EFFECTS OF MICRO FINANCE INTERVENTIONS ON HOUSEHOLDS POVERTY REDUCTION IN URBAN AREAS IN KENYA: A CASE OF BUNGOMA MUNICIPALITY

BY

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ABSTRACT

This study investigated the effect of microfinance interventions on poverty reduction among households in Bungoma Municipality, Bungoma County in Kenya. The successful use of microfinance is considered a victory for the poor to escape the poverty traps globally. Many studies have been carried out in various parts of the world on usefulness of MFIs as remedy for poverty but still the problem of poverty remains the biggest monster in the whole world. The previous studies never involved users of micro funds in their designs to reach the poor both in depth and breadth. In the context of Kenya there is huge gap between MFIs designs with what happens practically on ground with microfinance users. Therefore this study was guided by the following objectives to fill the implementation gap. To investigate the effect of training SMEs owners on household poverty reduction in Bungoma Municipality, Assess the effect of gender focus on household poverty reduction in Bungoma Municipality, To investigate the effect of weekly savings on poverty reduction among households in Bungoma Municipality, To investigate the extent to which group responsibility implicates poverty reduction among households.. To achieve the desired objectives of the study, 64 SMEs owners who are clients of the MFIs were interviewed through individual and focused group discussions and through descriptive survey. The study also used other SMEs owners as a control group. Many studies have considered components of microfinance institutions individually. To enhance practical relevance of MFIs in solving poverty demise this study has incorporated MFIs interventions in the implementation processes from the perspective of service users (SMEs owners). Research questions were used to collect data from households who are the owners of SMEs. The research was based on theoretical framework to collect qualitative data on components of Microfinance interventions using sustainable livelihood approach and interpretive approach to view poverty from bottom (users). The study was guided by conceptual framework which the researcher used to explain interrelationship between Micro financial interventions and poverty reduction variables(indicators)which included,; housing, education, nutrition, income and healthy. The study adopted descriptive survey design and inferential statistics. Questionnaires and Interview Schedules were used as tools of data collection. The data collected was edited, coded and analysed using descriptive statistics and inferential statistics. This involved use of measures of distribution (frequencies and percentages) and presentation of information in APA tables to indicate the implications of Microfinance interventions on poverty reduction and sustainable development. Regression analysis and analysis of variance (ANOVA) were computed with the help of statistical package for social sciences (SPSS). The trend pattern and relationships among variables were identified and interpreted. The study concludes that MFIs interventions are necessary to reduce poverty levels among households in short run but more effort should be incorporated in long run in order to be effective in the process of helping the poor escape poverty traps. The study also recommends that Training of SMEs owners on entrepreneurship skills and information technology is critical to alleviate poverty among households. Gender focus increases economic growth and hence poverty reduction. Compulsory savings intervention is healthy to smooth running of SMEs and reduces expenditure on consumptions of households. Group responsibility is an asset as it builds social capital but it is a big evil since the poor are discriminated as bad credit risk by some fairly rich group members. The researcher further suggests that interest rates should be lowered to make credit more accessible to many poor people in the urban areas and enable the poor households live above the poverty line across the economy.