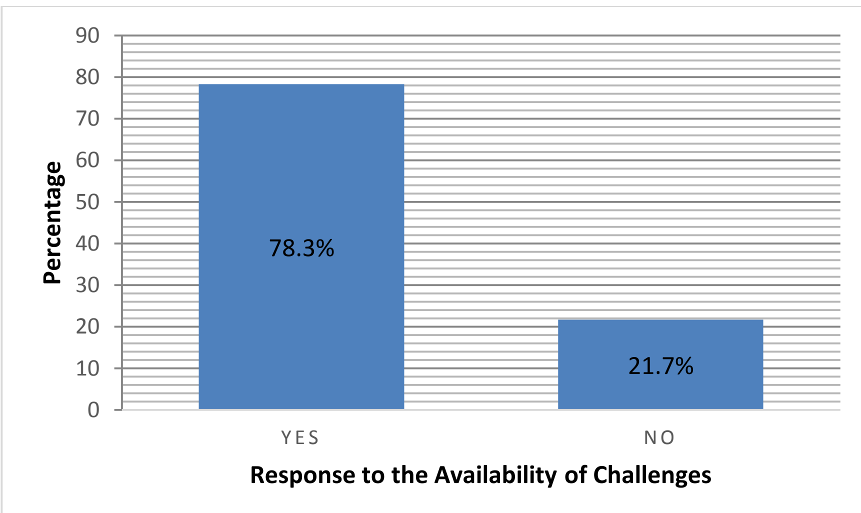
4.6 Factors related to the performance of microfinance institutions

This part was designed to point out the factor related to the microfinance institutions that affect their performance and those of the microfinance borrowers. These factors emanate from the way the microfinance institutions are structured or the accessibility of services by the poor beneficiaries. The researcher assumed that when these factors are put into consideration when structuring the services of the microfinance institutions the challenges face d by microfinance institutions will have been solved.

4.6.1 Challenges faced by the microfinance beneficiaries when paying loans

From the figure below the respondents were asked whether they face challenges during the time of paying their loans,78.3% percent of the respondents said that they face challenges in paying the loan.21.7 % percent of the respondents said they don’t face challenges in paying the loans. The same question was asked to the Microfinance officers whether they experience any challenge with the microfinance beneficiaries failing to pay their loans. They said that some of them are even forced to pay through auctioning their items after they have failed to pay. Some microfinance institutions attribute the cause of the failures of the microfinance beneficiaries is the kind of investments those individuals make using the funds acquired from the Microfinance institutions. The Microfinance beneficiaries said that some of the challenges they face is the high amount of interest charged by the microfinance institutions and time given to pay the loan among many other challenges. An interview with the microfinance staff reviled that the microfinance institutions interest is to maximize the profit rather than helping the poor come out of poverty. The microfinance institutions managers interviewed stated that the borrowers ought to have proper plans on the expenditure of fund accrued from the microfinance institution before they go to borrow from these institutions

Figure 4.9 Response on whether loan beneficiaries face challenges in repaying MFI loans (N=95)

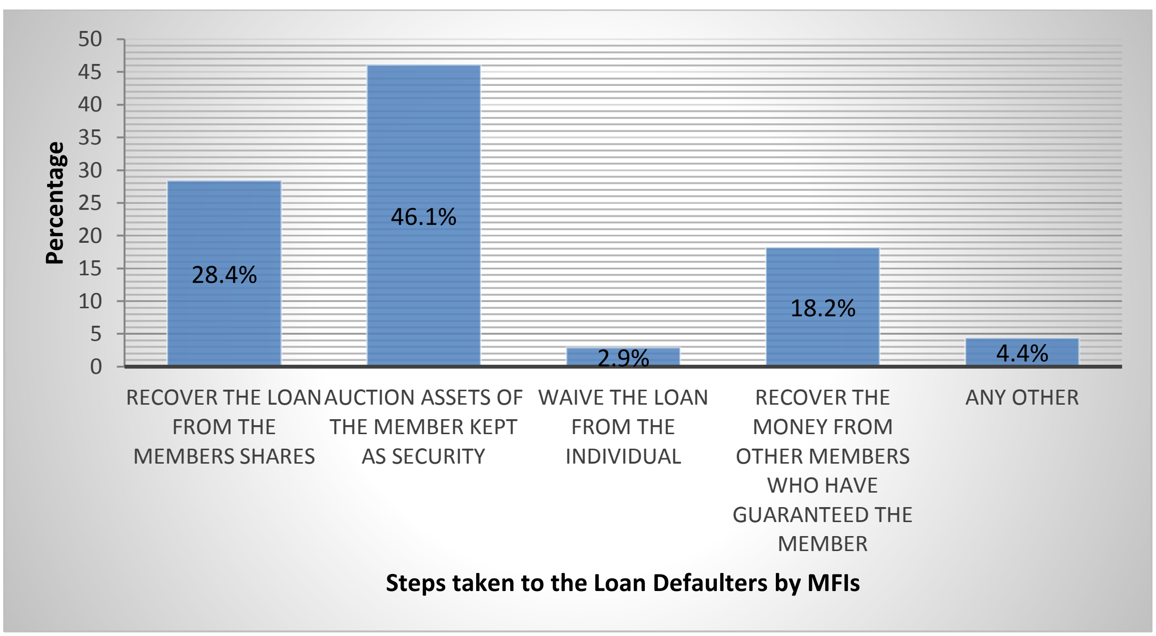


4.6.2 The steps Microfinance institutions take when the beneficiaries are unable to pay

The microfinance beneficiaries were asked what the MFIs do when they are unable to pay their loans and responded as follows;46.1% percent said that whenever an individual is unable to pay the loan the MFI auction the assets kept by the member as security,28.4 said that the shares of the individuals are used to recover the loan 11.8% percent said that the money is recovered from other members who have guaranteed the member,2.9% said that the MFIs waive the money and 3.9 of the respondents have other answers. From this, it is clear that the actions taken are to the disadvantage of the borrowers because when their properties are auctioned the will remain poor and the poverty cycle is enhanced. The microfinance institution Managers were asked the actions they take when the MFI beneficiaries are unable to pay their loans. They also gave the same response as given by the microfinance beneficiaries. They said that there are instances when they are forced to recover the money from the shares of the microfinance shares and when the shares are not enough they are forced to recover the funds from other members who have guaranteed them, other instances the funds are recovered from the assets of the borrowers when the member has no guarantors.

The microfinance beneficiaries were asked whether this step affect them in any way and the said yes because the main aim of the microfinance institutions should be to reduce poverty, when their assets are sold it means that their poverty is enhanced and they start now moving towards poverty instead of reducing it. The microfinance borrowers proposed that in the instance they are unable to pay the loans the microfinance institutions should look for other avenues to recover their funds or even waive the money since they are poor of the poorest and auctioning their property only enhances their poverty further. The microfinance institution manger interviewed stated that they had to recover the money borrowed by the beneficiaries under all circumstances to avoid making loses and further in order to be able to facilitate other needy borrowers.

Figure 4.10 steps taken by the MFIs whenever the Beneficiaries are unable to pay loan (N=95)



4.6.3 Microfinance institutions charge a lot of interest which can't help one gain meaningful income

From the table below microfinance beneficiaries were asked whether their beneficiaries charge a lot of interest that could not help anyone makes meaningful income. They were told to rate their acceptance to the statement or disagree with the statement their response were rated below.31.6% percent of the respondents strongly Disagree with the statement,21.1% percent of the respondents Disagree with the statement,31.6 of the respondents were neutral,10.5% percent of the respondents agreed with the statement and 5.3 strongly agreed with the statement. Overall those who were for the opinion that Microfinance institutions charge a lot of interest were 52.7 Percent of the respondents while 15.8% percent were against the idea. The others were not sure whether neither to agree nor to disagree. This means that most of the respondents perceive the microfinance institutions as charging a lot of interest and ought to be reduced

The same microfinance beneficiaries were asked about the time frame given by microfinance institutions to pay Loans whether it was enough to enable the microfinance beneficiaries to look for the money and bring at the group. 59.6% of the microfinance beneficiaries said that the time given to bring money was not enough while 40.4 % Percent said that the time was enough. The Microfinance beneficiaries are usually given time to search the money in order to be able to bring it back during the appointed time. The time frame vary from one organization to another but most of the microfinance institutions give a time frame of one month so that in the grace period of one month individuals are able to bring the money to the group.59.6% percent of the respondents being More than half of the respondents they felt that time given should be added to at least two months or the amount of money required to be paid after one month to be reduced. Interviews with the managers of the MFIs reviewed that they had no control over the money they charge the borrowers, further they added that the interest charged to the borrowers was policies made by the institutions which changing meant consultation with the policies made by the head offices of the MFIs.

Table 4.8 Extent to which respondents agree with appropriateness of the interests charged to MFI Loans

Extent of Agreement	Frequency (n)	Percentage (%)
Strongly Disagree	30	31.5
Disagree	19	21.1
Neutral	30	31.6
Agree	10	10.5
Strongly agree	6	5.3
Total	**95**	**100**

4.6.4 The accessibility of the Microfinance services by all in the society

From the table below, the researcher wanted to know the opinion of respondents about the accessibility of the microfinance institutions by all the categories of people in the society. A question was asked on whether they felt that the microfinance institutions were accessible by all in the society 37.9 of the respondents said that the microfinance institutions were accessible to all members of the society. They said that what is needed is to approach them and you are able to enjoy their services.46.3 of the respondents said that the microfinance institutions were not accessible to all the members and they attributed this to the structural functions put in place by these microfinance institutions. Those who said that that the microfinance institutions are not accessible mentioned issues like the shares that individuals pay. They said that the poor are not able to get the shares so that they may belong to one of the microfinance institutions in order to be able to enjoy the services of these microfinance institutions.

Table 4.8 Accessibility of MFI by all in the society

Level of Accessibility	**Frequency (n)**	**Percentage (%)**
Accessible	36	45
Inaccessible	44	55
Total	**80**	**100**

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings from the previous chapters. It also draws a conclusion and the recommendations of the study based on the study objectives.

5.2 Summary of the research findings

5.2.1 Development projects funded by microfinance institutions

The research attempted to explore into the factors that affect the performance of the microfinance enterprises in eradication of poverty in Migwani Sub County of Kitui County. The study established that many Microfinance borrowers move the microfinance institutions with a belief that with their empowerment economically they will have seen the cure for their poverty. The poor in the society do have enormous challenges which when they lack solution leads to stress Therefore in search for the solution to poverty the poor end up identifying with the Microfinance institutions who are thought to have quick availability of Money to lent to willing borrowers. According to the study, 93.1 % percent of the respondents had borrowed from the microfinance institution at least once in their lifetime. This shows that most of the poor people turned to the microfinance institutions as the cure for their disease of poverty. These individuals after borrowing they usually expect that they will use the money to move out of poverty. The study reveals that Most of the individuals who borrow from these microfinance institutions ends up not eradicating poverty as they usually think of in the beginning. The study further reveals that most of the individuals who borrow from these microfinance institutions were not satisfied with the expenditure of the funds got from the microfinance institutions. This factor is supported by most of the borrowers saying that got a loss after investing the money they got from the loans in businesses.

The researcher also identified that most of the borrowers did not spend the funds got from the microfinance loan in the purpose designated. This factor is attributed to the number of children the individuals have, it is also attributed to the management skills possessed by the borrowers and also structural set up of the microfinance institutions. The researcher noted that the families of the microfinance borrowers had a recognizable influence on the expenditure of the funds because most of the individuals had big families which also required the attention of the borrowers and hence spending the funds in providing for those needs.

5.2.2 Management knowledge and training among the microfinance users

In this part of the study the major aim of the researcher was to assess the training and knowledge microfinance borrowers had in order to be able to manage the loans procured from the MFIs. This helps the researcher to understand whether the microfinance users had the capacity to manage the funds acquired from the loans either before or after the loans are entrusted with them.

This was done through analyzing their capability their educational level and the training skills they possessed.

During the study the researcher established that most of the Microfinance beneficiaries had acquired very little basic education reporting a higher percentage of respondents as primary school dropout.

The researcher further established that most of the respondents had not trained before they were entrusted with the funds. The microfinance staff also affirmed the statement that they don't offer any training to the beneficiaries before they entrust them with the loans. With this, the researcher viewed that it contributes greatly on the performance of the microfinance borrowers since they have no or little knowledge on the management of the microfinance loans.

This research attributes the performance of the microfinance institutions in eradication of poverty with the level of education of the respondents.

5.2.3 The role of microfinance institutions in poverty eradication

The researcher under this section sought to examine the roles played by the microfinance institutions in poverty eradication in Migwani Sub-county and elsewhere in the country. In understanding the role the microfinance played in the poverty eradication it was easy to understand whether the same roles are being executed appropriately.

The research revealed that most of the microfinance institutions were not made to reduce poverty as the most of them had in their objective statements rather they were profit making organizations and their main objective was to maximize profits.

The research further established that most of microfinance institutions had not employed individuals from the study area. A few who had been employed were working in the subordinate positions within the microfinance institutions. This shows that the microfinance institutions had not put so much interest on the people from the sub county rather they were making profits.

The research also revealed that the microfinance institutions have very little involvement of the community members if any in their activities. This was affirmed by most respondents by saying that they had never been involved by the microfinance institutions to identify the challenges they faced. The same was inquired from the MFI staff and they said that they only advise their clients whenever they come to borrow money not at any other occasions.

The research revealed that it is not only enough to provide financial empowerment in order to free individuals and communities from the yoke of poverty rather education and training play a critical role in eradicating poverty in the communities. This there gives the microfinance institutions an extra responsibility to train and empower the locals in order to help fight poverty within the communities.

The researcher established that most individuals felt that microfinance institutions play a very little role in eradicating poverty as at the time of the survey. The respondents said that the microfinance institutions need to expand their horizon in order to be able to reduce poverty.

5.2.4 Factors related to the performance of microfinance institutions

The researcher's main interest here was to point out the issues associated to the microfinance institutions that affect the performance of the loan borrowers. These factors emanate from the way the microfinance institutions are structured or the accessibility of services by the poor beneficiaries. This was done with an assumption that upon addressing these challenges the microfinance institutions will start yielding the fruits and also help the beneficiaries fight poverty.

The researcher in this section found out that the institutions put in place by the government and also the microfinance beneficiaries have a role to play in poverty eradication through the microfinance institutions.

The researcher found out that the loan beneficiaries were not comfortable with the time given by the microfinance institutions in order to be able to pay their loans. The loan borrowers stated that the microfinance institutions usually give the inadequate time to be able to make profits out of the money and pay at the appropriate time.

The research also reveals that the steps taken by the microfinance institutions when the beneficiaries are faced with difficulties in paying the loans leave the borrowers poorer than the way they found them before borrowing.

The respondents said that the MFIs need to come up with a friendly way of addressing the defaulters in order to be able to help them move out poverty.

The research further revealed that the interests charged by the microfinance institutions are not friendly to the poor. The microfinance staff said that the rates to charge are set by the government. This gives an insight that the government has a great role in making the rates appropriate to the poor in order to be able to help the come out of poverty.

The researcher identified the fact that the microfinance institutions are not accessible by all members of the society. It further notes that the borrowers of the microfinance loans have to possess a certain percentage of Shares in order to be able to borrow from these MFIs. This researcher found out that it is not easy to most of the poor since they lack money to invest in the first place hence knocking them out accessing the services from the MFIs.

The researcher further noted that most of the products offered by the microfinance institutions are not friendly to the poor. The microfinance officers interviewed stated that most of their products are set in such a way that whenever an individual borrows from them they will pay after a certain period of time. This blocks most of the poor from accessing the services since they lack steady source of income which could be used to pay their loans after a certain period of time.

5.3 Conclusions

From the study the research concluded that individuals who venture into Microfinance to get loans are the elderly people who have more responsibilities within the society. This age category leads to the people who get loans use them contrary to the initial plan when they were procuring the loan. The study revealed that if these individuals could have started venturing into

Microfinance institutions much earlier there could be a possibility that the funds could help them move out of the poverty. This fact is supported by the idea that most of the Microfinance beneficiaries had not done birth control giving them a lot of responsibilities to cater for using the funds procured from the microfinance institutions.

The study also concluded that most Microfinance institutions give a priority to women forgetting the fact that all people have a role to play for the development of the society. Educational level is another very key factor which was realized to be a contributory factor in the performance of microfinance institutions. Most of the individual who responded in the study had gone up to class eight and had no formal training on how to handle finance. Those who had gone for training did it for a very short period of time which could not allow them gain meaningful knowledge which could be of help in manage funds and hence eradicate poverty in the study are. The researcher noted that most of the Microfinance institutions had not put in place proper mechanisms to train the microfinance beneficiaries on how they could manage the funds procured through the loans. This further led to the conclusion that the microfinance beneficiaries do not perform as expected due to inadequate training on how to manage the funds procured through the microfinance loans.

The study also found out that most of the microfinance institutions are set out to increase their profits and minimize their losses. This therefore out due their initial idea that their main objective is to eradicate poverty. In fact the researcher found out that most of the microfinance institutions when they collect reasonable funds from the microfinance beneficiaries they change and become fully fledged banks and start operating like any other bank. The researcher realized that the microfinance has a significant role in poverty eradication. The study found out that the microfinance sector does not only have a role in provision of credit to the borrowers rather they have a role in training the borrowers in the appropriate ways of investing in the funds got through the microfinance loans also from other sources. The microfinance institutions, the researcher also revealed that they have a role in conducting research since it does not involve the beneficiaries to unveil the challenges that face the borrowers and even the challenges that emanate from the structural setting of the microfinance institutions. The research revealed that the structures that are put in place by the microfinance institutions affect the way the microfinance borrowers spent the funds. A good example of such was found to be the interest charged to the microfinance institutions beneficiaries. It was found that the microfinance institutions charge a lot of interest to the borrowers such that they find it hard raise income from the money borrowed. The beneficiaries said that the way the interest is calculated it does not motivate the borrowers to borrow money again. They also said that these rates keep on changing every time and this change cannot allow the microfinance borrowers calculate and organize themselves on appropriate way to pay the loan.

The beneficiaries also added that the time given to the borrowers was not enough for them to make profits and allow them to pay the money at the expected time. In fact, most of the beneficiaries end up not paying the money got from the microfinance institutions rather they borrow from other sources in order to pay the money when the time for paying comes and this leads to the microfinance beneficiaries live a borrowing life. The researcher further revealed that the products offered by the microfinance beneficiaries do not fit most of the poor in the society. This is because most microfinance institutions set their money in such a way that they are supposed to be paid after a certain period of time. Most of the borrowers did not have a steady source of income. In fact most of them are either employed as casuals or borrow in order to start or boost their businesses. This means there is no guarantee of paying the loans procured after a certain period of time as demanded by most microfinance institutions and hence their products leaving most of the microfinance beneficiaries.

The study also revealed that most microfinance institutions are gender insensitive. This is proven by the fact that most microfinance institutions are set in certain a way to favor women borrowers. This trait tends to leave other categories of the demographics and hence blocking them out of the major, mainstream of economy building.

5.4 Recommendations

5.4.1 Recommendations for policy

i. There is need for the Microfinance sector to come up with strategies to train the Microfinance beneficiaries on the management of funds in order to have a prudent expenditure of funds accrued from the loans and even other sources for poverty eradication.
ii. There is also a need for the research institutions to venture into the communities and talk to the poor and earnest their ideas on the challenges faced by them when they are given loans in order to incorporate their ideas in decision making.

iii. Microfinance also needs to come up with products that fit all the categories of the people in order to avoid leaving some categories of the individuals who really need to benefit from the microfinance loans.
iv. Microfinance also needs to come up with proper ways of recovering their money and restructure their objectives to be poverty alleviation and not profit making.
v. The government still needs to educate the community members on birth control methods and its importance for its economic development.

5.4.2 Recommendations for further Research

Research need to be conducted on the applicability of other methods for provision of funds to the communities and more so the poor away from the credit methods/Microfinance methods of provision of funds.

Comparative study of the formal banking methods and the Microfinance institution way of providing credit and their effectiveness in poverty eradication.

Research also need to be done on the applicability of IT in the Microcredit sector to reduce the bureaucratic methods required in application of loans from the microfinance institutions.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE FOR MICROFINANCE BENEFICIARIES

Dear respondent,

My name is Mr. Abraham Eskuri. I am currently pursuing a Master's degree in Sociology (Rural sociology and Community development) at the University of Nairobi. Please fill in the following questionnaire to assist me in my research. Information given here will be handled with a lot of confidentiality. Thank you.

Section A

Social and demographic characteristics of the respondents

Tick where Applicable

1. Age

Below 18yrs ( ) 18-24yrs ( ) 25-34yrs ( ) 35-40yrs ( ) 41-50yrs ( ) 51 and above ()

2. Gender

Male ( ) Female ( )

3. Marital status

Single ( ) Divorced/separated ( ) Married ( ) Widowed ( ) others (Specify)……………

4. Level of education

Primary ( ) Secondary ( ) College/certificate/diploma ( ) University ( )

5. Type of job.

Business ( ) Casual jobs ( ) Skilled semi-permanent Jobs ( ) Skilled permanent Job ( )

6. Rate the time you have been a beneficiary/Known the microfinance institutions in your locality.

Less than a year ( ) 1-4 years ( ) 5-10 years ( ) 11-15 years ( ) 16-20 years ( ) Over 20 years. ( )

Tick appropriately in reference to the number of children you have

1-3 ( ) 4-6 ( ) 7-10 ( ) 11 and above ( )

SECTION B

Development projects funded by microfinance institutions

7a. Have you ever borrowed from the microfinance institution?

Yes ( ) No ( )

b. If Yes how Much Money did you borrow ……………………………………………………….

Was it enough to fund the project you intended to fund?

Yes ( ) No ( )

If No, why didn't you borrow money from the Microfinance institution?

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8. Tick appropriately in regard to the purpose of the loan.

To start/boost a business ( ) to pay school fees ( ) to buy a family asset. ( )

Any Other (Specify) ………………………………………………………………………………

9. If you borrowed to start/boost a business are you still running it and what kind of business is it?

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10. Do you think the money you borrowed helped you to improve your social-economic status?

Yes ( ) No ( )

b. If yes what are some of the items you have been able to buy from the profits you get from that money?

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11. Did you do a feasibility study to ensure that the funds you intended to borrow would be spent in the appropriate project?

Yes ( ) No ( )

If no how did you know the viability of the project you put the money got through the loan.

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…………………………………………

12. Were the funds got through the microfinance spent in the above mentioned task fully?

Yes ( ) No ( )

b. If No Why? What did you do with the money? ....

13. If No what is the level of satisfaction with the expenditure of the loan to the function it was designated.

Very satisfied. ( ) Satisfied ( ) Dissatisfied ( ) Very Dissatisfied ( )

Management and knowledge training among microfinance users

14. What is your level of education?

Primary ( ) Secondary ( ) College/certificate/diploma ( ) University ( )

15 a. Do the microfinance institutions train you on management of funds before they give you the loans? Yes ( ) No ( )

c. If yes what is the period of time you spent in the training?

Less than a week ( ) 2 weeks ( ) 3 weeks ( ) More than a Month ( )

b. If No, how do they ensure that the borrowers have the right skills to handle the funds got from the microfinance institutions?

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16. Rate the level of skills you have in the management of Funds acquired through the microfinance loans or any other source of funding.

Very low level ( ) Low level ( ) Medium Level ( ) High level ( ) Advanced level. ( )

17. Why do you think the skills you possess are not reflected in the management of the funds got from microfinance institutions?

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18. What do you think needs to be done to help you and the other microfinance borrowers acquire the necessary skills in the management of the microfinance loans?

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Role of Microfinance institutions in eradicating poverty

19. Do you know anybody employed to work as a loan officer or a manager or in any other capacity that comes from Migwani Sub County?

Yes ( ) No ( )

If Yes, in which capacity?

……………………………………………………………………………………………………
……………………………………………………………………………………………………
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20. Have you ever been involved in a study or a discussion with the microfinance institution so that they may establish the challenges the borrowers face?

Yes ( ) No ( )

b. If Yes, how often do they do it and what are some of the challenges did you raise?

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21. Propose appropriately what you think the microfinance institutions can do to improve their service delivery in Migwani sub-county and even the wider society.

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22. According to you, which other roles are the microfinance institutions supposed to play in order to improve the socioeconomic status of the poor people in the society?

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23. Do microfinance institutions help to reduce poverty in the society?

Yes ( ) No ( )

If No why? ……………………………..…………………………………………………

Factors related to the performance of microfinance institutions in eradicating poverty

25. a Do you have any challenges when paying the loans?

Yes ( ) No ( )

b. If yes indicate the type of challenges you have.

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c. How are you able to overcome those challenges?

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26.a What does the microfinance institutions do in case the loan has not been paid by one member of the group?

a. Recover the loan from the shares of the member. ( )
b. Auction the assets kept as the security. ( )
c. Waive the loan from the individual ( )
d. Recover the money from other members who guarantee her. ( )
e. Any other…………………………………………………………………………

b. Does their action affect you as a borrower of the microfinance institution?

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c. What do you think the microfinance should do in case an individual is unable to pay the loan acquired from the microfinance institutions?

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27. Are you able to pay the interest charged by the microfinance within the planned timeframe?

Yes ( ) No ( )

If No why? ……………………………………………………………………………………

a. Microfinance institutions charge a lot of interest which can't help one gain meaningful income from the loan procured. How strongly do you agree with this statement?

Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) strongly disagree ( )

b. Do you think the time frame given by the microfinance is enough for one to make profits and money to pay the loan?

Yes (   )   No (   )

c. If No, how long should they take for one to pay the loan given by the microfinance institution?

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28. Do you think the microfinance loan is accessible to all the people and by all social classes?

Yes (   )   No (   )

If No, what makes some individual unable to access the loan?

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What do you think should be done to enable those who can't access to be able to access the loans?

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APPENDIX. 2: KEY INFORMANTS INTERVIEW GUIDE

Dear respondent,

My name is Mr. Abraham Eskuri currently pursuing a Master's degree in Sociology (Rural sociology and Community development) at the University of Nairobi .Please fill in the following Interview to assist me in my research. Information given here will be handled with a lot of confidentiality.

Thank You.

General information

1. Name of the microfinance institutions………………………………………
2. Designation of the officer (Respondent)……………………………………….

Development projects funded by microfinance institutions

3. Does your organization do a feasibility study to ensure that the clients invest in the projects that can yield income?

4. Which method do you use to ascertain that the funds borrowed by your clients are used for the purpose designed for fully?

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The role of Microfinance institutions in eradicating poverty

5. What are the major objectives of your microfinance institution?

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6. Approximately how many people does this Microfinance serve in Migwani Sub-County?

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7. How long has this microfinance been operational in Migwani Sub county Kitui County?

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Management and knowledge training among microfinance users

8. a. Does your organization train people before they give them Loan?

Yes ( ) No ( )

b. If Yes what is the period of time you take to train them?......................................…

c. If No, how do you ensure the beneficiaries of the loan have the right skills to manage the funds?

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Factors related to the performance of microfinance institutions in eradicating poverty

9 a. What is the rate of interest charged by your microfinance on credit (loan) given?

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b. In your opinion, does this rate help the poor earn income from the money given?

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10 a .Have you ever experienced problems with your clients being unable to pay Loans?

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b. What actions do you take when your clients are unable to pay loan?

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11. Why do you think the socioeconomic status of the most beneficiaries of the microfinance loans does not improve in Migwani sub-County?

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12. What do you think can be done to improve the performance of the microfinance institutions in eradication of poverty in Migwani sub-county?

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APPENDIX 3: INTRODUCTORY LETTER FROM THE DEPARTMENT

UNIVERSITY OF NAIROBI

DEPARTMENT OF SOCIOLOGY & SOCIAL WORK

Fax 254-2-245566
Telex 22095
Varsity Nairobi Kenya
Tel. 318262/5 Ext. 28167

P.O. Box 30197, Nairobi
Kenya
Email: dept-sociology@uonbi.ac.ke

16/10/2017

TO WHOM IT MAY CONCERN

RE: ABRAHAM ESKURI MUTIA- C50/81621/2015

Through this letter, I wish to confirm that the above named is a bonafide postgraduate student at the Department of Sociology & Social Work, University of Nairobi. He has presented his project proposal entitled; "**Factors That Affect Performance of Micro Finance Institutions in Eradication of Poverty in Migwani Sub-County of Kitui County, Kenya.**"

Abraham is required to collect data pertaining to the research problem from the selected organization to enable him complete his thesis which is a requirement of the Masters degree.

Kindly give him any assistance he may need.

Thank you.

CHAIRMAN
DEPARTMENT OF SOCIOLOGY
16 OCT 2017
UNIVERSITY OF NAIROBI

Prof. C.B.K. Nzioka
Chairman, Department of Sociology & Social Work

APPENDIX 4: APPROVAL LETTER TO CONDUCT THE STUDY

REPUBLIC OF KENYA

THE PRESIDENCY
MINISTRY OF INTERIOR AND COORDINATION OF NATIONAL GOVERNMENT

Telegrams "DistricterMigwani"

Email: *dc.migwani@yahoo.com*

When replying please quote

Ref: MIG/ED/16.1/VOL.1/14

DEPUTY COUNTY COMMISSIONER
MIGWANI SUB COUNTY
P.O BOX 1 - 90402
MIGWANI.

18th October , 2017

RE: RESEARCH AUTHORIZATION- ABRAHAM ESKURI MUTIA C50/81621/2015

Reference in made to your letter dated 16th October 2017 on the above subject.

Following your application to carry research on;... **Factors That Affect Performance Of Micro Finance Institutions In Eradication Of Poverty In Migwani Sub County Of Kitui County.**

The authority is hereby granted to collect data and all that pertains towards successful completion of this research problem.

I sincerely wish you success.

FELIX O.OMODI
FOR: DEPUTY COUNTY COMMISSIONER
MIGWANI SUB COUNTY