

**INFLUENCE OF MONITORING AND EVALUATION ON PERFORMANCE
OF MICROFINANCE INSTITUTIONS IN KENYA: A CASE OF KITUI
CENTRAL CONSTITUENCY**

By

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DECLARATION

This research paper is my original work and has not been presented for an award in any other university

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DEDICATION

This research work is dedicated to my brother Dunstan Machoka and sisters Caroline and Jacqueline Machoka and my loving parents Mr. and Mrs. Machoka for their personal sacrifice throughout my upbringing so that I and my siblings can get the best education.

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LIST OF ABBREVIATIONS AND ACRONYMS

BDS	-	Business Development Support
CBK	-	Central Bank of Kenya
CRB	-	Credit Reference Bureau
IDB	-	Industrial Development Bank
IFC	-	International Finance Corporations
K-REP	-	Kenya Rural Enterprise Programme
KWFT	-	Kenya Women Finance Trust
M&E	-	Monitoring and Evaluation
MDGs	-	Millennium Development Goals
MDIs	-	Micro Deposit-Taking Institutions
MFI s	-	Microfinance Institutions
MSME	-	Micro, Small and Medium Enterprises
NGO	-	Non-Governmental Organisation
SACCO	-	Savings and Credit Cooperative Societies
SMEs	-	Small and Medium Enterprises
UN	-	United Nations

ABSTRACT

Success and sustainability of projects undertaken depends so much on monitoring and evaluation. Microfinance institutions have enabled increased access to credit for many individuals thus improving their livelihood. It is therefore important to understand the influence of monitoring and evaluation which are essential tools that enhance the growth of microfinance institutions. The aim of the Central Bank of Kenya is to see that the microfinance industry spreads out to the heart of rural homes in order to meet the needs of the unbanked through expanding access to financial services for poor individuals and families along with small businesses, especially the small, medium Scale and informal sector businesses. Such a goal also fulfills the Kenyan Vision 2030 where the government aims to improve access to the financial sector and in doing so fulfill the millennium development goals.

This research was conducted in Kitui central constituency by analyzing responses got from employees and clients working in some of the leading microfinance institutions in the region. Data analysis was done to present the findings by employing statistical methods. It was found that monitoring and evaluation practices influences performance of MFIs schemes as was supported by 86.6% of the respondents. The research established that preventive monitoring and evaluation practices are not fully utilized by microfinance organizations and in addition that Information technology practices need to be incorporated when conducting monitoring and evaluation. Recommendations were made which included insuring flexibility in M&E practices that should be customer based and the use of sustainable screening techniques that enhance effective delivery of services. Moreover, training of employers and employees on customer's preferences and seeking professional assistance are essential tools for monitoring and evaluation.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In search for survival in the competitive financial sector in Africa, MFIs have adopted corporate governance whereby corporate power is exercised by an organization in the management of its portfolio of assets and resources which include evaluation strategies for projects, geared towards profit maximization. Corporate governance also entails a balance between the economic and social goals while encouraging efficient use of resources and higher levels of accountability. This becomes the basis for monitoring and evaluation becoming of cardinal use.

The Central Bank of Kenya in its Bank Supervision annual report 2010 recognized the role that MFIs have played in the development of the country; specifically within commercial institutions that have “either modified their products or is in the process of setting up sister companies to specifically engage in microfinance business (Central bureau of statistics, 1999).”

Improving access to credit implies the degree to which credit services are made available to everyone at a fair return rate and periods. Microfinance institutions in Kenya offer a variety of choices for the locals through microfinance institutions like Faulu Kenya, KWFT, Commercial banks and savings and credit co-operative societies (SACCOs). Most of the ancient sources of getting funds are prevalent in both the rural and urban area. Microfinance has thus evolved over the years and has created a platform for the unbanked and under banked to get loans, save and access insurance services.

This research highlights the role played by monitoring and evaluation in microfinance institutions in Kenya and the measurers that can be taken into account and improved on so that MFIs can be improved to provide meaningful products and services to the public while still remaining profitable by minimizing the risks that they can face especially through defaults in loan payments. Moreover, the research touches on how monitoring and evaluation influence the establishment and sustainability of micro

finance schemes in Kenya. The research questions guiding the study included: i. what were some of the monitoring and evaluation policies that regulate micro finance Schemes in Kenya? ii. What were the major monitoring and evaluation practices affecting micro finance schemes in Kenya? iii. How did monitoring and evaluation influence sustainability of micro financed projects in Kenya?

In most African countries, the private sector is composed mainly of SMEs that heavily rely on microcredit. In efforts to enhance the credibility of MFIs, Governments in Africa have identified a need for reforms on monitoring and evaluation and a correspondingly enhanced potential for national development targeting governance, economic liberalization and decentralization which have aided in the expansion of the private sector (Gueyie, Manos & Yaron, 2013).

The loss of massive savings and collapse of some MFIs in recent years have led to increased pressure from Uganda's government for increased regulation with emphasis on monitoring and evaluation procedures. In this country of Uganda, there are close to 900 MFIs and growing with operations in the urban and rural communities. The Micro Deposit-taking Institutions (MDIs) are regulated and monitored by the Bank of Uganda. There are other types of MFIs in Uganda that are not regulated by the Uganda's central bank and include Non-Governmental Organization MFIs and SACCOs. These organizations still need monitoring and evaluation because they are self-regulated through the Association of Microfinance Institutions in Uganda (AMFIU). SACCOs which somehow operate like traditional credit unions generally do not require complex procedures like banks to start and are more common in the rural communities by offering crucial banking services as a way of eradicating poverty (Bester, 1985).

In developing countries as mentioned, a majority of the population does not have access to financial services and thus constitute the group that micro finance tries to reach. Nigeria, like any other developing country, is burdened with increasing population that strain resources, poor infrastructure, health facilities among other development issues. There is therefore the need for its government to liaise with financial institutions and help Small and Medium Enterprises (SMEs) take up various projects. The finances given out need to be properly monitored by ensuring proper monitoring structures are in place. Such efforts will assist in creating a vibrant micro

finance sub-sector and provide the incentive for poverty reduction, economic growth and development (IMF, 2007).

The use of dynamic incentive of monitoring and evaluation by MFIs as a delivery mechanism helps to secure high repayment rates (Barney, 1991). Dynamic incentives sometimes referred to as progressive lending (Drucker, 2005) or simply the continuous and consistent increase in loan size upon satisfactory repayment. (Karlan & Goldberg, 2006) observes that most micro finance evaluation programmes enhance the incentives for good repayment practices by guaranteeing continuous access to higher loan portfolio over a longer repayment periods. In this light, dynamic incentives serve as an efficient strategy used to overcome information irregularity due to the repeated nature, and credible threat to withhold future lending in case of default (Philippe, 1986). However, the power of dynamic incentives diminishes when competition in the financial sector, hence the need for a centralized credit rating agency as such changes occur. (World AMHA, 2000).

Monitoring and evaluation tasks are structured around such decisions as regular repayment schedules form a dynamic and integral discussion of micro finance products and services and that is why Regular repayment schedules refer to a practice where MFIs customers agree to pay a specified amount regularly mostly monthly to off-set the loan taken. Some may pay weekly as arranged with their credit supervisors so that they can pay what they afford and encourage them to save so as not to depend on loans. Regular repayment enables the micro finance institution to get hold of cash flow before they are consumed or otherwise diverted for other purposes (Yaron, 1992). This has to be monitored.

In India in the province of Andhra Pradesh there had been reports of numerous suicides that had been reported by clients of large MFIs brought about by individuals who have been heavily indebted leading to high stress levels by members who are not in a position to repay loans. Such circumstances have been brought about explosive growth of MFIs and loan officers insisting to sell loans to people who are already indebted. This threatens the existence of microfinance institutions in an already saturated industry. There is therefore a need for proper governance of such institutions if they are to be beneficial for future generations.

1.2 Statement of the Problem

Microfinance institutions have provided a valuable platform for getting loans at very reasonable interest rates as well as enhance a saving culture among the citizens. Notwithstanding haphazard lending by microfinance institutions without looking at the threats involved, poor monitoring policies, employees not taught thoroughly on how to handle various customers especially loan defaulters and debt collection strategies, interest rates placed highly have all become a hindrance to the public to access funding.

Kitui central constituency is one of the areas is faced with problems with people defaulting from paying loans since they either pay below the agreed amount or not pay at all. The same district has microfinance organizations such as k-rep, KWFT and Faulu Kenya operating there. All of them target to increase funding and reach out to small villages. Microfinance business are thus facing a risk of value for money lent out and that is why it is necessary for such organizations to develop monitoring and evaluation mechanisms to cushion them against such risks.

The issue of lack of proper monitoring and evaluation of credit policies and MFIs and the need to adopt and implement proper loan policies makes part of the subject of this study. The employees working in microfinance organizations also need to be properly trained on the importance of monitoring their customers and the various credit collection methods (Drucker, 2005). It is by empowering the individual staff that they can engage at ease with their clients, offer valid advice, be aggressive and fair in conducting their duties and in so doing enhance the good performance of the organizations they represent.

Since many people will run to them for credit, without proper monitoring of the large numbers the officers may be overwhelmed. When there are many individuals being financed and the management operations cannot deal with such a magnitude, then some loan borrowers will not be easily tracked and hence their credit worthiness cannot be ascertained. This function can only be well executed through proper monitoring and evaluation which in turn will determine performance of the MFIs.

Microfinance institutions as seen need to deal with both internal and external factors that can affect the progress of their businesses and profitability and it is by looking at

the underlying role of monitoring and evaluation that institutions continue to operate and assist Kitui Central Constituency people in future.

1.3 Purpose of the Study

The purpose of the study was to establish the influence of monitoring and evaluation on performance of microfinance institutions in Kitui central constituency.

1.4 Objectives of the Study

The study was guided by the following objectives;

- I. To investigate the influence of monitoring and evaluation policies on the performance of microfinance schemes in Kitui central constituency.
- II. To investigate the influence of monitoring and evaluation practices on the performance of micro finance schemes in Kitui central constituency.
- III. To investigate how monitoring and evaluation continuous and consistent improvement influences the performance of micro finance schemes in Kitui central constituency.

1.5 Research Questions

To be able to achieve the set objectives the study sought to answer the following questions:

- I. To what extent do monitoring and evaluation policies influence the performance of microfinance schemes in Kitui central constituency?
- II. To what extent do monitoring and evaluation practices influence the performance of micro finance schemes in Kitui central constituency?
- III. Does monitoring and evaluation continuous and consistent improvement influence the performance of micro finance schemes in Kitui central constituency?

1.6 Significance of the Study

The findings of this study had cross cutting benefits to the various stakeholders and what they have identified as their urgent needs.

The study may be significant to the government policy makers in the issues of formulating policies that provide a conducive environment for microfinance institutions to establish schemes and conduct their business so as to continue providing access to credit to the locals at fair and competitive interest rates.

Financial institutions may also have the opportunity to learn the role of monitoring and evaluation, from the borrowing behavior of the people in Kitui central constituency and try to adjust their borrowing policies and interest rates so as to enhance the success of the local businesses.

The rural community may also learn on the importance of microfinance institutions as a savings platform so that they can create good financial resources that enable them to borrow and expand their businesses. In addition, MFIs may benefit through periodic evaluation and monitoring and be in a position to refine and further develop their products.

1.7 Limitations of the Study

The study had some foreseeable but unavoidable challenges. There was a small sample of MFIs selected for participation in Kitui Central. Secondly, some respondents may not have been honest as financial issues attract some feeling of insecurity especially when dealing with strangers. There was a concern whereby false information may be gotten due to the fact that businessmen and women as well as the MFIs were not willing to get into the details of the operations of their institutions terming which they termed as exposing their institutions to their fellow competitors.

1.8 Delimitations of the Study

The study was designed to investigate the influence of monitoring and evaluation on performance of microfinance institutions in Kitui central constituency. For this reason, the data that was collected was treated with prudence so that it fitted in the unique characteristics of the Constituency as opposed to generalization and comparing it to other parts of the country or on an international basis.

The study was limited to monitoring and evaluation of MFIs in Kitui central constituency. The study was limited to three variables namely monitoring and evaluation policies, monitoring and evaluation practices and monitoring and evaluation sustainability of micro finance schemes Kitui central constituency.

The results in this study may be used for similar projects carried out in other constituencies and counties.

1.9 Assumptions of the Study

The study assumed that respondents of this study were familiar with the general operations of microfinance institutions. It was also assumed that target respondents had access to credit facilities from MFIs which is different from how it is accessed in the banks. The respondents represented the general population therefore they were acting as an adequate sample for the study. It was also assumed that the data collection methods used would be effective and efficient so as not to influence the responses from the participants.

1.10 Organisation of the Study

The study was organized into five distinct chapters. Chapter one was an introduction to the study whereby the background of the study was discussed, statement of the problem, purpose of the study, objectives, research questions, significance of the study, assumptions and organization of the study. Chapter two entailed the literature review expounding on the objectives. Chapter three was on the research design, target population, sampling procedures, reliable and valid instruments to be used for collecting data. Chapter four was about data presentation, analysis and presentation and lastly chapter five was a summary of the research findings, conclusion, and recommendations with suggestions for further research.

1.11 Definition of significant terms

Access to credit-Overdrafts and loan facilities given to businessmen by both the formal and informal financial institutions

Banks- Financial institutions given authority by the central bank to receive money in form of deposits for safekeeping and giving out loans at a stated interest

Collateral-Security which is given by a loan borrower in order to secure the loan

Credit terms-Credit prequalification conditions as stated by an individual financial firm

Evaluation-Systematic collection analysis and interpretation of the project data to see if it is in line with the project objectives

Microfinance institution-Institutions with the responsibility of assisting the rural enterprises and low income earners who have limited access to banking facilities to be able to save and access other financial services

Monitoring-Refers to continuous and periodic review of a project to ensure that inputs, outputs and processes are adhered to according to the project plan

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is composed of a review of international and national literature based on the influence of monitoring and evaluation policies on performance of microfinance schemes, influence of major monitoring and evaluation practices on performance of micro finance schemes and how monitoring and evaluation continuous improvement influence the performance of micro finance schemes in order to meet the specific needs of businessmen and women in Kitui central constituency. A theoretical framework and conceptual framework was also highlighted to show the relationship of the dependent and independent variables.

2.2 Influence of Monitoring and Evaluation Policies on the Performance of microfinance schemes

Although there is no blueprint for monitoring that can be applied to all monitoring situations. The monitoring approach an organization uses in a given situation be it at the communal level, regional or global level to come up with beneficial projects depends on many factors. Such factors include corporate responsibility including the company's development strategies, complexities associated with various projects and scope of various support activities. The essence of monitoring and approaches used by organizations such as UNDP as well as its' agencies and projects depend to a large extent on corporate monitoring policies.

Monitoring is part and parcel of microfinance schemes and therefore it should not only be treated as a reporting requirement that assists managers in order to perform their roles. Moreover, it should also be seen as a tool that engages stakeholders in the activities of various project firms so that such projects can be sustained for future generations (Economic Development Board, 1991). Such opportunities create a platform where issues can be discussed among the various beneficiaries further enhancing an engaging and meaningful M&E culture that enhances project

implementation, proper data collection and analysis methods and sharpening operational procedures.

Microfinance institutions need to be in control of their operations. It is by conducting an internal and external assessment that the institutions can be in a position to learn and improve their operations. Internal assessment entails looking at the organizations culture vision, mission goals. These are some of the attributes that guide the organizations monitoring and evaluation practices and the path of operations. The operational monitoring and evaluation guidelines also address issues on some microfinance institutions, some want to create branches rapidly country wide and this hurried formation sometimes makes supervisors unsure of whom they report to. Such situations cause confusion. Misplacement of documents leading to poor filing or keeping improper documents (Feinstein & Picciotto, 2000). This decentralization of activities also leads to branches operating differently and this becomes a problem when monitoring and evaluation has to be done.

Monitoring and evaluation policies are in fact another landmark where various organizations tend to falter. The extensive research and resources used up for putting up M&E policies often create a feeling of confidence that cannot be shaken as they hope what they have created will definitely be successful and more often that is not always the case (Farinha, 2006). However, what has been ignored is the fact that M&E policies can be tested only if they meet the set criteria. Actual implementation of Monitoring and evaluation policies yields the true picture (Kessy & Tostensen, 2008).

Lack of regular and professional audit on the Monitoring and evaluation policies is another factor that affects MFI activities. Most microfinance institutions conduct audit once in a financial or when there is a crisis. This goes to show that it is only when things get out of hand that measures are sought to rectify the problem. A culture of continuous Monitoring and evaluation of policies needs to be adopted if activities are to flow smoothly (Innes, 1991). Low productivity and low motivation is another factor; when employees are not properly remunerated with regard to the amount of work they do, they lose morale hence borrowers are not properly followed up since they will channel their spare time to engaging in other income generating activities to

boost their wages or salaries (Alvesson & Willmott, 2012). This stage of implementation often results in a consequence wherein it is required to monitor and evaluate the implemented plans to understand if they are moving the desired direction.

Simple and transparent Monitoring and evaluation of policies needs to be adopted as it requires proper project plans to be made giving enough time for monitoring to be conducted. Sometimes MFIs fail in Monitoring and evaluation of policies because they do not have the skills to do so and fear seeking professional support terming the exercise as expensive (Anita, 2000). Viable and customer oriented Monitoring and evaluation of policies services need to be introduced otherwise it will be a will a waste of money engaging in services that are not needed by the clients (World Bank, 1993). Money for monitoring and evaluating such policies will be saved and channeled to other areas that are urgently required. It is this kind of ignorance that negatively affects a business and causes the shareholders to mistrust the managers.

It is worth noting as observed by Mullei and Crispin, 1999, Monitoring and evaluation of policies need to answer vividly questions like whether the its goals of are being achieved, If no, what is the key reason behind lack of realization of goals; is it lack of coordination or poor planning? Are the resources for Monitoring and evaluating policies adequate? Do employees understand and implement Monitoring and evaluation of policies as desired? This would result to looking at whether the goals of Monitoring and evaluation of policies be altered and what are the learning outcomes concerning the implementation impact of future strategy.

Based upon these observations formulating the guideline to the desired changes in the overall Monitoring and evaluation of policies would sure result in better managed and growing organization MFIs.

2.3 Influence of Monitoring and Evaluation Practices on the Performance of Micro Finance Schemes

MFIs are seen to be inhibited in that they lack access to competitive resources for short and medium- term lending. Small businesses have been perceived for a long time to shy off from approaching financial institutions to finance small projects. Some financial institutions see small borrowing as expensive to operate since they have to be constantly recorded and monitored. In addition the small scale businessmen are

seen to be poorly educated and lack managerial and technical skills even in they try to come up with good projects, they do not keep proper financial records and do not have good business plans to defend their projects to funders.

MFI's need to recognize that they face challenges and in order to enhance their competitive advantage they need to utilize all options within their means. Small scale traders also get financial knowledge from MFI's hence they have a responsibility to expound their knowledge to be able rain and manage upcoming businesses. Monitoring and evaluation policies can be improved through benchmarking whereby a firm learns the best practices of other firms and tries to improve its own using similar methodologies. Benchmarking is a good practice that enables a firm to recognize its strengths, weaknesses, opportunities and threats (Barney, 1991). Evaluation can be conducted efficiently by incorporating new technologies and new models as conducted by various scholars and industry makers. The need for improved services in any organization requires professionals and skilled manpower (Jappelli & Marco, 1993). Professions in the industry can be got within the country or outside the country. Technology has now made communication easier and it is easy to teleconference with individuals from other organizations.

Information needed to guide the Monitoring and evaluation policies has to be identified first to ensure that activities are well coordinated to meet both internal and external reporting guides. Setting up a monitoring and evaluation system that involves all the stakeholders involved builds confidence in the project and unity amongst all involved. In enhancing the flexibility of product design, first, important management information needs to be gathered (Hardy, Holden & Prokopenko, 2002). Such information will be got by keeping track on outputs, impacts of the project and the use of various resources. It is also important to review the previous monitoring and evaluation plans so as to identify its failures and success that can be improved on. Product progress and loopholes need to be shared with the project members and inform those who will benefit from the products (Barney, 1991). Once baseline data has been established with capacity building activities products can therefore be designed and implemented.

2.4 Influence of Monitoring and Evaluation on the Continuous and Consistent Improved Performance of Micro Finance Schemes

The Venn diagram of sustainable development which was first used by economist Edward Barbier (1987) includes economic, environmental, and social sustainability and somehow combining them. Economists have since focused on viewing sustainability as a single interlinked system with a unified valuation methodology (World bank, 1993). Intergenerational equity can be incorporated into monitoring and evaluation policies. Thus the three pillars of sustainable development are interlinkages, intergenerational equity, and dynamic efficiency, which can be achieved through Monitoring and evaluation.

It is by producing the latest and useful MFI services and commodities that their business is assured of sustainability. Information needed to guide the MFIs project strategy has to be identified first to ensure that activities are well coordinated to meet both internal and external reporting guides. Setting up a monitoring and evaluation system that involves all the stakeholders involved builds confidence in the project and unity amongst all involved. In enhancing the flexibility of product design, first, important management information needs to be gathered (Hardy, Holden & Prokopenko, 2002). Such information will be got by keeping track on outputs, impacts of the project and the use of various resources. It is also important to review the previous monitoring and evaluation plans so as to identify its failures and success that can be improved on. Product progress and loopholes need to be shared with the project members and inform those who will benefit from the products (Barney, 1991). Once baseline data has been established with capacity building activities products can therefore be designed and implemented.

The Monitoring and evaluation design should be able to protect rights of all the stakeholders involved and that is why it is important to come up with diverse products. Through Monitoring and evaluation, it is possible to help business men and women write viable project proposals that enable them secure funds to start –up or run businesses (Nyonje *et al.*, 2012). Moreover borrowers monitored to ensure their position to understand the type of collateral needed for various amounts to be borrowed. Through Monitoring and evaluation they also familiarize business men and women with credit policies and it is by knowing their rights that such individuals can

advocate for better terms and act as agents of change in encouraging others to develop a culture of saving so as to improve their living standards through microfinance institutions. This in turn will bring about sustainability of MFI programmes, (Von Hagen, O., Reinecke, J. 2011).

2.5 Theoretical Framework

The resource based theory was significant in this study in understanding the influence of Monitoring and evaluation on microfinance institutions operations. The resource based theories focus more on the various categories of resources and how they influence resource configuration and impact on the overall performance of an organization (Wiklund & Shepherd, 2003). Knowledge – based resources can also be looked in order to identify how Monitoring and evaluation on microfinance influence access to micro- credit which is limited especially in the rural areas.

Resources are necessary for the sustainability of businesses and monitoring and evaluation on microfinance can be taken as a resource, but their use does not always ensure the success of businesses. Monitoring and evaluation on microfinance need to be properly organised so that an organisation is in a position to maximize its resources. M&E on microfinance must also be strategically planned so that they promote activities, by making the right decisions at the right time and build on already existing methods and practices (Hulme, 2000). Monitoring and evaluation on microfinance tangible resources can be traded while the intangible resources are combined with tangible resources in specially designed ways so as to produce an acceptable good or service. The ability to get knowledge based resources is useful and can be easily acquired by improving ones M & E on microfinance capacity.

The mentioned characters are all useful but it depends with how each organization utilizes them in accordance with their requirements. M&E activities need to flow smoothly till project completion hence the reason why microfinance institutions need to adequately set enough time at the planning stage for M&E in order to make the right decision. A greater level of entrepreneurial orientation will be advocated for. Entrepreneurial orientation refers to a firm's decision making styles and techniques that lead to widening the businesses territory (Getubig, Remenyi, & Quinones, 1997). Moreover it encompasses risk-taking capabilities and levels of creativity. Accessing

micro-credit is considered as a means to widening business territory and entrepreneurial orientation is a major determinant.

M&E of resources when effectively and efficiently used, serves as a way of enhancing the competitive advantage of a business over another. The use Monitoring and evaluation of the resource based theory in the management of microfinance institutions is to show to show resources used well when conducting monitoring and evaluation can make them successful or unsuccessful and in doing so make individuals and small business easily access credit (Berger & Gregory, 2002).

2.6 Conceptual Framework

Independent Variable

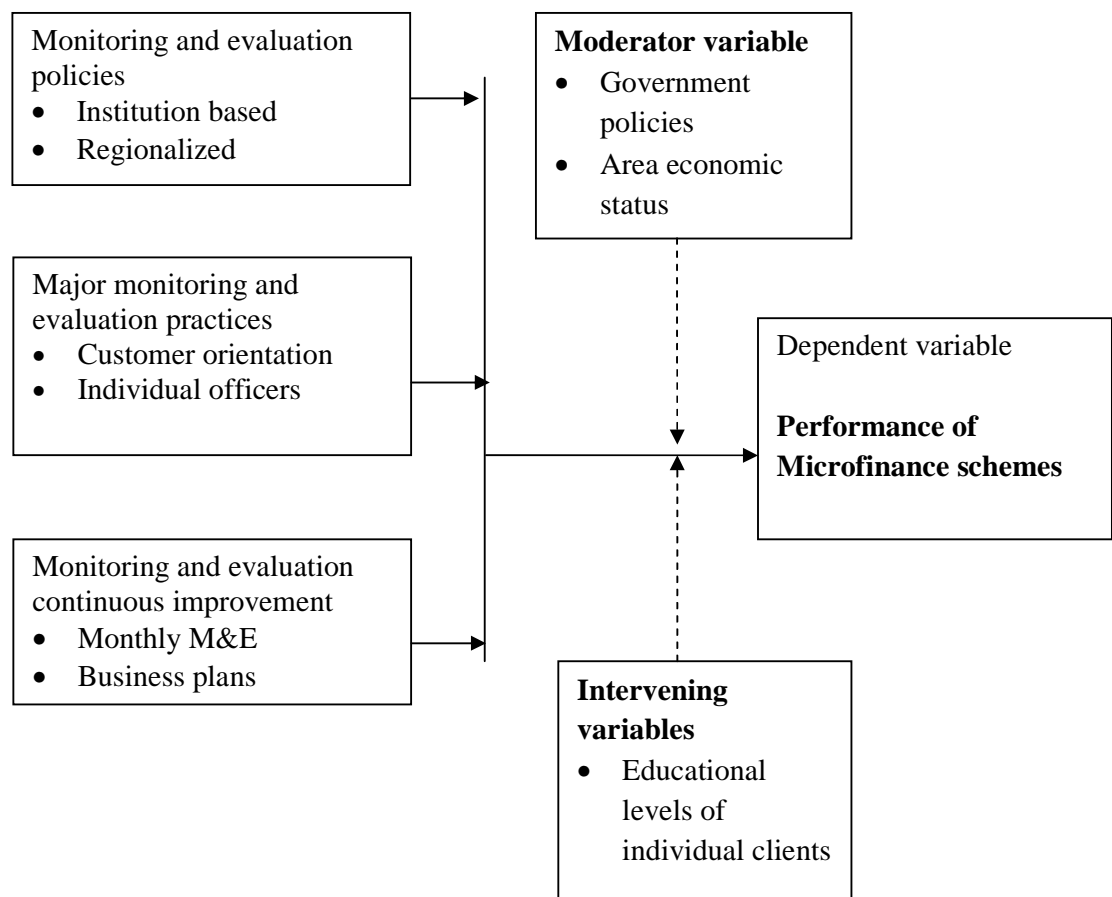


Figure 1: Conceptual framework

In the study it was conceptualized that the independent variables; Monitoring and evaluation policies, Major monitoring and evaluation practices and Monitoring and evaluation sustainability plan influenced the dependent variable; Performance of microfinance schemes.

Monitoring and evaluation policies: Monitoring is part and parcel of microfinance schemes so it should not only be taken as meant for reporting requirement but as an important tool that assists managers in performing their roles. Moreover, it should also be seen as a tool that engages stakeholders in the activities of various project firms so that such projects can be sustained for future generations.

Major monitoring and evaluation practices: Some financial institutions take small borrowing as both expensive and uneconomical to operate since they have to be constantly recorded and monitored. Further, the small scale businesspeople are seen to be poorly endowed education wise and lacking managerial and technical skills even as they try to come up with good projects, they do not keep proper financial records and do not have good business plans to defend their projects to funders. This is the situation that informs the monitoring and evaluation practices by the Microfinance institutions.

Monitoring and evaluation continuous and consistent improvement plan: The three pillars of sustainable development are taken as inter linkages, intergenerational equity, and dynamic efficiency all of which can be achieved through Monitoring and evaluation plans. Project strategy has to be identified first, ensure proper coordination of activities that are meant to meet both internal and external reporting guides (Berger & Gregory, 1998). Setting up a monitoring and evaluation system should involve all the stakeholders to build confidence in the project and unity amongst all involved.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the researcher presents the methodology that was used in carrying out the study. The chapter consists of the research design, target population, sampling procedures and sample size, research instruments, validity and reliability of the instruments, data collection procedures, data analysis, ethical issues and Operationalization of the study variables.

3.2 Research Design

A descriptive method of survey was used. Descriptive survey involves collection of data with the aim of testing set hypothesis or to be used to answer questions regarding the subject under study. Survey design involves collection of data in order to test hypothesis or to answer questions concerning the current status of the subjects in the study (Karlan & Goldberg, 2006). Data will be collected by personally administering a questionnaire and interviews to selected individuals with an aim of studying their attitudes and opinion and on influence of monitoring and evaluation on the success of microfinance schemes in Kitui central constituency. Descriptive survey design is good where facts are being sought and it gives results that are accurate. This method also enables a researcher to gather information for a specific duration and interpret the results with consideration of the existing conditions (Barney, 1991). The aim of the study was to assemble information that was observable and used to access the influence of monitoring and evaluation on the performance of microfinance schemes in Kitui central constituency.

3.3 Target Population

Population can be defined as all the members of a real or hypothetical set of people, event or objects to which a researcher wishes to generalize the results of the study. The target population consisted of employees and clients of 5 microfinance institutions operating in Kitui Central constituency. The study targeted 6 credit officers/ employees working in each of the said MFI institutions; making a sample size of 90, in order to gather information on how monitoring and evaluation strategies

influence the performance of their organizations. In addition 10 clients from each organization were randomly selected to participate in the study in order to know the effectiveness of M&E procedures and how they influence their savings and borrowing culture.

3.4 Research Instruments

The research employed self-administered questionnaires. The questionnaires were preferred in the study because all those who will take part were considered to be at least literate and therefore capable of responding to the items on their own. Information was obtained from MFI officials and clients.

The researcher constructed two separate questionnaires. One was for the MFI employees or officials and another for clients who are business men and women operating accounts in the various institutions. The MFI's questionnaire had two parts. Part A focused on personal information like age, sex, marital status. Part B focused on obtaining information on the monitoring and evaluation aspects of the MFIs including matters related to monitoring and evaluation policies, practices and sustainability.

3.5 Sampling Size and Sampling Procedures

A sample is referred to as a subset of a population selected especially with interest to study some characteristics of the population. Sampling is the process of selecting, events, people or organizations from a population we are interested in and the results got will be a representation of the population. The sample size is effective in research because a researcher is unable to reach the entire population due to constraints of time and money (Mugenda &Mugenda, 2003).

The samples required in this study were determined by the data required and the entire population would not be studied due the complexity of dealing with a lot of information. A small sample size of 90 respondents operating in 5 MFI organizations was studied. The organizations were randomly selected meaning there will be no particular order of preference required. The respondents who gave feedback were approximately 70% of the target population.

3.6 Validity and Reliability of the Instruments

Validity and reliability are important in research as they are useful in strengthening propositions and conclusions. When properly understood, they develop a strong foundation for a thorough and meaningful research to be conducted.

3.6.1 Instrument Validity

Validity means that the measurement instruments used are appropriate, meaningful and useful to the researcher. It can be describe as the best approximation of true and false findings of a given assumption or conclusion.

Validity is the degree to which the results obtained from the analysis of the data actually represents the phenomenon under study. Orodho (2003) defines validity as a prior qualitative procedural test of the research instruments in attempting to ascertain how they are accurate, correct, true, meaningful and right in eliciting the intended data for the study. The instruments were validated depending on how the data collected was relevant in terms of how effective the items sampled were significant to the purpose of the study (Orodho, 2003).

Content validity of the instruments was determined by colleagues and experts in research who looked at the measuring technique and coverage of specific areas (objectives) covered by the study. The experts advised the researcher on the items to be corrected. The corrections on the identified questions were incorporated in the instrument hence fine tuning the items to increase its validity. Validity was also ascertained by checking whether the questions were measuring what they were supposed to measure such as the: clarity of wording and whether the respondents were interpreting all questions in similar ways (Orodho, 2003). Validity was also established by the researcher through revealing areas causing confusion and ambiguity and this lead to reshaping of the questions to be more understandable by the respondents and to gather uniform responses across various respondents (Orodho, 2003).

3.6.2 Instrument Reliability

Reliability talks of consistency of answers when administered on several instruments or from one set of items to another under similar conditions. A measure is said to be reliable if it gives the same results when a test is repeated. It is important to note that

reliability cannot be measured but estimated (Craig & Coster, 2001). To enhance reliability we can use the test-retest method or internal consistency.

Reliability of a measuring instrument is the degree of consistency with which it measures whatever it is meant for (Ary 1979). Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trial. However reliability in the research is influenced by random error (WOCCU, 2006). Split-Half Reliability: To establish the reliability of the quantifiable data split-half technique was used. In split-half reliability the researcher randomly divided all items of the questionnaire that purported to measure the same construct into two sets. The entire instrument was then administered to the same sample of 4 respondents in each one of the two MFIs. Then the researcher then calculated the total score for each randomly divided half. The split-half reliability estimate was simply the correlation between these two total scores. Thus the correlation between the two (split-halves) will be the estimate of reliability.

3.7 Data Collection Procedure

The researcher obtained a transmittal letter from the University of Nairobi; Department of Extra Mural Studies, in order to be allowed to collect data. The questionnaires issued to the microfinance institutions were personally taken to their offices upon formal introduction the branch managers. Questionnaires were filled in front of the researcher for ease of classification of issues and language. Discussion with a few entrepreneurs and loan officers was held in one of the microfinance institutions adhering to gather additional information on the study. This made the researcher familiar with the respondents.

Data was collected using questionnaires, which had both closed and open-ended questions to allow for acquiring information in depth. Respondent's opinion on some specific issues was catered by the open-ended questions. The participants were assured that strict confidentiality of their identity was maintained in dealing with all the information they provided. Visits were made early in the morning and the filled questionnaires collected at the end of the day.

3.8 Data Analysis Techniques

Data analysis involves inspecting, sorting, transforming and reproduction of data so as to emphasize on useful information and suggest recommendations that was useful in decision making (Armendáriz & Morduch, 2007). In this study, data analysis involved editing, coding and tabulating in order to enhance segmentation. According to Mugenda and Mugenda (2003), the purpose of descriptive statistics is to allow for meaningful description of a distribution of scores or measurements using a few indices or statistics. Data from the questionnaires was first coded and entered in the Statistical Package for Social Sciences (SPSS) computer software for windows program to enable analysis. Inferences from analyzed data were made and this was then used to answer the three research questions. Tables were used to present the information from which interpretation was done by comparing the frequencies and percentages.

3.9 Ethical Considerations/Issues

Ethics has been defined as that branch of philosophy which deals with one's conduct and serves as a guide to one's behavior, and so, most professions have ethical guidelines which govern their profession, Kovacs, 1987. In the same light Dooley (2007) asserts that, ethics involves the study of right and wrong conducts hence the concern for ethics may be seen as part of the historical trend in civil and human rights. Permission to engage in the study will be requested first before the respondents were given the questionnaires. Participants in the study were assured of their identities being kept secret in order to uphold their privacy and safeguard the image of organizations. This research aimed at producing knowledge beneficial to the MFIs, government policy makers and general public; and not for individual purposes.

3.10 Operational Definition of Variables

To achieve the earlier stated objectives, the study investigated the influence of monitoring and evaluation on the performance of microfinance schemes with special reference to Kitui central constituency. To achieve this objective questionnaire were used with each objective guided by specific questions. The following table shows how the variables were operationalised in the study for easy measurement.

Table3.1: Operational Definition of Variable Table

Objective	Variables	Indicators	Measure ment scale	Tools of analysis	Types of tools
To determine the influence monitoring and evaluation on the success of microfinance institution schemes in Kitui central constituency.	a. independent variable -poor management skills -improper planning -lack of enough funds -sub-standard monitoring and evaluation systems b. dependent variable Success of MFIs schemes	-level of decision making practices -planning schedules - improvement in project proposals -frequency of borrowing -default rate	Ratio Ordinal Ordinal Interval Ordinal	Measurers of central tendency	mean, mode
To investigate the influence of monitoring and evaluation policies on the success of microfinance schemes	a. independent variable Monitoring and evaluation policy laws and regulations, institution initiatives to support monitoring and evaluation and in doing so doing encourage entrepreneurs to borrow, MFIs support through financial assistance in acquiring monitoring and evaluation systems. Dependent variable improved monitoring and evaluation systems	-specific policies and acts -interest rates charged - regulation and conditions	Ordinal Ratio nominal	Non-parametric inferential statistics	Mean, mode

	in MFIs				
To influence of monitoring and evaluation sustainability on the success of MFI schemes in Kitui central constituency	b. independent attitude towards use of monitoring and evaluation dependent variable improved monitoring and evaluation systems in MFIs	level of awareness managerial structure Or levels	Nominal Nominal	Measurers of central tendency	mean

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter covers data presentation, analysis and interpretation. The research was conducted to investigate the influence of monitoring and evaluation on performance of microfinance institutions in selected MFIs operating in Kitui County.

This chapter focuses on the demographic information of the respondents, data presentations, interpretation and discussions of findings. The presentations were done based on the research questions. The research findings on influence of monitoring and evaluation were subjected to statistical analysis aided by a computer package SPSS (Statistical Package for Social Sciences) to establish the measures of central tendency (Mean, Frequency and percentages). The data presentation is made in form of tables.

4.2 Questionnaire return rate

All of the issued questionnaires were 90, where six were for Credit officers and ten for clients from K.W.F.T, six for Credit officers and ten for clients from Faulu Kenya, six for Credit officers and ten for clients from SMEP, six for Credit officers and ten for clients from K-Rep Bank, six for Credit officers and ten for clients from Kitui Bimas. Of the expected questionnaires, 87.1 per cent were received from the 90 sampled respondents because of the vast area that was under study, which represented excellent response rate. This participation rate implied that the researcher would have a valid and reliable conclusion and recommendations for the study.

4.3 Demographic characteristics of the respondents

The Microfinance Institution' demographic information is discussed by the number of MFI, the gender, age, education level of the respondents and MFI's period monitoring and evaluation policy . The table 4.1 below shows information about the Microfinance Institution and its credit officer and clients.

Table 4.1: Table on Distribution of Microfinance Institutions in Kitui Central District

Table 4.1

MFIs	Frequency	Percent
K.W.F.T	11	36.7
S.M.E.P	5	16.7
K-Rep Bank	4	13.3
Faulu Kenya	5	16.7
Bimas	5	16.7
Total	30	100.0

From the Table 4.1 it clearly shows that K.W.F.T has many branches as compared to other Microfinance Institutions. K.W.F.T represented 36.7% of the MFI in Kitui Central district while S.M.E.P, Faulu Kenya and Bimas each was represented by 16.7%, K-Rep bank had the least representation in the district of 13.3%. Therefore it clearly shows that K.W.F.T is widely distributed in Kitui central district. .

4.3.1 MFI Credit officers' and Clients' age disaggregation in Kitui Central District

Table 4.2 Age Bracket:

Years	Frequency	Percent
25-30	6	20.0
31-40	20	66.7
41-50	4	13.3
Total	30	100.0

Table 4.2 reveals that 20.0 per cent of the respondents (Credit officers and clients) were aged in the range of 25-30 years, 66.7 per cent were in the age bracket of 31-40 years, 13.3 per cent were aged between 41-50 years.

From the table it is clear that the majority of the respondents were drawn from the middle ages with those between 25-30 posting 20.0 per cent and those between 31-40

posting the highest percentage of 66.7 per cent while a minority were between 41-50 years represented by 13.3 per cent .

4.3.2 Levels of education of MFI Credit officers and Clients in Kitui Central District

In the study findings, majority of the Credit officers and Clients understudy had attained University and College education, with University having a percentage of 46.7% and College/Diploma having 46.7%. Credit officers and Clients with Secondary education were 6.7 per cent, as shown in table 4.3 below.

Table 4.3: Distribution of MFI Credit officers and Clients by level of education

Level of Education	Frequency	Percent
Secondary	2	6.7
College/Diploma	14	46.7
University	14	46.7
Total	30	100.0

Table 4.3 clearly shows that an insignificant number had attained secondary school level with only 6.7 per cent.

4.3.3 Period with Monitoring and Evaluation Policies

The study considered the period of time the MFI had Monitoring and Evaluation Policies and the results are presented in table 4.4 below.

Table 4.4: Period with monitoring and evaluation polices

Years	Frequency	Percent
2-4	7	23.3
4-7	10	33.3
More than 7	13	43.3
Total	30	100.0

Table 4.4 shows that majority of MFIs 43.3 per cent had Monitoring and Evaluation policies for more than 7 years, followed by 33.3 per cent who had Monitoring and

Evaluation policies between four and seven years . The minority 23.3 per cent had Monitoring and Evaluation policies between two and four years.

4.4 The influence of monitoring and evaluation policies on performance of Microfinance Institutions Schemes

The study participants’ responses on influence of monitoring and evaluation policies on the performance of Microfinance Institutions were also explored. The respondents were asked to rate the employee awareness of the monitoring and evaluation policies. The results were as presented in table 4.5 below.

Table 4.5: Employees Awareness of Monitoring and Evaluation Policies

	Frequency	Percent
Yes	19	63.3
No	11	36.7
Total	30	100.0

Table 4.5 majority of the respondents were aware of the monitoring and evaluation policies employed by their MFI with 63.3% asserting to the positive while 36.7% said no. The researcher sought to establish the level of satisfaction of the respondents about awareness of monitoring and evaluation policies. The results were as presented in table 4.6 below.

Table 4.6: Awareness of Monitoring and Evaluation Policies

	Frequency	Percent
Strongly disagree	0	0.0
Disagree	8	26.7
Neutral	0	0.0
Agree	13	43.3
Strongly agree	9	30.0
Total	30	100.0

Table 4.6 shows that majority of the respondents 43.3 per cent and 30.0% agreed and strongly agreed respectively that they are aware of monitoring and evaluation policies. It is only a small percentage 26.7% that disagreed with the issue of awareness of monitoring and evaluation.

The Researcher sought to establish how monitoring and evaluation policies influences performance of MFIs, the results were tabulated in table 4.7 below

Table 4.7: Monitoring and Evaluation Policies Influences performance of MFIs

	Frequency	Percent
Strongly disagree	0	0
Disagree	2	6.7
Neutral	0	0.0
Agree	18	60.0
Strongly agree	10	33.3
Total	30	100.0

Table 4.7 shows that the majority 60.0 per cent and 33.3 per cent agreed and strongly agreed respectively that monitoring and evaluation policies influences performance of MFIs. However an insignificant minority of 6.7% disagreed that monitoring and evaluation policies influences performance of MFIs.

On a different note the researcher sought to establish if monitoring and evaluation determines success of MFIs schemes, the results were tabulated in table 4.8 below

Table 4.8: Monitoring and Evaluation Policies Determines Performance of MFIs Schemes

	Frequency	Percent
Strongly disagree	0	0.0
Disagree	10	33.3
Neutral	0	0.0
Agree	14	46.7
Strongly agree	6	20.0
Total	30	100.0

From table 4.8 it was established that majority 46.7% agreed that monitoring and evaluation determines the performance of MFIs schemes with additional 20.0 strongly agreed on the same.

However minority 33.3% disagreed that monitoring and evaluation determines performance of MFIs schemes.

The researcher sought to establish if loan repayment period determines monitoring and evaluation policies and success of MFIs schemes the results were tabulated in table 4.9 below

Table 4.9 Loan Repayment Period Determines Monitoring and Evaluation Policies and Performance of MFIs Schemes

	Frequency	Percent
Strongly disagree	0	0.0
Disagree	5	16.7
Neutral	0	0.0
Agree	12	40.0
Strongly agree	13	43.3
Total	30	100.0

Table 4.9 shows that majority; who comprises of 43.3%, strongly agreed and 40.0% agreed that Loan repayment period determines monitoring and evaluation policies and performance of MFIs schemes while a minority of 16.7% disagreed that Loan repayment period determines monitoring and evaluation policies and performance of MFIs schemes.

The researcher posed a question on whether there were professional assistant sought in monitoring and evaluation policies crisis, he established that professional assistant was sought in monitoring and evaluation policies crisis as shown by the results tabulated in table 4.10 shown below

Table 4.10: Professional Assistant Sought in Monitoring and Evaluation Policies Crisis

	Frequency	Percent
Strongly disagree	0	0.0
Disagree	1	3.3
Neutral	0	0.0
Agree	15	50.0
Strongly agree	14	46.7
Total	30	100.0

Table 4.10 shows that majority which comprises of 50.0%, 46.7% agreed and strongly agreed respectively that professional assistant was sought in monitoring and evaluation policies crisis while an insignificant 3.3% opposed that professional assistant was sought in monitoring and evaluation policies crisis.

It was established that employee and employer were properly trained on monitoring and evaluation policies as tabulated in table 4.11 below

Table 4.11: Employer and Employee Properly Trained

	Frequency	Percent
Strongly disagree	3	10.0
Disagree	4	13.3
Neutral	0	0.0
Agree	13	43.3
Strongly agree	10	33.3
Total	30	100.0

From table 4.11 It is clearly shown that majority comprising of 43.3% agreed and 33.3% strongly agreed that employer and employee are properly trained on monitoring and evaluation policies and a minority comprising of 13.3% disagree and 10.0% strongly disagree that employer and employee are properly trained on monitoring and evaluation policies.

The researcher posed a question whether monitoring and evaluation policies are often reviewed or improved on. Table 4.12 gave tabulated results of the question.

Table 4.12: Monitoring and Evaluation Policies often Reviewed or Improved

	Frequency	Percent
Strongly disagree	0	0.0
Disagree	10	33.3
Neutral	0	0.0
Agree	16	53.3
Strongly agree	4	13.3
Total	30	100.0

Table 4.12 shows that 53.3% agreed that monitoring and evaluation policies are often reviewed or improved; with additional of 13.3% strongly agreeing on the same but a minority of 33.3% disagreed that monitoring and evaluation policies are often reviewed or improved.

The researcher also sought to know whether monitoring and evaluation policies are customer based or institution based. Table 4.13 tabulated below clearly shows that the respondents strongly agreed that monitoring and evaluation policies are customer based or institution based.

Table 4.13: Monitoring and Evaluation Policies; Customer Based or Institution Based

	Frequency	Percent
Strongly disagree	0	0.0
Disagree	8	26.7
Neutral	0	0.0
Agree	4	13.3
Strongly agree	18	60.0
Total	30	100.0

Table 4.13 clearly indicates that majority 60.0% strongly agreed that monitoring and evaluation policies are customer based or institution based with additional 13.3% agreed while the minority 26.7% disagreed that that monitoring and evaluation policies are customer based or institution based.

4.5 To investigate the influence of monitoring and evaluation practices on the performance of Micro Finance Institutions schemes in Kitui central constituency.

The second objective of this study the researcher sought to establish the extent to which monitoring and evaluation practices influences performance of MFIs schemes. The researcher looked at the issue of practices that influence performance of MFIs, preventive monitoring and evaluation practices, utilization of information Technology, screening techniques, flexibility and customer based practices to gauge the perceived monitoring and evaluation practices on the success of MFIs.

The researcher posed the question to the respondents about how monitoring and evaluation practices influences performance of MFIs schemes. Majority of the respondents agreed that monitoring and evaluation practices influences performance of MFIs schemes as presented in the table 4.14 below:

Table 4.14: Monitoring and Evaluation Practices Influences performance of MFIs Schemes

	Frequency	Percent
Strongly disagree	4	13.3
Disagree	0	0.0
Neutral	0	0.0
Agree	13	43.3
Strongly agree	13	43.3
Total	30	100.0

Table 4.14 clearly shows that majority which comprises of 43.3% strongly agreed and 43.3% agreed that monitoring and evaluation practices influences performance of

MFIs schemes while an insignificant minority 13.3% disagreed that monitoring and evaluation practices influences performance of MFIs schemes.

The researcher sought to know if preventive monitoring and evaluation practices are beneficial to the organization. It was clearly shown that majority disagreed .The results were tabulated in the table 4.15 below.

Table 4.15: Preventive Monitoring and Evaluation Practices; Beneficial to the Organization

	Frequency	Percent
Strongly disagree	0	0.0
Disagree	21	70.0
Neutral	0	0.0
Agree	5	16.7
Strongly agree	4	13.3
Total	30	100.0

Table 4.15 shows that majority 70.0% disagreed that preventive monitoring and evaluation practices are beneficial to the organization while a minority of 16.7% agreed in addition to a 13.3% who strongly agreed.

The researcher posed a question if Information technology is utilized in monitoring and evaluation, majority disagreed that Information Technology is utilized in operations. The table 4.16 below shows the results which were obtained

Table 4.16: Utilization of Information Technology in Monitoring and Evaluation Practices in Your Operations

	Frequency	Percent
Strongly disagree	10	33.3
Disagree	9	30.0
Neutral	0	0
Agree	11	36.7
Strongly agree	0	0.0
Total	30	100.0

Table 4.16 clearly depicts that majority which were composed of 33.3% strongly disagreed and 30.0% disagreed were opposed the issue that Information Technology was utilized in monitoring and evaluation practices operations. A minority 36.7% agreed that there was utilization of Information Technology in monitoring and evaluation practices in operations of MFIs.

The researcher also sought too if monitoring and evaluation practices are effective in delivering services, the research showed that majority disagreed, table 4.17 below shows detailed results obtained from the research .

Table 4.17: Monitoring and Evaluation Practices Effective

	Frequency	Percent
Strongly Disagree	3	10.0
Disagree	12	40.0
Neutral	0	0
Agree	10	33.3
Strongly Agree	5	16.7
Total	30	100.0

Table 4.17 clearly depicts that majority 40.0% disagreed that monitoring and evaluation practices are effective in delivering services, but summing up those generally agreed and disagreed it was found that the percentage was equal with 16.7% strongly agreed,33.3% agree which gives a sum of 50% when we consider those who disagreed 40%, 10% strongly disagreed the sum gives 50.0%.

The researcher also wanted to know if screening techniques have greatly assisted monitoring and evaluation practices and from the research majority strongly agreed that screening techniques assist monitoring and evaluation practices. Table 4.18 below shows the results tabulated from the research.

Table 4.18: Screening Techniques Assist Monitoring and Evaluation Practices

	Frequency	Percent
Strongly disagree	2	6.7
Disagree	5	16.7
Neutral	0	0
Agree	9	30.0
Strongly agree	14	46.7
Total	30	100.0

Table 4.18 clearly depicts that majority 46.7% strongly agreed while 30.0% agreed that that screening techniques assist monitoring and evaluation practices. A minority 16.7% disagreed while 6.7% strongly disagreed that screening techniques assist monitoring and evaluation.

Further the researcher sought to find out if flexibility of monitoring and evaluation practices is a key determinant of performance of MFIs schemes. The findings are presented in table 4.19 below

Table 4.19: Flexibility of Monitoring and Evaluation Practices Determine Performance of MFIs

	Frequency	Percent
Strongly disagree	0	0
Disagree	6	20.0
Neutral	0	0
Agree	8	26.7
Strongly agree	16	53.3
Total	30	100.0

From table 4.19 above, majority are positive in that 53.3 % and 26.7% strongly agreed and agreed respectively. Minority 20.0% disagreed to the idea that flexibility of monitoring and evaluation practices is a key determinant of performance of MFIs schemes.

The researcher sought to establish if monitoring and evaluation practices are customer based, the results tabulated shows that majority strongly agreed to the idea. Table 4.20 below gives the overview

Table 4.20: Monitoring and Evaluation Practices are Customer Based

	Frequency	Percent
Strongly disagree	2	6.7
Disagree	4	13.3
Neutral	0	0
Agree	2	6.7
Strongly agree	22	73.3
Total	30	100.0

From Table 4.20 above, a total majority of 80.0% were opinion that monitoring and evaluation practices are customer based while a total minority of 20.0% was of different opinion.

4.6 Influence of M&E continuous and consistent improvement on the performance of MFIs schemes

The researcher sought to establish whether sustainable M&E ensures performance of the MFIs. The results are presented table 4.21 below

Table 4.21 M&E continuous and consistent improvement Influences Performance of MFIs Schemes

	Frequency	Percent
Strongly disagree	0	0
Disagree	4	13.3
Neutral	4	13.3
Agree	17	56.7
Strongly agree	5	16.7
Total	30	100.0

The findings from table 4.21 are that majority 56.7% agreed that monitoring and evaluation continuous improvement influences performance of MFIs schemes, the research further found out that 16.7% of 13.3% disagreed while 13.3% were neutral. Researcher further sought to find out if a continuous improvement monitoring and evaluation policy ensures performance of MFIs. Table 4.22 represents this

Table 4.22 Continuous and Consistent Monitoring and Evaluation Policies Ensures Performance of MFIs

	Frequency	Percent
Strongly disagree	0	0
Disagree	6	20.0
Neutral	0	0
Agree	21	70.0
Strongly agree	3	10.0
Total	30	100.0

Table 4.22 clearly shows that majority 70.0% agreed and 10.0% strongly agreed that a consistent monitoring and evaluation policy ensures performance of MFIs while a minority 20.0% opposed the opinion.

The researcher further sought to establish if sustainable utilization of information technology in monitoring and evaluation policies leads to performance of MFIs, from the results majority agreed to the issue. Table 4.23 below gives detailed results.

Table 4.23: Continuous and Consistent Utilization of Information Technology in Monitoring and Evaluation Policies Leads to Performance of MFIs

	Frequency	Percent
Strongly disagree	0	0
Disagree	9	30.0
Neutral	0	0
Agree	9	30.0
Strongly agree	12	40.0
Total	30	100.0

Table 4.23 clearly shows that a total majority of 70.0% agreed that continuous and consistent utilization of information technology in monitoring and evaluation policies leads to improved performance of MFIs while a minority of 30.0% were of different opinion.

The researcher found out that sustainable monitoring and evaluation policies ensures effectiveness; the results are tabulated in table 4.24 shown below.

Table 4.24: Continuous and Consistent Monitoring and Evaluation Policies Ensures Effectiveness

	Frequency	Percent
Strongly disagree	0	0
Disagree	3	10
Neutral	0	0
Agree	10	33.3
Strongly agree	17	56.7
Total	30	100.0

Table 4.24 shows that a total majority of 90% agreed that continuous and consistent monitoring and evaluation policies ensure effectiveness while a almost insignificant minority of 10% opposed the opinion.

From further research majority agreed that consistent screening techniques have greatly assisted the performance of monitoring and evaluation and performance of the MFIs. The results were tabulated in table 4.25 shown below.

Table 4.25: Continuous and Consistent Screening Techniques Assist Performance of Monitoring and Evaluation Policies and MFIs

	Frequency	Percent
Strongly disagree	0	0
Disagree	5	16.6
Neutral	0	0
Agree	8	26.7
Strongly agree	17	56.7
Total	30	100.0

From the results obtained in table 4.25 majority 56.7% strongly agreed and additional 26.7% agreed that sustainable screening techniques assist performance of monitoring and evaluation policies and MFIs while a minority 16.6 % disagreed that consistent screening techniques assist performance of monitoring and evaluation policies The researcher sought to find out if continuous flexibility of monitoring and evaluation policies determines performance of MFIs schemes. Table 4.26 shown below gives tabulated results of the research.

Table 4.22: Continuous and Consistent Flexibility of Monitoring and Evaluation Policies Determines Performance of MFIs

	Frequency	Percent
Strongly disagree	0	0
Disagree	2	6.7
Neutral	0	0
Agree	21	70.0
Strongly agree	7	23.3
Total	30	100.0

Table 4.26 shows that a total majority of 93.3% were of the opinion that consistency of monitoring and evaluation policies determines performance of MFIs schemes while almost an insignificant minority of 6.7% were of different opinion.

The research depicts that it was unanimously agreed that continuous and consistent monitoring and evaluation policies must be customer based as shown in table 4.27 below.

Table 4.23: Continuous and Consistent Monitoring and Evaluation Policies must be Customer Based

	Frequency	Percent
Strongly disagree	0	0
Disagree	0	0
Neutral	0	0
Agree	15	50.0
Strongly agree	15	50.0
Total	30	100.0

Table 4.27 shows that 50% strongly agreed and additional 50% agreed that Continuous and Consistent monitoring and evaluation policies must be customer based.

The researcher further sought to know if there were difficulties with using monitoring and evaluation systems to ensure performance of MFI schemes, table 4.28 below shows results from the findings.

Table 4.28: Difficulties in Monitoring and Evaluation Systems to Ensure Performance of MFIs

	Frequency	Percent
Yes	30	100.0

Table 4.28 clearly depicts that all said that there are difficulties in monitoring and evaluation systems in ensuring performance of MFIs.

CHAPTER FIVE
SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND
RECOMMENDATIONS

5.1 Introduction

This chapter consists of the summary of the study, discussions of the study findings, conclusions of the study, recommendations of the study and suggestions for further studies

5.2 Summary of the findings

The purpose of this study was to determine the influence of monitoring and evaluation on performance of microfinance institutions. The study adopted three objectives from which the hypotheses were formed. These objectives included; To determine the influence of monitoring and evaluation policies on the performance of microfinance schemes in Kitui central constituency, to investigate the influence of monitoring and evaluation practices on the performance of micro finance schemes in Kitui central constituency, to determine how monitoring and evaluation continuous and consistent improvement influences the performance of micro finance schemes in Kitui central constituency.

The findings established that majority (63.3%) of the employees are aware of monitoring and evaluation policies in the MFIs. Further majority 73.3% were aware of monitoring and evaluation policies. It is evident that monitoring and evaluation policies influence performance of MFIs as majority 67.7% supporting the issue. From the research it is clear that M&E policies determine performance of MFIs schemes with majority 66.7% supporting the idea.

It was established that loan repayment period determines monitoring and evaluation policies and performance of MFIs schemes as it was supported by cumulatively 83.3% of the respondents.

The research clearly shows that that professional assistant was sought in monitoring and evaluation policies crisis; this was supported by majority which cumulatively comprises of 96.7% of the respondents. It was established that employee and

employer were properly trained on monitoring and evaluation policies with 76.6% of the respondents agreeing on the issue.

The research clearly reviews that monitoring and evaluation policies are often reviewed or improved this was supported by majority which comprises of cumulatively 66.6 % Of the respondents. It was established that monitoring and evaluation policies are customer based or institution based as cumulatively supported by 73.3% of the respondents

On the second objective of the study which researcher sought to establish the extent to which monitoring and evaluation practices influences performance of MFIs schemes. The researcher confirmed that monitoring and evaluation practices influences performance of MFIs schemes as it was supported by 86.6% of the respondents. The research established that preventive monitoring and evaluation practices are not beneficial to the organization, this was supported by majority of 70% of the respondents. The research shows that Information technology is not utilized in monitoring and evaluation practice, this was supported by majority 66.7% of the respondents. The research shows that monitoring and evaluation practices can be effective or ineffective in delivering services, this was confirmed by the percentage of the respondents who agreed being equal to the percentage of respondents who disagreed on the same. The respondents confirmed that screening techniques assist monitoring and evaluation practices since majority 76.6% agreed that screening technique is very important. From the research the findings confirms that flexibility of monitoring and evaluation practices is a key determinant of performance of MFIs schemes this was supported by majority 80% of the respondents. The respondents supported the opinion that monitoring and evaluation practices are customer based, majority of the respondents which comprises of 80% agreed that that M&E practices are customer based.

The third objective was on the influence of M&E continuous improvement on the performance of MFIs schemes. It was established that of monitoring and evaluation continuous improvement influences performance of MFIs schemes. This was supported by majority 74.45 % of the respondents. The researcher confirmed that

continuous and consistent M&E policies ensures performance of MFIs, this was supported cumulatively by majority of 80.0% of the respondents. It was confirmed that sustainable utilization of information technology in monitoring and evaluation policies leads to performance of MFIs; this was supported by majority 70% of the respondents. The research established that continuous and consistent M&E policies ensure effectiveness; this was unanimously supported by 90.0% of the respondents. The respondents confirmed that continuous and consistent Screening techniques have assisted the performance of M&E supported by 83.4% of the respondents. Further research established that flexibility of monitoring and evaluation policies determines performance of MFIs schemes which was supported by majority 93.3% of the respondents. The research established that continuous and consistent monitoring and evaluation policies must be customer based, this was supported unanimously by 100% of the respondents. The research established that there are difficulties with using monitoring and evaluation systems to ensure performance of MFI schemes.

5.3 Discussion

From the above findings, it can be seen that M&E practices are at the centre of the microfinance business and somehow determine the success of such businesses. It was seen that awareness of monitoring policies hastens the delivery of better services to clients and makes the employees work easier and bearable. Utilization of information technology is a vital since processes are simplified. There is also a need to maximize professional assistance either internally or externally in order to have a wider view of dealing with crisis or situations as they develop. Training of employer and employee is necessary as skills and intellectual knowledge are continually improved on. There is also a need of incorporating better screening techniques that enhance a flexible monitoring and evaluation procedures geared at improving the performance of MFIs.

From the findings, the research agrees with what was initially discussed on the literature review section that meaningful M&E culture enhances project implementation, proper data collection thus sharpening operational procedures. In addition, the research shows that if proper plans are made, goals of MFIs can be achieved as discussed by Mullei & Crispin, 2009. M&E familiarizes business men and women with credit policies and it is by understanding their rights that they can advise others to join Microfinance schemes. Thus a commitment on the part of the

employer, employee and clients develops a culture that continuously improves on the monitoring and evaluation processes.

5.4 Conclusions of the study

From the study findings it was concluded that: monitoring and evaluation on MFIs was supported by majority of the respondents in the light of influencing awareness of monitoring and evaluation policies loan repayment period, Professional assistant in monitoring and evaluation, employee and employer training, utilization of information technology, screening technique coordination of government business, dissemination of government policies, flexibility and effectiveness of monitoring and evaluation. This therefore makes the researcher confirm the study hypothesis that there is a significant relationship between monitoring and evaluation and performance of Microfinance Institutions.

The study respondents were in agreement on monitoring and evaluation policies on performance of MFIs, this went a long way to support monitoring and evaluation policies, training of employees and employers, clients/customers awareness, professional assistant, review and improvement of monitoring and evaluation policies and loan repayment period. This again supports the study hypothesis that there is a significant relationship between monitoring and evaluation policies and performance of MFIs. The study participants were in agreement that M&E practices was also crucial because it positively influenced all the variables under consideration. For instance almost all of them scored monitoring and evaluation practices very highly as being in support of preventive monitoring and evaluation practices, utilization of the information technology, effectiveness, screening techniques and flexibility of monitoring and evaluation practices. This therefore leads the researcher in confirming the hypothesis that there is a significant relationship between Monitoring and evaluation practices and performance of MFIs schemes.

Finally the study findings supported that monitoring and evaluation continuous and consistent improvement influences the performance of MFIs schemes. Almost all the respondents were of the idea that monitoring and evaluation continuous and consistent improvement influences performance of MFIs. The researcher therefore can confidently confirm the hypothesis that there is a significant relationship between monitoring and evaluation Continuous and Consistent improvement and performance of MFIs schemes.

5.5 Suggestions for further studies

Based on the findings the researcher recommends that more studies be done on the Monitoring and evaluation policies on the Micro Finance Institutions. There is need also to have research on Monitoring and evaluation practices on performance of Micro Finance Institutions schemes .Finally the researcher suggests further studies on the sustainability of M&E on Micro Finance Institutions schemes.

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APPENDICES

APPENDIX I

Calista N.Machoka

Department of Extra Mural Studies

University of Nairobi

The Respondents

Kitui Central, Kitui County

Dear Sir/Madam,

REF: TRANSMITTAL LETTER

My name is Calista N. and I am a Post graduate student at the University of Nairobi pursuing a Masters Degree in Project Planning and Management. As part of the requirements for the award of this degree I am conducting a study on the influence of monitoring and evaluation on the success of microfinance schemes in Kitui central District, Kitui County. Your institution is one of those chosen for this study. Therefore I humbly request you to co-operate and assist in filling in the questionnaire. The information you will provide will be strictly used for the purpose of this study and your identity will be kept confidential. I will be very grateful for your co-operation.

Thank you in advance.

Yours faithfully,

Calista Nyaboke Machoka

Date

Cell No. 0721889110

E-Mail: calyboke@yahoo.com

University of Nairobi

APPENDIX II.

Questionnaire with banking and microfinance institutions

The purpose of this questionnaire is to gather information on the study on the influence of monitoring and evaluation on the success of microfinance schemes in Kitui central District, Kitui County. Your responses will be accorded great confidentiality and will only be used for the purpose of this study. I request you to cooperate in this exercise. Please indicate your option by putting a tick (☑) against one of the multiple choices and in the provided space write your chosen opinion(s).

Kindly provide information to all parts

PART A: BIODATA

1. Name of your organization _____
2. Where is the business located _____
3. Kindly indicate your age bracket
 - a) 25-30 []
 - b) 31-40 []
 - c) 41-50 []
 - d) 51 and above []
4. What is your academic qualifications level?
 - a) Secondary []
 - b) College (Diploma) []
 - c) University []
 - d) Any other (specify)
.....

PART B

Influence of monitoring and evaluation policies on the success of MFIs schemes

5. How long has your organization dealt with monitoring and evaluation policies?

Tick the appropriate answer

- i) Less than 2 years []
- ii) 2 – 4 years []
- iii) 5 – 7 years []
- iv) More than 7 years []

6. Are all the employees aware of monitoring and evaluation plans and policies?

- i) Yes []
- ii). No []
- iii). Not sure []

7) a) Please show how you agree or disagree using the given five-point-rating Likert scale with the statement that Monitoring and evaluation policies influences success of MFIs schemes

- i) Strongly disagree []
- ii) Disagree []
- iii) Neutral []
- iv) Agree []
- v) Strongly agree []

b) Give reasons for your choice in (No. 7a) above

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8. Please give your level of satisfaction with regards to monitoring and evaluation policies.

	Statement	Strongly Agree	Agree	Disagree	Strongly disagree
1.	The monitoring and evaluation policies are crucial in determining the success of MFIs schemes.				
2.	Is loan repayment period a major determinant of monitoring and evaluation policies and the success of MFIs schemes.?				
3.	Are all employers and employees properly trained on monitoring and evaluation policies and the success of MFIs schemes?				
4.	Are clients/customers aware of the monitoring and evaluation policies?				
5.	Is professional assistance sought when monitoring and evaluation policies' crisis arise?				
6.	Are the monitoring and evaluation policies often reviewed or improved on?				
7.	Are the monitoring and evaluation policies customer based or institution based?				

Influence of monitoring and evaluation practices on the success of MFIs schemes

9) Please show how you agree or disagree using the given five-point-rating Likert scale with the statement that Monitoring and evaluation practices influence success of MFIs schemes in Kitui central constituency.

- i) Strongly disagree []
- ii) Disagree []
- iii) Neutral []
- iv) Agree []
- v) Strongly agree []

b) Give reasons for your choice in (No. 9 a) above

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10. Please give your opinion on flexibility of monitoring and evaluation practices and how it influences success of MFIs schemes in Kitui central constituency.

	Statement	Strongly agree	Agree	Disagree	Strongly disagree
1.	Preventive Monitoring and evaluation practices are beneficial to the organization?				
2.	Do you utilize the information technology in Monitoring and evaluation practices in your operations?				
3.	Are Monitoring and evaluation practices effective in delivering services?				
4.	Screening techniques have greatly assisted Monitoring and evaluation practices?				
5.	Flexibility of Monitoring and evaluation practices is a key determinant of success of MFIs schemes				
6.	Monitoring and evaluation practices are customer based.				

Influence of Monitoring and evaluation sustainability on the success of MFIs schemes

11. Please show how you agree or disagree using the given five-point-rating Likert scale with the statement that Monitoring and evaluation sustainability influences success of MFIs schemes in Kitui central constituency.

- i) Strongly disagree []
- ii) Disagree []
- iii) Neutral []
- iv) Agree []
- v) Strongly agree []

b) Give reasons for your choice in (No. 11 a) above

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Please give your opinion on the statements regarding Monitoring and evaluation sustainability and how it influences success of MFIs schemes in Kitui central constituency.

	Statement	Strongly agree	Agree	Disagree	Strongly disagree
1.	Sustainable Monitoring and evaluation ensures success of the MFIs				
2.	Sustainable utilization of the information technology in Monitoring and evaluation leads success of the MFIs				
3.	Sustainable Monitoring and evaluation ensures effective in delivery services.				
4.	Sustainable Screening techniques have greatly assisted the success of Monitoring and evaluation and success of the MFIs				
5.	Sustainable Flexibility of Monitoring and evaluation is a key determinant of success of MFIs schemes				

6.	Sustainable Monitoring and evaluation must be customer based for the success of the MFIs				
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12. What are some of the changes that you would advocate for to improve monitoring and evaluation systems in your organization?

13. Do you face difficulties with using monitoring and evaluation systems to ensure success of your MFI schemes?

i) Yes [] ii) No []

if yes, state some of the difficulties?

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Thank you for the cooperation and information.

Calista M. Nyaboke

APPENDIX III

Questionnaire for clients of microfinance institutions

The purpose of this questionnaire is to gather information on the study on the influence of monitoring and evaluation on the success of microfinance schemes in Kitui central District, Kitui County. Your responses will be accorded great confidentiality and will only be used for the purpose of this study. I request you to cooperate in this exercise. Please indicate your option by putting a tick (☑) against one of the multiple choices and in the provided space write your chosen opinion(s). Kindly provide information to all parts

PART A: BIODATA

7. What is the name of your organization? _____
8. Where is the branch or Micro finance institution located? _____
9. What is your age bracket?
 - e) 21-30 []
 - f) 31-40 []
 - g) 41-50 []
 - h) 51 and above []
10. What is your academic qualifications level?
 - e) Secondary []
 - f) College (Diploma) []
 - g) University []
 - h) Any other (specify)
.....
11. How long have you banked with the Microfinance institution?
 - a) Below five years []
 - b) 6 – 10 years []
 - c) 11- 15 years []
 - d) 16- 20 years []
 - e) Over 20 years []

PART B

Influence of monitoring and evaluation policies on the success of MFIs schemes

12. Do you have any loan or credit you are repaying?

- a) Yes [] b) No []

13. Are all the customers aware of the monitoring and evaluation plans and policies?

- i) Yes []
 ii). No []
 iii). Not sure []

14. a) Please show how you agree or disagree using the given five-point-rating Likert scale with the statement that Monitoring and evaluation policies influences success of MFIs schemes.

- vi) Strongly disagree []
 vii) Disagree []
 viii) Neutral []
 ix) Agree []
 x) Strongly agree []

b) Give reasons for your choice in (No. 8 a) above

9. Please give your level of satisfaction with regards to monitoring and evaluation policies.

	Statement	Strongly Agree	Agree	Disagree	Strongly disagree
1.	Monitoring and evaluation policies are crucial in determining the success of MFIs schemes.				
2.	Loan repayment period a major determinant of monitoring and evaluation policies and the success of MFIs schemes.				
3.	All employers and employees properly trained on monitoring and				

	evaluation policies and the success of MFIs schemes?				
4.	Are clients/customers aware of the monitoring and evaluation policies?				
6.	Are the monitoring and evaluation policies often reviewed or improved on?				
7.	Are the monitoring and evaluation policies customer based or institution based?				

Influence of monitoring and evaluation practices on the success of MFIs schemes

10) Please show how you agree or disagree using the given five-point-rating Likert scale with the statement that Monitoring and evaluation practices influence success of MFIs schemes in Kitui central constituency.

- vi) Strongly disagree []
- vii) Disagree []
- viii) Neutral []
- ix) Agree []
- x) Strongly agree []

b) Give reasons for your choice in (No. 10 a) above

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11. Please give your opinion on flexibility of monitoring and evaluation practices and how it influences success of MFIs schemes in Kitui central constituency.

	Statement	Strongly agree	Agree	Disagree	Strongly disagree
1.	Preventive Monitoring and evaluation practices are beneficial to the organization?				
2.	Does your MFI use phone banking like SMS or email in its operations?				

3.	Are Monitoring and evaluation practices effective in delivering services?				
5.	Do you believe that there is Flexibility of Monitoring and evaluation practices in your MFI schemes				
6.	Do you believe Monitoring and evaluation practices are customer based.				

Influence of Monitoring and evaluation sustainability on the success of MFIs schemes

11. Please show how you agree or disagree using the given five-point-rating Likert scale with the statement that Monitoring and evaluation sustainability influences success of MFIs schemes in Kitui central constituency.

- vi) Strongly disagree []
- vii) Disagree []
- viii) Neutral []
- ix) Agree []
- x) Strongly agree []

b) Give reasons for your choice in (No. 11 a) above

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12. Please give your opinion on the statements regarding Monitoring and evaluation sustainability and how it influences success of MFIs schemes in Kitui central constituency.

	Statement	Strongly agree	Agree	Disagree	Strongly disagree
1.	Sustainable Monitoring and evaluation ensures success of the MFIs				

2.	Sustainable utilization of the information technology in Monitoring and evaluation leads success of the MFIs				
3.	Sustainable Monitoring and evaluation ensures effective in delivery services.				
5.	Sustainable Flexibility of Monitoring and evaluation is a key determinant of success of MFIs schemes				
6.	Sustainable Monitoring and evaluation must be customer based for the success of the MFIs				

Thank you for the cooperation and information.

Calista M. Nyaboke