FACTORS INFLUENCING ACCESSIBILITY OF MICRO-FINANCE PRODUCTS BY LOW INCOME ENTREPRENEURS IN RONGO CONSTITUENCY MIGORI COUNTY

BY

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A RESEACH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI. K

2014

DECLARATION

This research project is my original work and has never been presented for the award of any degree in any other university.

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This study is dedicated to my family, wife and son for the support they accorded me during the demanding time of my study.

ACKNOWLEDGEMENT

I am truly humbled by the support from my supervisor Mr. Joseph Awino for his invaluable pieces of advice which laid strong foundation to this work. Despite his busy schedule he was available for consultation. My special regards goes to all the lecturers who contributed in one way or another during the time of my study,

I do appreciate all the research participants who accepted to be part of this research study and the typist Mr Gofrey Momanyi.

The study could not have been completed in good time were it not for the considerable understanding and moral support from my family who kept encouraging in spite of the very demanding official work i was also undertaking.

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LIST OF ABBREVIATIONS AND ACROMYMS

AGS---AGRICULTURAL GUARANTEE SCHEME

MFI—MICROFINANCE INSTITUTIONS

RMC –RURAL MICRIFINANCES

SACCOS-SAVING AND CREDIT CO-OPERATIVES

UNDP-UNITED NATIONS DEVELOPMENT PROGRAMME

NCAER-NATIONAL COUNCIL FOR APPLIED ECONOMIC RESEARCH 6

ABSTARCT

This study sought to investigate factors influencing accessibility of microfinance products by low income enterepreneures in Rongo constituency Migori County. The objectives of the study was to examine the extent to which pricing influence access of microfinance products in Rongo Constituency, To determine how the ability to pay credit by the clients influence accessibility of microfinance products in Rongo Constituency, To investigate how information accessibility influence access of microfinance products in Rongo, To explore the extent to which accessibility of service providers influence access of microfinance products in Rongo constituency. The study took both a qualitative and quantitative with a descriptive approach as a research design. The sample size 152 was derived from solvens' formular. data was presented and analyzed using SPSS and frequency tables. It was discovered that there was relationship between pricing of microfinance products and their accessibility of these product The study recommended that there is need to train more clients on microfinance and better ways of business. Areas of further studies could be on the accessibility of microfinance among female verses the male, there is need to investigate the repayment rates of the clients wand why there are low repayment rates among microfinance institutions. The study concluded that there is significant relationship between Availability of service providers and accessibility of microfinance product. The researcher suggested for further study.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Those who promote microfinance generally believe that such access will help poor people out of poverty (Afane, 2001).

Basing his investigations on the role of microfinance on the growth of the small and micro enterprises in Singapore, Remelo (2013) observed that improved accessibility of such services by the cadre of low earners had greatly contributed to the realization of steady growth of the country's GDP. He further noted that the drivers of accessibility of micro financial facilities comprised of substantial collaterals, availability of micro financial facilities, heightened awareness campaigns to sensitize the potential beneficiaries on such products and the emerging culture of aggressiveness for personal growth.

According to The America Business Post (2013), overt indicators of economic growth in the US do not require rocket science, a simple survey of the activities in the small business sector tells the whole story. These activities are generally geared towards accessibility of micro finance facilities by the population of low income entrepreneurs, so that this massive sector can make contribution to enhanced development of the society. The same document indicates that the cost of credit, mobilization of collaterals, and provision of information and availability of these micro finance service providers are key in determining the extent to which individual entrepreneurs access the required start up business funds. Reporting from a study conducted in the Chinese Micro Industry focusing on the challenges facing newly established small businesses, Jinx (2012) noted that main banking institutions were steadily rolling out micro finance products at affordable interest rates to encourage young entrepreneurs to obtain credit for their businesses. Moreover, the country also formulated policies that encouraged proliferation of many micro finance institutions to provide these services in close neighborhoods to facilitate accessibility to the products. Besides, government funds were also created targeting various low income groups in order to boost their entrepreneurial activities.

In Africa, several investigations in the sector of small and micro enterprises reveal that accessibility of financial services still remains a challenge, despite the acknowledgement that financial investment is critical to growth of all ventures. In the views of Katacolo (2011), having done a survey in Kwazulu Region in South Africa, accessibility of financial products must be addressed so as to support the rural poor to actively engage in economic development through small enterprises, bearing in mind that employment opportunities have been dwarfed by population explosions. He recommends that young entrepreneurs be assisted to obtain cheap credits which do not overemphasize a lot on collaterals, given necessary training on resource mobilization and more micro finance that are pro poor developed.

Focusing on factors influencing accessibility of business funds among the small and micro enterprises in Nigeria, Onomi (2013), established that the cost of credit was still out of reach for many unemployed rural folks who were heavily carrying the burden of unemployment in the country. In addition, he indicated that some parts of the country, though few indeed, did not have varied micro financial institutions keen on meeting the financial needs of many borrowers. Enumerating major determinants of accessibility to micro finance products for small and medium enterprises in Zambia, Banda (2010), had in this list; the cost of credit, security against credit, information on variety of products and the general business environment that guarantee success in the forex market, as crucial in accessing funds for entrepreneurial activities.

Reporting from his investigations based on the influence of resource mobilization on the growth of youth owned small enterprises in Rwanda,Fazul (2013) observed that the Government was providing soft credit facilities to unemployed youths to access startup capital because banks conditions were keeping off this lot out of business. Implied by the findings of Fazul was that the cost of credit was still unaffordable to many young entrepreneurs, yet Menge (2012), noted from a study conducted in Uganda based on the performance of the informal sector as a country's economic indicators that many youths were shy from accessing credit facilities due inadequate awareness on how such could be obtained.

In Kenya, just like elsewhere, small and medium business enterprises are regarded among the greatest contributors to job creation and poverty reduction strategies. In this interest, the government has over time encouraged the growth of this sector through its fiscical facilities such as youth enterprise development funds, women enterprise development fund and the most recently established, uwezo fund in order to facilitate accessibility of funds for business, (Odera, 2014). However, the uptake of the former two facilities has been wanting, as in other areas the potential beneficiaries have failed to service the borrowed funds due to inadequate knowledge in credit management, while others cite frustrating procedures in accessing the funds and yet for others the institutions that provide these facilities are far from their reach, (Ngeno, 2014).

In a study with its focus on factors influencing growth of small scale businesses in Bomet Constituency, (Bett, 2012) reported that small business entrepreneurs faced challenges of accessing funds to be put to their enterprises, since there are just few facilities to offer the products. He further noted that many potential beneficiaries fear such credit due to high interest rates, while others are not informed on the availability of more affordable services on offer. According to Okello (2010) in the study he undertook in Kasipul Constituency, youth owned and operated small enterprises performed poorly, majorly due to inadequate accessibility to finance. In Rongo Constituency, micro financing is also faced by problems of clients having poor or bad security and therefore in case of a clients' death, it is not easy to recompense, (Agwana, 2013). More often small businesses encounter bottle necks of growth as accessing micro finance services remains a tall order for many establishing entrepreneurs, (Ondago, 2012). Being low income entrepreneurs, the clients do not have much capacity to access microfinance services. It is therefore upon this background that the study sought to investigate factors influencing accessibility of micro finance products in Rongo Constituency.

1.2 Statement of the Problem

In a study with its focus on factors influencing growth of small scale businesses in Bomet Constituency, (Bett, 2012) reported that small business entrepreneurs faced challenges of accessing funds to be put to their enterprises, since there are just few facilities to offer the products. He further noted that many potential beneficiaries fear such credit due to high interest rates, while others are not informed on the availability of more affordable services on offer. According to Okello (2010) in the study he undertook in Kasipul Constituency, youth owned and operated small enterprises performed poorly, majorly due to inadequate accessibility to finance. In Rongo Constituency, micro financing is also faced by problems of clients having poor or bad security and therefore in case of a clients' death, it is not easy to recompense, (Agwana, 2013). More often small businesses encounter bottle necks of growth as accessing micro finance services remains a tall order for many establishing entrepreneurs, (Ondago, 2012). According to the Kenya national chamber of commerce and industry, Rongo chapter (2014), business enterprises have been registering marginal growth as a result of difficulties in accessing micro financial products .It is therefore against this backdrop that the study sought to investigate factors influencing accessibility of micro finance products in Rongo Constituency.

1.3 Purpose of the Study

The study sought to investigate factors influencing accessibility of Micro- finance products among the low income entrepreneurs in Rongo Constituency.

1.4 Objectives of the Study

The study was guided by the following objectives;

1. To examine the extent to which pricing of micro finance product influences accessibility of microfinance products in Rongo Constituency.
2. To establish how credit repayment influence accessibility of Micro-finance products in Rongo Constituency
3. To determine how information accessibility influence accessibility of microfinance products in Rongo constituency.
4. To explore the extent to which availability of service provider influence accessibility of micro finance products in Rongo constituency.

1.5 Research Questions

The study intended to provide answers to the following research questions;

1. What is the extent to which pricing influence accessibility of micro-finance products in Rongo constituency?
2. How does ability to pay influence accessibility of microfinance products in Rongo constituency?
3. How does accessibility of information influence accessibility of microfinance products in Rongo constituency?
4. To what extent does availability of service providers influence accessibility of microfinance products in Rongo constituency?

1.6 Significance of the Study

The study may be found useful by several stakeholders in different ways. To begin with, small business entrepreneurs, both nursing business ideas and those already in different engagements, stand to gain from the findings of the study by being informed of the various financial mobilization strategies to adopt to obtain funds from existing micro financial institutions. Besides, the entire financial sector may also acquire more insight into small business sector to formulate policies that would ensure more attractive financial products are rolled out to meet the ever swelling business constituents, both to the success of micro finance and the small business sectors. Moreover, the government, in its quest to address issues of unemployment and poverty eradication, may be sensitized to formulate more favorable policies that would enhance vigor in engaging in sustainable economic development.

1.7 Limitations of the Study

The study was carried out in Rongo Constituency within all the microfinance and banks in the entire constituency which is very expansive which posed difficulties in accessing all the respondents during data collection. However, this limitation was overcome by involving two well trained and motivated research assistants who used motorbikes to administer the research instruments to the respondents. The study was also limited by weather conditions that were often unpredictably fluctuating as it coincided with the onset of long rains in the region. To overcome this reality, study visits were timed at around noon or thereabout when the weather conditions were still favorable. Some respondents, due to undisclosed reasons, might also decline to give information, with others intending to give false information deliberately. The operation guidelines of financial institutions which focus on the confidentiality of clients and staff engagement with outsiders also limited the study. This was addressed by explaining to the respondents that the purpose of the study was purely academic and also that any information obtained would be used confidentially.

1.8 Delimitations of the Study

The study was based on factors influencing accessibility of micro finance products among the low income business entrepreneurs in Rongo Constituency. This population was spread geographically in five major business centers, such as Rongo, Nyaboro, Winyo, Kobado and Rakwaro. These areas were chosen as they provide conducive and thriving business environments to low income entrepreneurs, given that larger centers would be more advantageous to established business ventures.

The Constituency is a fast growing business hub, indicated by proliferation of banks and financial institutions, which generally pursue their customers for quick business returns.

1.9 Basic assumption of the Study

The study was guided by the basic assumptions that there is a mutually acknowledged relationship between business operators and the micro finance institutions, given that banks lend money for trading purposes through business community; the final sample drawn for the study would reflect the major characteristics of the target population; respondents would be willing to give information honestly and objectively and that the data collection instruments would be valid and reliable in measuring the desired outcomes.

1.10 Definition of significance terms as used in the study.

Accessibility : The degree to which a product or service is available.

Microfinance products **:** Credit facilities offered by financial institutions.

Access to information **:** ability to obtain crucial information micro finance

Pricing of products **:** The charges by the micro-financial institution on products

Service providers **:** The financial institution in the area.

Ability to pay **:** The quality of being able to settle a debt.

Low income entrepreneurs **:** Individuals who have inadequate requirements to benefit from Small micro enterprise (SME).

1.11 Organization of the study

The study is organized in five chapters. Chapter one features; background of the study, statement of the problem, purpose of the study and objectives that guided the study. Also included in this chapter are research questions, significance of the study and limitations of the study. Moreover, it also presents basic assumptions of the study, delimitations of the study, definitions of significant terms used in the study and organization of the study. Chapter two captures literature review done on the basis of key study variables. Also outlined in the chapter are theoretical framework, conceptual framework and summary of the literature review.

Chapter three captures research methodology used, outlining introduction, research design, target population, sample size and sample selection. Besides, it also presents data collection instruments, piloting, validity of the instruments and instruments' reliability. In addition, it also outlines the procedures used for data collection, and methods that were used for data analysis. Chapter four gives a detailed data analysis, presentation, interpretation and discussion, with chapter five highlighting summary of findings and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter entails review of other studies that have been carried out globally on accessibility of microfinance and development of small and medium enterprises. Literature was reviewed against the prism of the key study variables; the influence of cost of credit, collateral, information accessibility and availability of service providers on accessibility of microfinance products in Rongo constituency. Also featured in this section are the theatrical and conceptual frameworks of the study.

2.2 Concept of Micro-finance products

In Kenya, as of 2007, the Central Bank of Kenya (CBK) reported the existence of 5122 registered savings and credit co-operatives (SACCOs), 45 banking institutions, 42 of which were commercial banks, 2 mortgage finance companies and 1 non-banking financial institution, (CBK Report, 2007). A more comprehensive study dated June 2003 estimated at 3,460 the number of legally constituted microfinance service providers in Kenya, including 3,397 SACCOs and co-operative-like community-based intermediaries, 56 microfinance institutions (MFIs), four commercial banks, two building societies, and the Kenya Post Office Savings Bank. Another finding of this study, was the lists of 17,305 rotating savings and credit associations (ROSCAs), 115,884 registered women groups', and 1,342 primary agricultural producer and marketing cooperative societies, also involved in providing credit countrywide and which are not registered.

Nevertheless, recent favorable trends have been observed in the microfinance market. First, commercial banks are downscaling and some are reopening branches in the rural areas that they had closed down in the 90s and again in early 2008. Also according to the Central Bank of

Kenya, a number of Tier 2 and Tier 3 Microfinance Institutions and SACCOS are in the process of transforming to deposit taking institutions-Tier 1.

Microfinance is a broad category of services, which includesmicrocredit. Microcredit is provision of credit services to poor clients. Although micro - credit is one of the aspects of microfinance, conflation of the two terms is endemic in public discourse. Critics often attack microcredit while referring to it indiscriminately as either 'micro-credit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact

The history of micro-financing can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. Independently to Spooner,Friedrich Wilhelm Raiffeisen founded the first cooperative lending banks to support farmers in rural Germany. The modern use of the expression "micro-financing" has roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Muhammad Yunus, were starting and shaping the modern industry of micro-financing. Another pioneer in this sector is AkhtarHameed Khan.According to UNDP 2001, efforts to eradicate poverty must be directed towards concrete and sustainable solutions of which access to credit though Micro-Finance institutions and product

It is globally agreed that poverty is partially determined by the ability of households to access capital and other essential financial services that allow them to generate greater returns and weather cash flow fluctuations.

Whether to start an enterprise, save for a child's schooling, insuring against natural disasters, or cover health care costs, access to micro credit and other financial services can significantly improve the lives of people living in poverty or the people who have low incomes.

Studies of the impact of micro credit in more than 24 countries found dramatic improvements in household income levels. These improvements took place primarily through growth in the borrower's business, which translated into increased household income. The studies found that access to micro credit allowed the borrower to increase the number of goods or services sold and reduce the costs of supplies and raw materials. As a result, sales increased and profits grew 25% to 40%. As an example, in Indonesia it was found that micro credit borrowers increased their incomes by 12.9 percent compared to increases of 3 percent in control-group incomes (UNDP 2000). Another study on Bank Rakyat Indonesia borrowers on the island of Lombok in Indonesia reported that the average incomes of clients had increased by 112 percent and that 90 percent of households had moved out of poverty.

According to Afrane (2001), microfinance is the provision offinancial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. Microfinance has existed for centuries in Africa and around the world. Everyone, no matter how poor, needs and uses financial services all the time. Many people use moneylenders that usually charge high interest rates on loans. There are many global examples of the history of microfinance, ranging from informal, small-scale, rotating savings-and-loans clubs in England, Ireland, and Germany during the eighteenth century to savings and credit cooperatives in Indonesia in the nineteenth century. In Nigeria, microfinance goes back to the fifteenth century and was carried from there to the Caribbean by slaves. The original Yoruba term, susu, for the practice is still in use today. In Africa, mainstreaming, formalization, and recognition of microfinance as part of the formal financial sector began to gain momentum in the late 1990s.

More broadly, it is a movementwhose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers." (Robert 2004). Those who promote microfinance generally believe that such access will help poor people out of poverty. According to Robert Pricing of microfinance products is high as far as interest rates are concerned, operational charges and maintaining the loans and accounts.

Bolivia has become one of the great examples of how microfinance can spur economic growth and entrepreneurship through access to micro-finance products and services in the country; however, it too has its flaws. Bolivia experienced a major economic change in 1985 after an era of hyperinflation. The new government set Bolivia on the path of economic liberation, like Nigeria. The government moved to privatize its state owned business and set a liberal economic policy that spurred growth in Bolivia. The rise in the informal sector of Bolivia coupled with economic liberation led to the growth of microfinance in Bolivia. Furthermore, the microfinance institutions in Bolivia*unionized*thereby giving its members more clout to protest unfavorable economic policies like an increase in interest rates in bank lending rates.

Prodem, the first microfinance institution in Bolivia, was successful because of the financial backing it had from key businessmen and politicians in the country. Furthermore, Prodem's effective strategy made the operations of the microfinance institution effective. Prodem, for example, implemented a strategy of helping vendors buy in bulk and pay cash from its retailers; retailers offered discounts to customers who didn't need a line of credit, hence Prodem showed it understood the business of its clients. Prodem set its microfinance institutions around a *solidarity guarantee strategy*, where loans were given to a group of individuals and only upon successful payment by the initial member of the group will the loan be available to other members of the same group. Furthermore, if a member of a solidarity group was unable to pay, the other members of the group was to support that member. Prodem left the financial decisions of who gets a loan with its branch managers, effectively cutting out the waiting time to get a loan. This reduction on processing time also led to a reduction in interest rate because of the reduced cost. Prodem marketed heavily to women, who were new entrants to the labor force and were now needed to support the income of their husbands

2.3 Influence of product pricing on accessibility of Micro-finance products

There has been a significant growth in per capita GNI in India of around 6% p.a. in this decade. Poverty rates have also decreased though it remains significant. The start of growth of microfinance in the country in the mid-1990s coincided with the beginning of economic liberalization when 36% of the population was estimated to be below the national poverty line. This declined to around 27% of the population in 2006 (Prubnu 2006).

In Uganda, interest in microfinance has soared in the recent decade and the instrument is now seen as one of the most promising tools to tackle poverty in the developing world. The fascination with microfinance derives from the fact that the provision of financial services can contribute to poverty reduction and pass the test of sustainability at the same time. For donors, microfinance is especially attractive as it can be delivered in an institutional and financially sustainable manner that permits them to withdraw after making relatively modest investments. However, Microfinance has sometimes disappointed its supporters.

Only few of the hundreds of microfinance programs inaugurated in the last decade have proven their sustainability. A growing body of evidence indicates that the instrument does not meet the high expectations initially placed on it in terms of client impact. Few microenterprises experience sustained growth, while a majority grows only a little or maintain their operations at a constant level. It is also unusual for credit to trigger a continuous increase in technical sophistication, output or employment. It is much more common for each of these variables to reach a plateau after one or two loans and remain in a steady state. As far as empowerment is concerned, microfinance services have shown little potential to thoroughly change existing inequalities in power relations or the role of women in society. (*Buckley* 1997; *Goetz* and *Gupta* 1996; *Hulme*and*Mosley* 1996; *Zaman*1998).

However, empirical evidence shows that microfinance interventions have indeed the capacity to reduce poverty, contribute to food security, and change social relations for the better.

Positive impacts have been detected at the enterprise as well as household level. Newer research indicates that participation in microfinance programs contributes to reduced vulnerability to economic risks. Microfinance services help the poor to diversifying their income sources, building up physical, human and social assets, focus on good money management, rebuild the household's base of income and assets after economic shocks have occurred and to smooth consumption (*Cohen* 1997; *Cohen* 1999; *Hulme*1998, *Ito* 1998; *Sebstad* and *Chen* 1996).

The success of a microfinance program – defined in terms of outreach, financial sustainability and/or socio-economic impact – depends on an interaction between the characteristics of the program itself (both its design and the way it is managed) and the context in which the program is implemented.

The program environment can influence the success and impact of microfinance interventions in two distinct ways. First, socio-economic conditions may affect both the ability of clients to benefit from their loans and their capacity to repay. Second the environment directly influences the operation of the program itself, for example by restricting the possible range of program activities or the terms on which services can be offered (*Snodgrass* 1997).

Uganda is generally seen as the country with the most vibrant and successful microfinance industry in Africa. Some MFIs have experienced strong growth and are now reaching a considerable number of clients, with three serving between 25.000 and 45.000 clients. A number of microfinance providers are close to financial sustainability or have already surpassed it. A series of impact studies conducted in Uganda in the past years have demonstrated that the provision of microfinance services contributes to reduced client vulnerability to economic risks, results in strengthening linkages of clients and their households to the agricultural sector, and enables clients to acquire valued skills.

Moreover, all observers agree that the success of microfinance in Uganda is closely linked to a number of enabling contextual factors specific to the country. The overview will therefore put emphasis on the description and analysis of the environment in which microfinance has developed over the past years.

In Kenya, as in many African countries, providing **f**inancial services to poorer populations in rural areas remains a challenging goal. The Kenyan rural environment is characterized by poor communications infrastructure, relatively low population density, low levels of literacy, relatively undiversified economies, low profitability and/or high risk of many economic activities. As a result, it has so far proved unattractive to NGO microfinance institutions (MFIs), let alone commercial financial institutions.

Recent developments in the microfinance industry both in Kenya and elsewhere have involved the transformation of MFIs into banks or other forms of regulated institutions, greater emphasis on the potential of formal financial institutions such as banks to move"down-market", and experiments with other types of financial providers such as postal and savings banks, along with renewed interest in the role of credit unions. The increasing commercialization of microfinance (Drake and Rhyne, 2002; Woller, 2002) has also shed light on the limitations of NGO microfinance institutions (MFIs) in achieving sufficient scale to reach the mass of poor people still unserved (see also (CGAP, 2004). Many of the expectations to reach scale have been fueled by the promise of new technologies, which anticipates that electronic banking will significantly lower the transactions costs of service delivery (Cracknell, 2004).

2.4 Influence of credit repayment on accessibility of Micro finance products

Lack of income or collateral is probably the most widely obstacle faced by SMEs in accessing the funds. In some cases the entrepreneurs are unable to provide the sufficient collateral because it is not firmly established. In some cases the lender may deem the collateral insufficient in view of the loan size requested.

In the USA, the investment statement is demanding detailed information and forecasting. The increasing pressure for continuous disclosure places great pressure on SME management team (McKee, 2003).

When the SME owners put their own building and lands as collateral, banks will only finance up to a certain limit of a property's market value. This may not be enough as capital. In addition, they cannot get additional financing from collateral assets and this limit their investment that can be financed with debit capital. They also need to renew their contract yearly for the amount borrowed from banks hence additional transaction costs (AungKyaw, 2008. Financing, SMEs in Myanmar).

Most SMEs claim that they use their own money for start-ups and expansion. Most of the financing for working capital come from suppliers in terms of credit. The reason why they don't want to use external financing is that they don’t want to face complex procedures of tight collateral requirements by banks. Business owners preferred using their own capital for business expansion to a certain level where they can reach. They further expand their business with the profit earned from their business operations. Some managers don’t want to expand their businesses due to the current business environment but they want to operate to maintain their customers and position in the business field.

Most banks accept only unmovable properties like land and building as collaterals. Even if the business owner has land or building, they cannot use these assets as collaterals if they don’t have title deeds of the properties. In most set ups in Kenya, the entrepreneurs tend to seek finance from their own resources and then from families and friends and then from sources like banks. The money from families and friends is very useful at the initial stage of the business in various sectors.

Microcredit programs in Sub-Saharan Africa, for the most part, face the same set of problems and opportunities— everything from debt repayment to outreach—as do comparable programs in other regions across the globe. There is little that is especially unique, to speak of, in the way programs in Sub- Saharan Africa are developed or implemented or in the clients in need and the services consumed. There are five or six issues, though, that appear to apply more to Africa than might generally be true elsewhere.

The southern states of India have historically been the hub of microfinance activities although, in recent times, there has been substantial growth in microfinance in the eastern and northern regions. Yet, data for the southern states shows a lower proportion below the poverty line as compared to other regions. It is apparent, therefore, that the focus of microfinance has been in the states with lower poverty rates. The states in the northern and central regions with relatively high poverty rates in the 35%-40% range have very low microfinance penetration, accounting for no more than 10% of the overall portfolio outstanding, despite higher growth in recent years (Sinha 2006). Social data is not so systematically reported as financial data. For key data – to profile clients, as well as to assess change – we have to rely on data and studies with varying scope and coverage. Sub-Saharan Africa boasts only 10% of the world's population but accounts for 60% of all people living with HIV/AIDS. This translates into an estimated 25.4 million people who are HIV-positive. As many as 3 million new HIV cases are added each year, while about 2 million die annually from the disease (Stanecki, 2004; USAIDS/WHO, 2004; Ntinga, 2004; Dunford, 2001). Effects of the pandemic threaten to stall or even reverse economic progress in the region (Patel & Buss, 2003; Buss & Patel, 2005). Workers are lost and not replaced. Families loose breadwinners. Children are orphaned.

Some microcredit programs in Sub-Saharan Africa are beginning to target those impacted by HIV/AIDS, particularly women clientele, as a way to empower them to participate in economic prosperity where they had been excluded in the past. "Most African microfinance schemes could potentially expand their outreach and become self-sustaining. They are an effective anti-poverty tool—'When the poorest especially women receive credit, they become economic actors with power; power to improve not only their lives but . . . the lives of their families, their communities and communities of nations'" (UNDP, 1999). But HIV/AIDS may unravel women's progress, not to mention the progress of men and families, as they struggle to become economically independent. Micro-credit programs are now associated with health care, preventive education, life and disability insurance, orphan care, and other social services not previously associated with micro-credit (e.g., Micro-credit Summit, 2000).

Taking on HIV/AIDS in the context of micro entrepreneurship poses special challenges: many traditional African societies ostracize people with AIDS, making it difficult for them to participate in group lending schemes, for example. It is unclear whether the melding of microcredit with HIV/AIDS prevention and mediation will be successful over the longer term as an approach to the economic empowerment of women. But prospects might be promising.

Carolyn Barnes, in this Symposium, seeks to better understand how chronic illness and death, possibly associated with HIV/AIDS, negatively affect households and the impact of microcredit in helping affected households access capital and services from the Zambuko Trust in Zimbabwe. Because loan group members serve as gatekeepers for loans, internal dynamics of these groups, as well as the policies and loan terms and conditions, are important to understanding any push factors that might exclude HIV/AIDS infected and affected individuals. Barnes suggests ways that might assist Micro-finance institutions and their clients to address negative effects of HIV/AIDS.

2.5 Influence of Information on accessibility of microfinance products

According Prubnu 2006, accessibility of information influences the accessing of micro-finance products in one way or another. Without accessibility to information, accessing loans and loan information is not easy.

Among the microfinance challenges that RMCs continue to face are: the absence of strong retail capacity in microfinance institutions (this challenge is the single biggest constraint to expanding the outreach of financial services to the poor in Africa) extending access to financial services to the remotest of rural areas in a cost-effective manner the pervasive impression that microfinance is a social system of resource transfers to “beneficiaries” at subsidized interest rates, rather than a part of the financial sector (this impression explains in large part why national enabling environments still restrict MFIs from mobilizing savings and prevent them from achieving financial self-sufficiency due to interest rate ceilings) institutional infrastructure is needed for microfinance, including service providers such as training institutes, accountancy, credit bureaus, and information technologies

As outlined throughout the report 1997 (Microfinance report), Uganda has a well-established and vibrant microfinance industry. However, some challenges remain to be tackled, including:

Reaching out to rural areas in a sustainable manner; strengthening community based organizations so that they can become a viable option to reach poorer and more remote clients; Developing new products more responsive to the needs of different client groups, including savings services, payment systems, emergency loans, housing loan products, investment loans, insurance products, agricultural loans, leasing, etc.; Preparing MFIs for the transformation from NGOs to licensed microfinance providers; exploring and promoting commercial funding sources and reducing subsidization by donors; Developing a stronger MFI network able to effectively coordinate the industry;Educating stakeholders in order to prevent negative publicity from the press, politicians and the public;

Capacity building – Capacity building and improving understanding of techniques for improving microfinance management is the key to effective microfinance operations and eventually for achieving the objective of financial inclusion with social value. The effective bridging of capacity building gaps requires regular intervention in a number of areas like keeping pace with the fast growth of the sector, geographical spread and diversity and local language constraints. The high attrition rate of MFI staff is also a challenge often inhibiting MFI managements from inv1esting in staff capacity

2.6 Influence of availability of service providers on accessibility of Micro-finance

Among the microfinance challenges that RMCs continue to face are: the absence of retail MFI capacity (this challenge is the single biggest constraint to expanding the outreach of financial services to the poor in Africa) extending access to financial services to the remotest of rural areas in a cost-effective manner the pervasive impression that microfinance is a social system of resource transfers to "beneficiaries" at subsidized interest rates, rather than a part of the financial sector (this impression explains in large part why national enabling environments still restrict MFIs from mobilizing savings and prevent them from achieving financial self-sufficiency due to interest rate ceilings) institutional infrastructure is needed for microfinance, including service providers such as training institutes, accountancy, credit bureaus, and information technologies the ability to serve the "missing middle," that is, small- and medium-scale enterprises that grow beyond the capacity of an MFI to serve, but are still unable to access financial services from formal financial institutions despite general improvement in the policy environment for financial sector programs, the policy environment in many countries remains un favorable for sustainable growth in microfinance.

The Indian microfinance sector has seen unprecedented growth in this decade. Increased outreach, large investments and the growing role of private equity coupled with greater demand are some of the characteristics that could be marked with the recent development of the sector. The growing scale has brought with it its own set of challenges. Some of the key challenges discussed in the report are Requirement of deposit services – There are limited deposit services available for the poor in India. Group savings accounts are opened in local banks, but these are used primarily for internal group lending, though with access to savings on exit. MFIs find it difficult to offer this service due to regulatory restraints. NBFCs hold a major chunk of the outreach and portfolio but are not permitted to accept member savings as deposits thereby leaving a large proportion of their clients (virtually all low income families around or below the poverty threshold) without access to this service.(Kamatha 2008)

Deepening of outreach – Unless MFIs know the depth of their outreach to clients below the poverty line (and different poverty lines) it will be difficult for them to address any issues related to the poor.

In the fast paced growth of the sector it is particularly important to analyze if microfinance services providers are reaching down to those most in need and those not serviced by formal financial institutions. This is the common mandate (by and large) of most microfinance service providers and as tools have become available to measure poverty levels, the challenge is for institutions to define their target outreach more clearly, effectively segment their market and respond with appropriate products.

Social performance management and reporting – Whilst financial performance management and reporting has developed across the sector, with consensus on key indicators and ratios, the development of social performance management is just beginning. This is seen at the international level to be increasingly important, to ensure that microfinance meets its social goals as a double (or triple) bottom line sector. It will require some reorientation and skill building, to encourage MFIs to go beyond the numbers to ensure quality services with consistent management and reporting (Stefan 2004).Sector slow down due to global economic crisis – The global economic crisis has affected all sectors across countries and continents. Smaller MFIs face problems in obtaining debt funds from banks and find it difficult to maintain liquidity. The liquidity risk has the potential to hamper refinancing of existing clients, leading to the risk of a rise in the current default rate.

According to Elkan, Micro-credit plus – Building capacities and skill level of borrowers for better utilization of credit are considered as some of the biggest challenges. There is a need to combine micro-credit with appropriate improvements in infrastructure, technology transfers, skill development and strengthening of market linkages to enable producers to earn a higher return on their efforts. This is the best way of facilitating and enabling poverty reduction.

The problem of multiple lending – With an increasing number of MFIs and expansion of operations, the issue of overlapping membership and potential over-indebtedness is beginning to emerge, particularly in certain areas of the country. This is an area that needs more research, and clearer guidelines for the sector on appropriate practice.

Regulation – Regulatory movement with regard to microfinance has been slow and debates are still underway – as to which institution should be entrusted with regulatory supervision of the sector, and how to regulate the new which serve a substantial majority of MFI clients.

The Indian microfinance sector has grown by leaps and bounds during the first decade of the twenty first century. A lot of changes have been seen during the last ten years on how the microfinance institutions function. Many transformed to for-profit legal forms and MFIs overall continue their efforts to become more efficient and productive. There is a lot that has also grown exponentially and is considered as the single largest microfinance programme globally (Luknow 2004). However, in this quest for growth and expansion the essence of microfinance as a programme for reaching the poor and excluded has lost its focus. There are other challenges as well, as discussed above (including savings services, social reporting, capacity building, tackling funding requirements and over-indebtedness, micro-credit plus and an enabling regulatory environment) that need to be addressed and would go a long way in making the Indian microfinance sector more inclusive, vibrant and sustainable.

According to Onwobiko, the practice of microfinance in Nigeria is rooted in its culture and dates back several centuries. While the microfinance institution has not been structured in the past, the *informal* sector of the microfinance institution was always present. The family unit, a component of the informal sector in Nigeria, is strong and people frequently rely on their family's support when other avenues fail. Other informal microfinance institutions provide savings and credit loans to its members; structured like solidarity loans. In recent years, the microfinance institution has developed to more than just the informal sector. The *formal* microfinance institutions provide savings, credit and insurance facilities to the public. Similar to other countries, the goal of the microfinance institutions is to provide access to credit for the rural and urban, low-income earners, however its impact has been limited due primarily to inadequate funds. In order to enhance the flow of financial services to Nigerian rural areas, the Nigerian government initiated a series of publicly-financed micro credit programs and policies targeted at the poor, for example, the Agricultural Credit Guarantee Scheme. This credit encouraged lending institutions to lend to the poor because the Nigerian government bore the risk of loan default. Microfinance services in Nigeria have adopted both the supply led and demand driven strategy of microfinance, as a result, the number of NGOs involved in microfinance activities has increased dramatically to 900. The inefficiencies of the formal sector in providing funds for the poor have also led to this increase in microfinance institutions (Sohindo 2004).

Nigeria currently has 900 microcredit institutions within the country serving different aspect of the society. The number of microcredit institutions greatly increased due to the requirement by the Central Bank of Nigeria that community banks should transition into being microfinance banks if certain capital requirements are met. One might ask that with already 900 microcredit banks why there is a need for more microcredit facilities. This is because the problem in Nigeria, regarding microfinance, is two folds (Chao 2005). The first being that the 900 microcredit institutions in place are still not bending the poverty curve in the country and also that the existing microfinance institutions are not being well managed. The Central Bank of Nigeria in an attempt to better manage the microcredit institutions within the country, moved to bring all microfinance institutions under its authority. The Central Bank hopes that by doing this it would help prevent any financial shock that section of the economy may face. Furthermore, the microfinance policy of the Central Bank emphasizes management training for microfinance banks.

Since the early 1990s in Kenya, support to the microfinance sector has focused on the development of sustainable service delivery. In Kenya, this emphasis resulted in donor investment being concentrated on a small number of microfinance institutions in an attempt to achieve scale and sustainability. The result has been a focus on small-scale businesses and especially traders, who can manage the relatively inflexible loan products on offer, and consequently also a concentration of their activities in urban environments and market centres. While these MFIs are now beginning to develop new products, the group-guaranteed, working-capital loan is still the core of their business. However, with a total outreach of 287,0003, these MFIs are far from reaching the bulk of poor Kenyans. For context, the overall size of the adult population is some 12 million people, of whom approximately 20% use the formal sector banks and cooperatives. Of the remaining 9.6 million, some 75% 9 (7.2 million) live in rural areas. Since the majority of people are in some way engaged in the cash economy, however marginally, safe places to save and the ability to take loans – however small and for however short a period -- are essential to reducing vulnerability as well as offering the potential for Investment and asset accumulation.

2.7 Theoretical Framework

In this study, Growth theory of micro finance propounded by Carl Schramm was adopted.

Carl Schramm provides auseful review of growth theory in an article for Real Clear Markets. He takes in key mainstream thinkers on economic growth and development including Paul Collier, William Easterly, Deepak Lal, DaniRodrik, Walt Rostow, Jeffrey Sachs, Robert Solow and Mohammad Yunus. Two points stand out in the theory.

First, the difficulty mainstream economic theory has in explaining economic growth: Harvard economist Elhanan Helpman published an entire book exploring the "mystery" of economic growth only a few years ago, and even Robert Solow, who won the Nobel Prize for his pioneering growth theory, today says there are more questions than answers as to the causes of growth. This failure to understand the sources of America's own economic performance, let alone the world's, will be a serious handicap as we try to figure out how to renew prosperity in the face of a dramatic global slowdown."

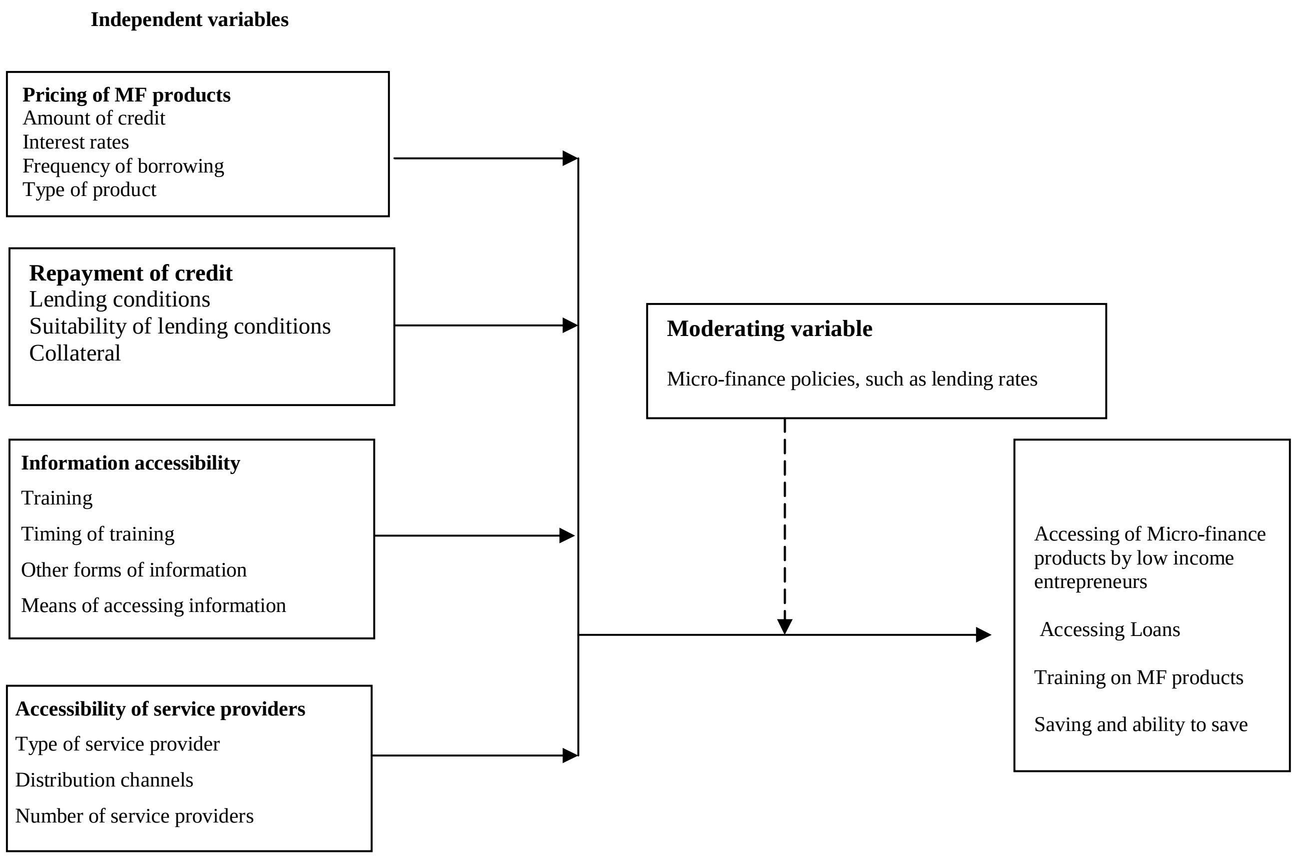
Second, the anti-growth sentiment at the root of microfinance: Muhammad Yunus, a Ph.D. in economics who won the Nobel Peace Prize, disregards all such evidence in Creatin*g,* A World without Poverty (2008). Having created Grameen Bank, an institution that increased remarkably the welfare of millions of the world's poorest in Bangladesh through the innovation of micro-credit, he appeals for a new world economic order that does not contemplate growth. "The bigger the world economy, the bigger the threat to planet Earth." For global welfare to increase, he argues, capitalism will have to be reformed through "social businesses"—entities that put people above profits."

This theory is there appropriate to the study as engagement in micro businesses by low income entrepreneurs promise to address issues of poverty that threaten human kind across the world against dwindling employment opportunities. For purposes of promoting establishment of small businesses even in rural locations, cheap micro finance products must be availed to enable the low income business entrepreneurs to access funds for investments.

2.8 Conceptual Framework

A conceptual framework is defined as a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation, Kothari (2005). The conceptual framework in figure 2.1 attempt to explain the relationship between the independent variables and the dependent variable.

Figure 2.1: Conceptual Framework



The conceptual framework was used to show the relationship between the independent variables and the dependent variable. The arrows point at the direction of influence. Accessibility of micro finance products is influenced by; pricing of MF Products, access to information, ability to repay and availability of MF Institutions.

2.9 Summary of literature review.

Microcredit is at the heart of many microfinance business models, and has a number of distinctive features. Product design, client profile and labor-intensive underwriting methodologies give microcredit a unique risk profile. Effective credit risk management thus requires different tools and analyses than for conventional retail lending. Some of the more distinctive features of microcredit include

A microcredit provider usually caters to low-income clients, both the underemployed and the entrepreneur with an often informal family business (petty traders). Borrowers are typically concentrated in a limited geographic area, social segment or entrepreneurial undertaking. Loans are usually very small, short term, and unsecured, with more frequent repayments and higher interest rates than conventional bank loans. Many providers require higher interest rates to offset higher operational costs involved in the labor-intensive micro lending methodology.

Loan documentation is generated largely by the loan officer through visits to the borrower's Business enterprise and home. Borrowers often lack formal financial statements, so loan officers help prepare documentation using expected cash flows and net worth to determine the authorization schedule and loan amount. The borrower's character and willingness to repay is also assessed during field visits. Credit bureau data are not always available for low-income clients or for all types of microfinance providers, but when they exist, are used as well. Credit scoring, when used, complements rather than supplants the more labor-intensive approaches to credit analysis. Micro-borrowers often lack collateral traditionally required by banks, and what they have to pledge is of little value for the financial institution but are highly valued by the borrower (e.g. TV, furniture). Where the lender does take some sort of collateral, it is for leverage to induce payment rather than to recover losses. In the absence of collateral, underwriting depends on a labour-intensive analysis of the household's repayment capacity and the borrower's character.

Because micro-lending tends to be a highly decentralized process, credit approval by loan Committees depend heavily on the skill and integrity of loan officers and managers for accurate and timely information. Strict control of arrears is necessary given the short-term nature, lack of collateral, high frequency of payments (eg weekly or bi-weekly), and contagion effects (see h. below) of microloans. Traditionally, monitoring is primarily in the hands of loan officers as the knowledge of the client's personal circumstances is important for effective collections.

Customers who have limited access to other financing are usually dependent upon ongoing access to credit.18 Micro lending uses incentive schemes to reward good borrowers with preferential access to future, larger loans (sometimes with favorable repayment schedules and lower interest rates), which raises the risk of over-indebtedness, particularly where credit information systems are absent or deficient. This feature also affects interest rate risk management, as microfinance customers expect rates to decline as the customer's track record grows, regardless of changes in the general level of interest rates. Some micro lenders use group lending methodologies, where loans are made to small groups of people who cross guarantee other members of the group. Peer pressure also helps to ensure high repayment levels, as the default of one group member could adversely affect the availability of credit to others.

Tight control of arrears and peer pressure has driven traditionally sound repayment rates in most jurisdictions to date. However, the quality of individual loan portfolios can deteriorate quite rapidly, due in part to the unsecured or under-secured nature of microloans as well as so-called contagion effects, where borrowers who notice increasing delinquency in the institution may stop paying if they believe the institution will be less likely to offer future loans due to credit quality problems.

Occasionally micro lenders lend in a currency other than that of a borrower's repayment source (eg sale of goods or services), so foreign currency fluctuations may affect the borrower's ability to repay. While not unique to microcredit, micro-borrowers may be less able to appreciate the nature of this exposure, much less take measures to mitigate it. Microcredit and microfinance in general, may be seen as a political tool in some countries, tempting politicians to demand forbearance or forgiveness of loans to poor customers during times of economic stress. This might affect repayment culture of microfinance borrowers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter features components of the research methodology employed in study. These features include, research design, target population, sample size and sampling procedure. In addition, data collection instruments, instrument's piloting, instrument's validity and instrument's reliability are also outlined. Besides, data collection procedures, techniques of data analysis, as well as operationalization of the variables are also presented.

3.2: Research design

Kothari (2004) defines research design as the arrangement of the conditions for collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This is the conceptual structure in which research is conducted and constitutes the blue print for the collection, measurements and analysis of data, (Okello, 2010).

In this study, a descriptive survey research design was adopted. According to Mugenda and Mugenda (2003), a survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. Survey research is considered as the best method available to social scientists and other educators who are interested in collecting original data for purposes of describing a population which is too large to observe directly. This research design was therefore considered appropriate in studying accessibility of micro finance products by low income entrepreneurs in Rongo Constituency, since the researcher did not have to manipulate such factors as they had already occurred.

3.3 Target Population

According to Mugenda and Mugenda (2003), a target population is that population to which a researcher wants to generalize the results of the study. This study had as its key target, all the low income entrepreneurs engaged in small businesses in Rongo Constituency and personnel operating micro finance institutions in the Constituency. This target population was geographically distributed in the five major business centers within the Constituency such as Rongo, Winyo, Rakwaro, Nyaboro and Kobado. According to The Kenya National Banking Association, Rongo Chapter Report (2014), there is a total of 10 financial institutions offering micro finance products to 1520 clients involved in small businesses in Rongo Constituency. This study therefore targeted the 1520 clients and 10 bank officers in charge of credit products, giving rise to 1530 potential respondents.

3.4: Sample Size and Sampling Procedures

According to Mugenda and Mugenda (2003), a sample is a subset of a particular population. Generally, the sample size depends on the factors such as the number of variables in the study, the type of research design, the method of data analysis and the size of accessible population. Gay in Mugenda and Mugenda (2003), suggests that for correctional studies, 30 cases or more are required; for descriptive studies,10 percent of the accessible population is enough and for experimental studies ; at least 30 cases as required.

Sampling in Kothari (2005), is defined as the selection of some part of an aggregate or totally on the basis of which a judgment or influence about the aggregate is made. It is a process of selecting units from a population of interest so that by studying the sample, one may fairly generalize the results back to population from which they were selected.

This study employed probability sampling design in obtaining sample from the clients; a design of sampling in which each item from the target population was accorded equal chance of being included in the final sample, hence ascertaining objectivity in sample selection. In selecting banking personnel, all the 10 credit officers were censured. Stratified random sampling was employed by dividing the target population into five strata on the basis of the five distinctive business types such as, whole sellers, Retailers, Hawkers, Service Sector and Green Grocers. A sample size of 10% was drawn from each stratum using simple random sampling procedures giving a sample of 152 clients, giving rise to 162 respondents. This process of sample selection of the clients is illustrated in table 3.1:

Table 3.1 Sample Size

Stratum	**Total Population**	**Sample Percentage**	**Sample Size**
Green Grocers	820	10	82
Hawkers	300	10	30
Retailers	190	10	19
Service Sector	106	10	11
Whole sellers	84	10	8
Total	**1,520**	**10**	**152**

3.5: Research Instruments

To ensure that data collected address the study objectives, the data collection instrument must be selected appropriately to avoid collecting irrelevant information, Hanry (2004). In this study, both questionnaire and interview schedule were prepared for purposes of obtaining data from the respondents, with questionnaire administered to the clients and interview schedule used to collect data from the bank personnel. The questionnaire items were comprised of both closed- ended and open- ended questions that gave the advantage of collecting both qualitative and quantitative information.

3.5.1: Pre- Testing the Instrument

Instruments pre- testing, also known as piloting, is a preliminary study conducted on a small scale to ascertain the effectiveness of the research instrument, (Kothari, 2005). A pre- test sample should be between 1% and 10% depending on the sample size, Mugenda and Mugenda (2003). In this study, a pre- test sample size of 10% was used. The researcher prepared copies of questionnaire and self- administered to the pre-test sample that was similar to the actual study sample in major characteristics. This was significant as it helped to reveal aspects of ambivalence depicted by the questionnaire items that were subsequently reframed relative to the responses obtained from the respondents.

3.5.2: Instrument Validity

According to Kothari (2005), validity is a measure of the degree to which differences found with a measuring instrument depict true differences among the items being measured. In the views of Mugenda and Mugenda (2003), an instrument is validated by providing that its items are representative of the skills and characteristics to be measured. Validity of the research instrument was reinforced by ensuring that the questionnaire items sufficiently covered the research objectives. Instrument's validity was also addressed by subjecting both the questionnaire and interview schedule to the experts for judgment and peers for review. Validity of the instrument was also assured through randomization that was helpful in checking the influence of extraneous variables. Randomization was considered crucial for it was the best technique of ensuring the representatives of the sample to the target population.

3.5.3: Instrument Reliability

According to Mugenda and Mugenda (2003), reliability is a measure of the degree to which a measuring instrument yields a consistent result or data after repeated trials. In Kothari (2005), reliability of a test instrument is a measure of the consistency with which a test instrument produces the same result when administered to the same group over time intervals.

In this study, split- half reliability measure was employed by dividing the questionnaire and interview schedule into the two equal parts on the basis of odd and even appearances. The first part of the research instruments having been administered and the results attained, the second part was therefore subsequently administered and the results noted. Pearson's coefficient of correlation (r) was then used to compare the two scores obtained and by applying Browns Prophency formulae, an alpha value of 0.78 for questionnaire and 0.82 for interview schedule were realized confirming that the instruments were reliable.

3.6: Data Collection Procedures

According to Kothari (2005), data collection procedure comprises of the steps and actions necessary for conducting research effectively and the desired sequencing of these steps. The researcher embarked on the process of collecting data from the field upon preparation of a research proposal which was also approved by the supervisor. Consequently, the researcher applied for a research permit from the National Council for Science and Technology which authorized the data collection process. Presenting the permit to all relevant authorities, the researcher embarked on collecting data, assisted by two well trained and motivated research assistants. Interviews were conducted by the researcher, as more information through consistent probing.

3.7: Data Analysis Techniques

Data analysis refers to the examination of data collected in a study and making deductions and references. It also involves uncovering the underlying structures, extracting important variables, detecting anomalies, scrutinizing the acquired information and testing underlying assumptions (Orodho, 2005). Data collected was cleaned to ensure that only relevant data was retained for analysis. Quantitative data was analysed using descriptive statistics such as , frequencies and percentages aided by Statistical Packages for Social Scientist(SPSS).Qualitative data was analysed by making inferences from views and opinions of respondents. The information obtained was then summarized and organized according to research objectives, arranged in themes and presented in narrative form. Data was presented using frequency distribution tables.

3.8: Operationalization of the Variables

Operationalization of the variables is a technique that helps in establishing relationships that exist between study variables and indicating how such relationships can be measured, Ogada (2011).

Table 3.2 Operationalization table

OBJECTIVES	VARIABLES	INDICATORS	MEASUREMENTS SCALE	DATA COLLECTION METHOD	DATA ANALYSIS
To examine the extent to which pricing influence accessibility of microfinance products.	**Independent** Pricing influence	No of low income who can	Ordinal Ratio	Survey self directed question	Quantitative analysis
	Dependant Access of microfinance products by low income entrepreneurs	Afford prices No of low income entrepreneurs who have access to microfinance products.	Nominal	Self-directed questionnaires	Qualitative analysis
To establish How credit repayment influenceaccessib	**Independent** Repayment of credit	No of low income earners who have credit	Nominal	Self –directed Questionnaires	Quantative& qualitative analysis

ility of microfinance products.	**Dependent** Access of microfinance products by low income entrepreneurs	The case of repaying credit	Nominal		
To determine how information accessibility influence accessibility of micro finance products	**Independent** Information accessibility	No of low income entrepreneurs seeking credit facility	Nominal	Self –directed questionnaires	Quantative& qualitative analysis
Influences accessibility of microfinance products	**Dependent** Access microfinance products by low income entrepreneurs	Amount of credit advanced	Ratio	Self-directed questionnaires	Quantative& qualitative analysis

To explore the extent to which accessibility of service providers influence accessibility of microfinance products	**Independent** Accessibility of service providers	No of microfinance institutions	Nominal	Self-directed questionnaires	Quantitative & qualitative analysis
	Dependant Access of microfinance products by low income entrepreneurs	The case of accessing the microfinance institutions	Nominal	Self-directed questionnaire	Quantitative & qualitative analysis

3.9 Ethical Considerations

There are several reasons for adhering to ethical norms in research. Norms promote the aims of research, such as knowledge, falsifying or misrepresenting research data promote the truth and avoid error. Moreover, since research often involves a great deal of cooperation and coordination among many different people in different disciplines and institutions, ethical standard promote the value that are essential to collaborate work, such as trust, accountability, mutual respect and fairness, (Resnik, 2011).

William, (2006) lists some of the ethical issues as, informed consent, confidentiality and anonymity. Given the importance of the ethical issues in several ways, the researcher recognized other scholars ‘works through quotation and citation. In this study copyright and aspects of patenting were respected and a plagiarism of any form was vehemently avoided. In the entire research period, respondents’ identity and confidentiality were observed such that, any data obtained was not disclosed to any other person. The researcher ensured that human subjects were fully protected, no harm, cruelty and coercion was used in the research process and the results, as promised, would be shared with those who did participate.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter focuses on an in-depth data analysis, presentation, interpretation, and discussion of the results of the research process. Data analysis was done against the prism of the key study variables: the influence of cost of credit, collateral, information accessibility and availability of service providers on accessibility of microfinance products among low income entrepreneurs in Rongo Constituency.

4.2 Response Return Rate

Copies of the questionnaire were self administered to the respondents by twowell trained and motivated research assistants, with close supervision of the researcher and the following return rate realized as depicted in table 4.1.

Table 4.1: Questionnaire Return Rate

Target population	Sample size	Return Rate	Return Percentage
1320	132	120	90.9%

Table 4.1 reveals that out of the 132 copies of questionnaire administered to the respondents, 120 were received back duly completed giving a response rate of 90.9%. Response rate refers to the percentage of subjects that respond to a questionnaire. A response rate of 50% is deemed adequate for analysis and reporting, a response of 60% is good and a response rate of 70% and over is very good, Mugenda and Mugenda (2003).

In the light of this, the study returned an excellent questionnaire response rate. This was attributed to the fact that copies of the questionnaire were administered and collected back by two well trained and motivated research assistants, who consistently distributed the copies of the questionnaire to the respondents in batches of twenty until all were administered. The research assistants emphasized to the respondents the need to fill the questionnaire as instructed, as well as assisting some in completing the questionnaire in cases of certain unavoidable circumstances.

4.3 Demographics characteristics of the respondents

This section outlines the respondent's demographic features that were believed to be significant to the study. Such demographic characteristics include, age, sex, marital orientation,level of education, area of micro business and theduration of operation.The demographic characteristics of respondents were considered significant to the study on the basis that such variations could influence choice of business enterprises engaged inby low income entrepreneurs, hence exposing different challenges in the business environment.

4.3.1 Age of respondents

In this study, it was assumed that age variations of the respondents would be of great significance to the study on grounds that unemployment was rampant in the country; hence younger people were relatively few in formal employment and would often turn to micro businesses for livelihood. Besides, age differences of the respondents could also reveal business sustainability as elderly entrepreneurs had acquired substantial business experiences crucial in navigating turbulence in business environment.The respondents were subsequently requested to complete the questionnaire indicating their ages and their responses recorded in table 4.2

Table 4.2 Age of respondents

Age in years	Frequency	Percentage
Below 20	14	11.67
20- 30	22	18.33
30- 40	52	43.33
40- 50	00	00.00
Above 50	24	20.00
Total	**120**	**100.00**

Indicated in table 4.2, 14 (11.67%) of respondents whose questionnaire copies were received fell below 20 years, 22 (18.33%) in the age of 20-30years, 52 (43.33%) were in the age of 30-40, with 24 (20%) being above 50 years, yet none was in age of 40- 50 years. The statistics in table 4.2 imply than more relatively elderly entrepreneurs than younger ones formed the bulk of the business persons in Rongo Constituency, anindication that most of these were already carrying heavy burden of providing for their families, hence resorted to micro businesses as alternative to formal employment. However, it was not clear why none of the people in the age of 40- 50 years were not in business.

4.3.2 Gender of Respondents

This demographic dimension was considered vital to the study for the researcher intended to establish whether sex variations would significantly influence accessibility to financial productsowing to social gender responsibilities in which women are provided for by their husbands and hence may not raise enough collaterals for loaning.On account of this eventuality, the respondents were asked to complete the questionnaire indicating their sex and table 4.3 displays their responses.

Table 4.3 Gender of respondents

Class Level	**Frequency**	**Percentage**
Male	53	44
Female	67	56
Total	**120**	**100**

Table 4.3 depicts that of the 120 copies of questionnaire completed by the respondents, 53 (44%) were males and 67 (56%) were females. Reflected in table 4.3 is that, teaching at a primary school level, seems a preserve for females. Whereas the researcher did not treat gender as a major variable, it was established that more women than men were in small business in Rongo Constituency, an implication that business was becoming a preserve for women. Given that this envisaged variation on gender basis was minimal, it emerged that both men and women have been engaging in business as a form of occupation.

4.3.3 Marital Status of the respondents

This characteristic was of great importance to the study as it would help reveal the extent to which marital status of the respondents would influence accessibility to financial products from financial sector. Since taking risks is the cornerstone for higher returns, married entrepreneurs having responsibility for proving for the family, are perceived to be braver in risk-taking than single ones in mobilizing for business funds. In the light of this reality, the respondents were tasked to complete questionnaire indicating their marital status and their responses were captured as illustrated in table 4.4

Table 4.4: Marital status of the Respondents

Marital status	**Frequency**	**Percentage**
Single	14	11.00
Married	65	51.50
Widowed	33	26.83
Separated	06	07.67
Other	26	21.67
Total	**120**	**100.00**

In table 4.4, of the 120 copies of questionnaire duly completed by the respondents, 14(11%) were single, 65 (51.50%) were married, 33(26.83%) were widowed and 06(07.67%) being separated, with 26(21.67%) having fallen on other marital orientations. The statistics in the table reveal that majority of the entrepreneurs were married and hence would have been expected to take initiatives in accessing funds from financial institutions for investment in businesses.

4.3.4 Level of education of Respondents.

In the study, the researcher believed that thelevel of education would significantly influence respondent's accessibility to finances given that they would be informed of the most attractive financial products on offer. Besides, educated entrepreneurs having acquired substantial knowledge and skills in entrepreneurship would be more inclined to go for funds from banks. In this respect, the respondents were asked to fill the questionnaire stating their level of education and table 4.15 presents their responses.

Table 4.5 Level of education of the Respondents

Level of education	Frequency	Percentage
Primary and below	76	63.33
Secondary	21	17.50
Tertiary	19	15.83
Other	04	03.33
Total	**120**	**100.00**

Table 4.15 reveals that 76 (63.33%) of the respondents had humble primary level and below, 21 (17.50%) had secondary, 19 (15.83%) obtained tertiary and 04 (03.33%) had other forms of education. The implication of these statistics is that most business entrepreneurs in Rongo Constituency were academically challenged and hence unlikely to acquire information on how to enrich their enterprises through bank loans. Moreover, business was still being viewed as a field of practice and experience that did not attract highly educated people.

4.3.5 Area of business operations of the Respondents

In this study, the researcher attempted to establish whether differences in areas of business operations could influence accessibility to micro finance among low income entrepreneurs in Rongo Constituency. This was because some business enterprises demand more financial resources than others and hence would leave no chance provided that additional funds could be obtained. On account of this, the respondents were requested to complete the questionnaire stating their area of business operations and their responses were noted as illustrated in table 4.6

Table 4.6 Area of business operations of the Respondents

Area of operation	Frequency	Percentage
Green grocery	34	28.34
Hawking	32	26.66
Wholesale	27	22.50
Retail	15	12.50
Service sector	12	10.00
Other	00	00.00
Total	**120**	**100.00**

Table 4.6 reveals that, out of the 120 respondents who completed the questionnaire, 34(28.34%) were in green grocery, 32(26.66%) did hawking, 27(22.50%) operated whole sale enterprises,

15(12.50%) were in retail businesses and 12(10%) were in the service sector, yet none indicated the other category. Implied by these statistics is that most low income business entrepreneurs were engaged in simple enterprises and lacked sufficient security to obtain loans from financial institutions. Moreover, they seemed unprepared to expand their businesses as shown by choice of businesses that did not require sophisticated business experiences.

4.3.6 Duration of operation by the Respondents.

In this study, it was assumed that the duration of time served in a particular business would influence the level of experience and how well one can master the dynamics of business venture. The researcher tried to understand how experience in business can affect it the decisions taken by its owner. On account of this eventuality, the respondents were requested to complete questionnaire stating their duration of operating their business and their responses were noted as illustrated in table 4.5

Table 4.7 Duration of operation by the Respondents.

Length in years	Frequency	Percentage
Below 1 year	12	10.00
1-2	15	12.50
2- 3	27	22.50
3- 4	32	26.66
4- 5	20	16.34
Above 6 years	14	12.00
Total	**120**	**100.00**

Table 4.7 reveals that, of the 120 respondents whose questionnaire copies were received indicating the period of time they had operated their businesses, 12(10%) stated having been in businesses for below 1 year, 15 (12.50%) for 1-2 years, 27 (22.50%) indicated 2-3 years, with 32 (26.66%) stated 3-4 years and 20(16.34%) having been in business for 4-5 years, while 14(12%) had been in business for over 6 years. Implied by the statistics in table 4.7 is that most business entrepreneurs had been in business for relatively short period of time, hence were unlikely to have had substantial experience on financial matters.

4.4 Influence of pricing on accessibility of microfinance products

Pricing of financial products describe the charges and levies on savings, credit facilities and general interests against loans, as well as different forms of penalties on accrued defaults. Such charges generally make it intricate for low income entrepreneurs to access funds from financial institutions. Pricing was therefore measured on the basis of; amount of credit borrowed, prevailing interest rates, frequency of borrowing and the type of financial products commonly obtained by the clients.

4.4.1 Influence of amount of credit on accessibility of microfinance products

In measuring the influence of pricing on accessibility of micro financial products among the low income entrepreneurs in Rongo Constituency, amount of loan borrowed could be a pointer to the extent to which pricing of these products could determine accessibility. In the light of this, the respondents were asked to complete the questionnaire indicating the amount of funds borrowed and their responses captured as depicted in table 4.8

Table 4.8 Influence of amount of credit on accessibility of microfinance products

Amount of credit	Frequency	Percentage
Below 10,000	04	3.33
10,000-50,000	12	10.00
50,000-90,000	06	05.00
90,000-130,000	34	28.33
Above 130000	64	53.33
Total	**120**	**100.00**

Table 4.8 reveals that, out of the 120 respondents who completed the questionnaire, 04(3.33%) stated that they borrowed below 10,000/, 12 (10%) obtained 10,000-50,000/, 06 (05.00%) indicated having borrowed50,000-90,000/, with 34(28.33%) stated getting 90,000-130,000/and 64(53.33%) indicating above 130,000/. It is therefore evident that the majority of entrepreneurs in Rongo Constituency were unable to obtain substantial amount of funds as a result of exorbitant cost these products attracted.

4.4.2 Influence of interest rate on accessibility of microfinance products

More often, the prevailing interest rate upon which micro finance credit is given could indicate the level at such products could be accessed. On this account, the respondents were asked to complete the questionnaire indicating the extent to which they agreed or disagreed that interest rates influence accessibility of micro finance products and their responses captured as depicted in table 4.9

Table 4.9 Influence of interest rates on accessibility of microfinance products

Interest rate	Frequency	Percentage
Strongly agree	32	26.67
Agree	37	30.83
Neutral	23	19.17
Disagree	16	13.33
Strongly disagree	12	10.00
Total	**120**	**100.00**

Table 4.9 reveals strikingly that out of the 120 respondents who completed the questionnaire indicating the extent to which they agreed or disagreed that interest rate determine access to funds , 32(26.67%) strongly agreed, 37 (30.83%) agreed, 23(19.17%) were neutraland 16(13.33%) disagreed, with 12(10%) stating that they strongly disagreed. This Implied that due to the fact that the prevailing interest rates charged on loans were perceived to be relatively high, most of the low income entrepreneurs encountered serious challenges in accessing credit facilities from the financial institutions.

4.4.3 Influence of frequency of borrowing on accessibility of microfinance products

At times, it does not matter how much funds an individual entrepreneur is offered by a banking institution, rather it is vital to establish the frequency at which such products are acquired. In the light of this, the respondents were asked to complete the questionnaire indicating how frequently they borrowed and their responses noted as displayed in table 4.10

Table 4.10 Influence of frequency of borrowing on accessibility of microfinance products

Frequency	Frequency	Percentage
Below one year	00	00.00
2-3 years	19	15.83
4-5 years	79	65.83
Above 5 years	31	25.83
Total	**120**	**100.00**

Table 4.10 reveals that, of the 120 respondents who filled the questionnaire disclosing how frequently they obtained micro finance products, none stated less than a year, 19 (15.33%) mentioned2-3 years , 31(25.83%) indicated4-5 years, while the vast majority 79(65.83%) mentioned that they accessed these funds after a period of five years. Implied by these statistics was that most clients had hardly been in a position of accessing the micro finance products, since these were out of reach of ordinary small business entrepreneurs.

4.4.4 Influence of type of product obtained on accessibility of microfinance products

As a basic dimensionof registering the level of accessibility of micro finance productsby clients, the type of product commonly obtained from the available financial institutions would determine the level of accessibility.Considering this eventuality,the respondents were asked to complete the questionnaire indicating the product types and their responses recorded as displayed in table 4.11

Table 4.11 Influence of type of product obtained on accessibility of microfinance products

Type of product	Frequency	Percentage
Saving	06	05.00
Credit	68	56.67
Advance	47	39.17
Money transfer	09	07.50
Training	00	00.00
Total	**120**	**100.00**

Table 4.11 indicates that of the 120 respondents who completed the questionnaire citing the commonly accessed micro finance products of, 06 (05.00%) stated that they were obtaining saving services, 68 (56.67%) mentioned accessing credit , 47 (39.17%) indicated advance and 09(07.50%) mentioningmoney transfer, while none identified with training. The implication of

these statistics is that most of respondents identified with accessing credit services, a sign that access to micro finance products was generally low among the low income entrepreneurs in Rongo Constituency.

4.5. Influence of credit repayment on accessibility of microfinance products

Concern about the level of repayment of a loaning facility by an individual lender isan indicator of how far one can access other micro finance products. This variable was viewed against such parameters as, lending conditions, suitability of lending conditions, and collaterals.

4.5.1 Influence of lending conditions on accessibility of microfinance products

More often, the amount of loan to obtain from any financial institution is tied to specific conditions such as credit history, security and savings among others. Any one condition preferred by most clients could be an indicator of accessibility of these products. In the light of this reality, the respondents were asked to complete the questionnaire indicating the condition of lending of and their responses recorded as displayed in table 4.12

Table 4.12 Influence of lending conditions on accessibility of microfinance products

Lending condition	Frequency	Percentage
Saving	06	05.00
Assets	68	56.67
Liquidity	47	39.17
Credit history	09	07.50
Other	00	00.00
Total	**120**	**100.00**

Table 4.12 indicates that of the 120 respondents who completed the questionnaire citing lending conditions upon which bank loans were attached, 06 (05.00%) stated that they obtained loans on the basis of their savings, 68 (56.67%) mentioned assets, 47 (39.17%) indicated liquidity and 09(07.50%) stated credit history. The implication of these statistics is that most of respondents identified with assets which they hardly possessed, hence were unlikely access micro finance products from these financial institutions in Rongo Constituency.

4.5.2. Suitability of lending conditions on accessibility of microfinance products

Normally lending conditions are established by financial institutions with no input of the customers, and that such conditions are more likely to be favorable to the lending institution than the client. On this account, the lending conditions could impede the desire of low income entrepreneurs from accessing such products. The respondents were asked to complete the questionnaire indicating the suitability of the conditions of lending of and their responses recorded as displayed in table 4.13

Table 4.13 Influence of suitability of conditions on accessibility of microfinance products

Lending suitability	Frequency	Percentage
Extreme Suitable	00	00.00
Suitable	00	00.00
Neutral	14	11.67
Less suitable	62	51.67
Other	44	36.67
Total	**120**	**100.00**

Table 4.13 indicates that of the 120 respondents who filled the questionnaire disclosing the extent to which the lending conditions were suitable none statedextremelysuitable andsuitable, 14(11.67%) indicated they were neutral, with 62(51.67%) indicatingless suitable, 44 (36.67%) stated the other category. Implied by these statistics was that most low income business entrepreneurs found the bank lending conditions as less suitable, hence were unlikely to access the micro finance products.

4.5.3. Influence of security on accessibility of microfinance products

It is general practice that lending is normally pegged on security; assortment of assets against which the ability to repay is attached, upon which bank loans are released to clients.In order to ascertain the extent to which the respondents agreed or disagreed, they were requested to fill the questionnaire and they responded as illustrated in table 4.14

Table 4.14 Influence of security on accessibility of microfinance products

Security	Frequency	Percentage
Strongly agree	62	51.66
Agree	41	34.17
Neutral	00	00.00
Disagree	17	14.17
Strongly disagree	00	00.00
Total	**120**	**100.00**

Table 4.14 reveals that out of the 120 respondents who completed the questionnaire on they agreed or disagreed that security influence access to financial products, 62(51.66%) strongly agree 41 (34.17%) agreed, with 17 (14.17%) disagreeing. Implied by these statistics was that, owing to the fact that most of the entrepreneurs did not possess substantial property in the form

of collateral, they were unable to access micro financial products from the lending institutions in Rongo Constituency.

4.6 Influence of information on accessibility of microfinance products

Given that people gain knowledge when they are able to access information on issues relevant to whatever field of venture, the researcher believed that various micro financial products are on offer in the market. However, a lot of time, clients fails to obtain credible information on the most attractive packages in the market. In view of this eventuality, this variable was measured on the prism of, training on credit management, timing of training, forms of training and means of accessing information.

4.6.1 Influence of training on credit management on accessibility of microfinance products

It is prudent human capital management best practice to identify human differences in all key activities while designing a program for training on credit management. This is because modern business has become complex and necessary knowledge and skills are critical for effective credit management for future borrowing. On this account, the respondents were asked to fill the questionnaire disclosing their agreement or disagreement that training on credit management was offered before accessing micro finance products and table 4.15 shows their responses.

Table 4.15 Influence of training on credit on accessibility of microfinance products

Training on credit	**Frequency**	**Percentage**
Strongly agree	00	00.00
Agree	00	00.00
Neutral	14	11.67
Disagree	62	51.67
Strongly disagree	44	36.67
Total	**120**	**100.00**

Table 4.15 indicates that of the 120 respondents who filled the questionnaire disclosing the extent to which they agreed or disagreed that training on credit management was being offered prior to accessing of micro finance products, none neither strongly agreed nor agreed, 14(11.67%) indicated they were neutral, with 62(51.67%) being in disagreement and 44 (36.67%) stating that they strongly disagreed. Implied by the statistics was that most financial institutions were rolling out loaning products to clients in total disregard to prerequisite training leading to poor management of the funds, dealing a major blow to their credit history for future borrowing.

4.6.2 Influence of timing of training on accessibility of microfinance products

In circumstances when trainings are offered, it is vital to focus on the timing of these trainings, given that this dimension is crucial for determining the effectiveness of the training session in internalizing the content for application. In order to ascertain the effectiveness of the training given to clients concerning advanced loans, the respondents were requested to fill the questionnaire and they responded as illustrated in table 4.16

Table 4.16: Influence of timing of training on accessibility of microfinance products

Timing of training	Frequency	Percentage
Before disbursement	00	00.00
After disbursement	12	10.00
Neutral	00	00.00
Irregularly	74	61.67
Periodically	34	28.33
Total	**120**	**100.00**

Table 4.16 reveals that out of the 120 respondents who filled the questionnaire indicating the timing of training offered, none indicated that these were given before disbursement,12 (10%) stated after disbursement, 34(28.33%)stated periodically and 74(61.67%) indicated irregularly. Implied by these statistics was that when training were offered to clients, the timings were rarely

appropriate as these were never done before disbursement to make them effective to learning outcome.

4.6.3 Influence of other forms of information accessibility of microfinance products

Often people associate the training effectiveness with the form in which such trainings are initiated. If the training package is formally presented to the beneficiaries as well as content linked to immediate area of application, it becomes much more effective. The respondents were therefore asked to complete the questionnaire indicating the form of training package ecommonly offered by financial institutions and their responses noted as illustrated in table 4.17

Table 4.17 Influence of forms of information on accessibility of microfinance products

Forms of information	Frequency	Percentage
New products	31	25.83
Changes in tariffs	43	35.83
Other products elsewhere	46	38.33
Progress reports	00	00.00
Total	**120**	**100.00**

Table 4.17 reveals that, of the 120 respondents who filled the questionnaire giving the content of training offered by financial institutions, 31 (25.83%) stated getting training on new products, 43(35.83%) mentioned changes in tariffs, 46 (38.33%) indicated other products elsewhere and

none received training on progress reports. The statistics in table 4.18 give the impression that many respondents received training on relatively diverse areas and hence one would view this as appropriate.

4.6.4 Influence of means of accessing information on accessibility of microfinance products

In order to effectively get informed, means of accessing the information is considered crucial, for each way surely offers much or less learning in contrast to others. In this context, the respondents were asked to complete the questionnaire indicating the common means of accessing information and their responses captured as illustrated in table 4.18

Table 4.18 Influence of means of information on accessibility of microfinance products

Information means	Frequency	Percentage
Local dailies	00	00.00
Company newsletters	09	07.50
Convened meetings	32	26.67
From other clients	79	65.83
Total	**120**	**100.00**

Table 4.18 reveals that out of the 120 respondents who completed questionnaire stating the means of obtaining information, none stated local dailies, 09 (7.5%) mentioned Company newsletters, 32(26.67%) stated, Convened meetings and 79 (65.83%) indicating obtaining

information from other clients. Table 4.18 is actually a confirmation that most clients did not obtain credible information from financial institutions. In this respect it was hardly easy to encounter many accessing micro financial products in Rongo Constituency.

4.7 Influence of availability of service providers on accessibility of microfinance products

In the study, it was assumed that a lot of the times, low income entrepreneurs wish to go for loaning facilities from financial institutions that are locally reached. In view of this, the variable was measured upon, access to service providers, type of service providers, distribution channels and the number of service providers.

4.7.1 Influence of access to service providers on accessibility of microfinance products

It is obvious that many clients go for loans when they are able to access loaning institutions within reach, since such buyers are often driven by impulse buying behavior. The respondents were asked to fill the questionnaire stating the extent to which they agreed or disagreed or disagreed that access to service providers influence access to micro finance products and table 4.19 shows their responses.

Table 4.19 Access to service providers on accessibility of microfinance products

Access to service providers	Frequency	Percentage
Strongly agree	12	10.00
Agree	16	13.33
Neutral	25	20.83
Disagree	40	33.33
Strongly Disagree	37	30.83
Total	**120**	**100.00**

Table 4.19 reveals that, out of the 120 respondents who filled the questionnaire indicating the extent of agreement that access to service providers influence access to micro, 12 10%) stated they strongly agreed,16 (13.33%) mentioned they agreed, 25 (20.83%) stated that they were neutral, 40(33.33%) disagreed and 37(30.83%) strongly disagreed. Implied by the statistics in table 4.19 is that most clients believed that access to service providers was crucial to accessing micro finance products.

4.7.2 Influence oftype of service providers on accessibility of microfinance products

In this study, the researcher believed that the type of service provider available could motivate clients to go for a product. This is based on the premise that each service provider in the money market targets a specific segment, such as high income or low income entrepreneurs. In this respect, the respondents were asked to fill the questionnaire stating the type of service providers commonly accessed and table 4.20 shows their responses

Table 4.20 Influence of type of service providers on accessibility of microfinance products

Type of service providers	Frequency	Percentage
Banks	00	00.00
Sacco's	08	06.67
Table banks	26	21.67
Shylocks	86	71.67
Total	**120**	**100.00**

Table 4.20 reveals that, of the 120 respondents who filled the questionnaire disclosing the type of service providers accessed, none identified with banks, 08 (06.67%) stated Sacco's, 26 (21.67%) indicated table banks and 86 (71.67%) mentioned shylocks. The implication is that, majority of the low income entrepreneurs, unable to reach service providers for their products resorted to village, non-formal loaning outfits known as shylocks that are exploitative.

4.7.3 Influence of distribution channels on accessibility of microfinance products

In order to improve access to micro financial products, the channels upon which distribution is done can be of significant influence. In this context, the respondents were asked to complete the questionnaire indicating the common distribution channels and table 4.21 illustrates their responses.

Table 4.21 Influence of distribution channels on accessibility of microfinance products

Distribution channels	Frequency	Percentage
Agency banking	43	35.83
Staff visits	15	12,50
Customer visits	52	43.33
Other	00	00.00
Total	**120**	**100.00**

Table 4.21 reveals that, out of the 120 respondents who filled the questionnaire indicating the commonly used distribution channels, 43(35.83%) stated agency banking, 52(43.33%) stated customer visits, with 15 (12.5%) indicating staff visits. Implied is that a relatively higher number of clients were accessing micro financial products, either from agents or customer visits, with little attempt for banking staffs to visit the clients, hence this jeopardized their efforts in obtaining micro financial products.

4.7.4 Influence of number of service providers on accessibility of microfinance products

The researcher was interested in establishing the extent of ease of accessing micro financial institutions as a parameter of gauging their level of obtaining products and this could be determined on the basis of the number of these institutions available in Rongo Constituency. In the light of this scenario, the respondents were asked to fill the questionnaire displaying the number of service providers and table 4.22 illustrates their responses.

Table 4.22Number of service providers on accessibility of microfinance products

Number	Frequency	Percentage
Less than 5	68	56.67
5- 10	52	43.33
10-15	54	45.00
Above 15	00	00.00
Total	**120**	**100.00**

Table 4.22 reveals that, of the 120 respondents who filled the questionnaire disclosing the number of service providers available, 68(56.67%) stated less than, 54 (45%) mentioned 10-15, 52 (43.33%) indicated 5-10 and none stated above 15. By implication, number of micro finance institutions being few in Rongo Constituency; it was difficult for low income entrepreneurs to access variety in terms of product.

4.8 Summary

The data collected was analysed thoroughly and was able give insight on each of the objectives in question.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the summary of the study findings against the backdrop of the key study variables. In this study, the researcher sought to investigate the influence of pricing, ability to repay, access to information and availability of service providers on accessibility of micro financial products in Rongo Constituency. Besides, this section also features the conclusions drawn from the investigations, as well as the study recommendations, both for policy formulation and suggestions for further research.

5.2 Summary of the findings

Out of the 132 copies of questionnaire administered to the respondents, 120 were received back duly completed giving a response rate of 90.9%. In the light of this, the study returned an excellent questionnaire response rate. Demographic characteristics held vital to the study included, age, sex, and marital orientation, as well as level of education, area of micro business in addition to the duration of operation.

The study revealed that more relatively elderly entrepreneurs than younger ones formed the bulk of the business persons in Rongo Constituency, an indication that most of these were already carrying heavy burden of providing for their families, hence resorted to micro businesses as alternative to formal employment. However, it was not clear why none of the people in the age of 40- 50 years were not in business. Moreover, it was established that more women than men were in small business in Rongo Constituency, an implication that business was becoming a preserve for women. Given that this envisaged variation on gender basis was minimal, it emerged that both men and women have been engaging in business as a form of occupation. Furthermore, majority of the entrepreneurs were married and hence would have been expected to take initiatives in accessing funds from financial institutions for investment in businesses.

Out of the 120 respondents who completed the questionnaire, 76 (63.33%) had humble primary level and below, 21 (17.50%) had secondary, 19 (15.83%) obtained tertiary and 4 (03.33%) had other forms of education. It was also noted that most business entrepreneurs were academically challenged and hence unlikely to acquire information on how to enrich their enterprises through loans. Moreover, business was still being viewed as a field of practice and experience that did not attract highly educated people.

Concerning areas of business operations, 34(28.34%) were in green grocery, 32(26.66%) did hawking, 27(22.50%) operated whole sale enterprises, 15(12.50%) were in retail businesses and 12(10%) were in the service sector, yet none indicated the other category. Implied by these statistics is that most low income business entrepreneurs were engaged in simple enterprises and lacked sufficient security to obtain loans from financial institutions. Moreover, they seemed unprepared to expand their businesses as shown by choice of businesses that did not require sophisticated business experiences. Indicating the period of time they had operated their businesses, 12(10%) stated having been in businesses for below 1 year, 15 (12.50%) for 1-2 years, 27 (22.50%) indicated 2-3 years, with 32 (26.66%) stated 3-4 years and 20(16.34%) having been in business for 4-5 years, while 14(12%) had been in business for over 6 years.

Focusing on the major study variables, pricing of financial products described the charges and levies on savings, credit facilities and general interests against loans, as well as different forms of penalties on accrued defaults. Such charges generally make it intricate for low income entrepreneurs to access funds from financial institutions. Pricing was therefore measured on the basis of; amount of credit borrowed, prevailing interest rates, frequency of borrowing and the type of financial products commonly obtained by the clients.

As revealed, out of the 120 respondents who completed the questionnaire, 04(3.33%) stated that they borrowed below 10,000/, 12 (10%) obtained 10,000-50,000/, 06 (05.00%) indicated having borrowed 50,000-90,000/, with 34(28.33%) stated getting 90,000-130,000/and 64(53.33%) indicating above 130,000/. It is therefore deductible that the vast majority of entrepreneurs in Rongo Constituency were unable to obtain substantial amount of funds as a result of exorbitant interests these products attracted. Due to the fact that the prevailing interest rates charged on loans were perceived to be relatively high, most of the low income entrepreneurs encountered serious challenges in accessing credit facilities from the financial institutions.

Disclosing how frequently they obtained micro finance products, none stated less than a year, 19 (15.33%) mentioned 2-3years, 31(25.83%) indicated 4-5 years, while the vast majority 79(65.83%) mentioned that they accessed these funds after a period of five years. Implied by these statistics was that most clients had hardly been in a position of accessing the micro finance products, since these were out of reach of ordinary small business entrepreneurs. Citing the commonly accessed micro finance products of, 06 (05.00%) stated that they were obtaining saving services, 68 (56.67%) mentioned accessing credit , 47 (39.17%) indicated advance and 09(07.50%) mentioning money transfer, while none identified with training. The implication of these statistics is that most of respondents identified with accessing credit services, a sign that access to micro finance products was generally low among the low income entrepreneurs in Rongo Constituency.

Concern about the repayment of a loaning facility by an individual lender is an indicator of how far one can access other micro finance products. This variable was viewed against such parameters as, lending conditions, suitability of lending conditions, and collaterals. Given that most of respondents identified with assets which they hardly possessed, hence were unlikely access micro finance products from these financial institutions.

Indicating the extent to which the lending conditions were suitable none stated extremely suitable and suitable, 14(11.67%) indicated they were neutral, with 62(51.67%) indicating less suitable, 44 (36.67%) stated the other category. Implied by these statistics was that most low income business entrepreneurs found the bank lending conditions as less suitable, hence were unlikely to access the micro finance products. Owing to the fact that most of the entrepreneurs did not possess substantial property in the form of collateral, they were unable to access micro financial products from the lending institutions.

Given that people gain knowledge when they are able to access information on issues relevant to whatever field of venture, the researcher believed that various micro financial products are on offer in the market. However, most of time, clients fails to obtain credible information on the most attractive packages in the market. In view of this eventuality, this variable was measured on the prism of, training on credit management, timing of training, forms of trainingandmeans of accessing information. Giving the extent to which they agreed or disagreed that training on credit management was being offered prior to accessing of micro finance products, none neither strongly agreed nor agreed, 14(11.67%) indicated they were neutral, with 62(51.67%) being in disagreement and 44 (36.67%) stating that they strongly disagreed. Implied by the statistics was that most financial institutions were rolling out loaning products to clients in total disregard to prerequisite training leading to poor management of the funds, dealing a major blow to their credit history for future borrowing.

On the timing of training offered, none indicated that these were given before disbursement, 12 (10%) stated after disbursement, 34(28.33%) stated periodically and 74(61.67%) indicated irregularly. Implied by these statistics was that when training were offered to clients, the timings were rarely appropriate as these were never done before disbursement to make them effective to learning outcome. The study gave the impression that many respondents received training on relatively diverse areas and hence one would view this as appropriate. It was observed that most clients did not obtain credible information from financial institutions. In this respect it was hardly easy to encounter many accessing micro financial products in Rongo Constituency.

In the study, it was assumed that a lot of the times, low income entrepreneurs wish to go for loaning facilities from financial institutions that are locally reached. In view of this, the variable was measured upon, access to service providers, type of service providers, distribution channels and the number of service providers. Indicating the extent of agreement that access to service providers influence access to micro, 12 10%) stated they strongly agreed,16 (13.33%) mentioned they agreed, 25 (20.83%) stated that they were neutral, 40(33.33%) disagreed and 37(30.83%) strongly disagreed. Implied by the statistics was that most clients believed that access to service providers was crucial to accessing micro finance products.

Besides, majority of the low income entrepreneurs are unable to consolidate sufficient collateral for loans resorted to village, non-formal loaning outfits known as shylocks that are exploitative. Moreover, a relatively higher number of clients were accessing micro financial products, either from agents or customer visits, with little attempt for banking staffs to visit the clients, hence this jeopardized their efforts in obtaining micro financial products.. By implication, the number of micro finance institutions being few in Rongo Constituency; it was difficult for low income entrepreneurs to access variety in terms of products.

5.3 Conclusions

Drawing conclusion from the study findings, it is crucial to observe that the key study variables that informed this work, in a great measure, were found to have had significant influence on accessibility to micro financial products by low income entrepreneurs in Rongo Constituency. Demographic characteristics held vital to the study included, age, sex, and marital orientation, as well as level of education, area of micro business in addition to the duration of operation.

Pricing of financial products took the form of charges that generally make it intricate for low income entrepreneurs to access funds from financial institutions. Pricing was therefore noted to influence access to financial products on the basis that amount of credit borrowed, prevailing interest rates, frequency of borrowing and the type of financial products commonly obtained by the clients were found to considerably influence access to micro financial products.

The repayment of a loaning facility by an individual lender was pointer to how far one can access other micro finance products. This variable was viewed against such parameters as, lending conditions, suitability of lending conditions, and collaterals, each of which had substantial influence on access to micro finance products. Given that most of respondents identified with assets which they hardly possessed, hence were unlikely access micro finance products from these financial institutions.

It was noted that information on issues relevant to whatever field of venture, the researcher established that various micro financial products were on offer in the market. However, most of the time, clients failed to obtain credible information on the most attractive packages in the market.This was attributed the forms of training used, type of training and how information was relayed not to mention who was to facilitate the training.

In the study, it was assumed that a lot of the times, low income entrepreneurs wish to go for loaning facilities from financial institutions that are locally reached. In view of this, the study revealed that access to service providers, type of service providers, distribution channels and the number of service providers, significantly influenced access to micro finance products among low income entrepreneurs in Rongo Constituency.

5.4 Recommendations.

From the study findings, recommendations both for policy formulation and further research were drawn.

5.4.1 Recommendation for policy formulation.

The study recommends usefulmeasures to be embraced by several stakeholders in different ways. To begin with, the government should strengthen fiscal micro finance policies promoting growth of small business entrepreneurs, both for those nursing business ideas and those already in different engagements. Besides, micro finance institutions should also tailor their products to suite the financial requirements of small business entrepreneurs. Moreover, the entire financial sector should develop in house training policies geared towards equipping the beneficiaries with credit management skills. Lastly, the government in its quest to address issues of unemployment and poverty eradication should formulate training policies that integrate entrepreneurship at all levels of learning in both formal and informal arrangements.

5.4.2 Recommendation for further Research.

The study recommends the following areas to be considered for further research:

1. What influence does culture have on accessibility to micro financial services among low income entrepreneurs in Rongo Constituency?
2. Would the study results change if inferential data analysis techniques were used instead of descriptive techniques?
3. Is there a significant difference in challenges of accessing business capital between small business entrepreneurs in Rongo Constituency and other regions in Kenya?
4. What are the positive consequences of accessing loaning facilities from the informal credit structures- Shylocks?

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APPENDIX A: LETTER OF TRANSMITTAL.

ANYUMBA THOMAS,

P.OBOX 2469,

KISII.

12/3/2014.

Dear Sir/Madam,

I am a student of Master of Arts in project planning and management at the University of Nairobi. I am conducting a research study to establish factors influencing accessing micro-finance products by low income entrepreneurs in Rongo constituency Migori County. The study is met purposely for academic and not any other reason. Your opinion and views are important for the successful completion of this study. I kindly request that you complete the questionnaire enclosed herein following instructions given after each item and return completed copies. Your co- operation will be highly appreciated and any information provided shall be treated with privacy and confidentiality.

Thank you in advance.

Yours Sincerely,

Anyumba Thomas

APPENDIX B: RESEARCH QUESTIONNAIRE FOR CLIENTS

SECTION A: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

1. Indicate your age in years

a) Less than 20. [ ]

b) 20-30 [ ]

c) 30-40 [ ]

d) 40-50 [ ]

e) Above 50 [ ]

2. State your gender

a) Male [ ]

b) Female [ ]

3 .indicate your marital orientation

a) Single [ ]

b) Married [ ]

c) Widowed [ ]

d) Divorced [ ]

e) Others (specify)

………………………………………………………………………………………………………

4. State your level of education

a) Primary and below [ ]

b) Secondary [ ]

c) Tertiary [ ]

d) Degree [ ]

e) Other (specify)

……………………………………………………………………………………………….

5. In which micro-business category are you involved?

a) Green grocery [ ]

b) Hawking [ ]

c) Wholesale [ ]

d) Retail [ ]

e) Service sector [ ]

f) Other (specify)

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6. For how long have you been in the business industry?

a) Below one year [ ]

b) 1-2 [ ]

c) 2-3 [ ]

d) 3-4 [ ]

e) 4-5 [ ]

f) Above 6 [ ]

SECTION B: INFLUENCE OF PRICING

7. Indicate the highest credit amount disbursed for you

a) Below 10,000 [ ]

b) 10,000-50,000 [ ]

c) 50,000-90,000 [ ]

d) 90,000-130,000 [ ]

e) Above 130000 [ ]

8. State the extent to which you agree or disagree that interest rates influence how much one can borrow

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

9. How often do you borrow for your business progress?

a) Below one year [ ]

b) 2-3 [ ]

c) 4-5 [ ]

d) Above 5 [ ]

10. Indicate the type of product you usually obtain from the banks

a) Saving [ ]

b) Credit [ ]

c) Advance [ ]

d) Money transfer [ ]

e) Training [ ]

11. To what extent do you agree or disagree that pricing of the products are influenced by variation in economy

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

12. In your own opinion explain the influence of product pricing on the accessibility of micro-finance Products by your business enterprise

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……………………………………………………………………………………………………

SECTION C: INFLUENCE OF CREDIT REPAYMENT

13. State the conditions upon which you normally obtain micro-finance products

a) Savings [ ]

b) Assets [ ]

c) Liquidity [ ]

d) Credit history [ ]

e) Others (specify)…………………………………………………………

14. How suitable are these conditions to your business financial needs?

a) Extreme Suitable [ ]

b) Suitable [ ]

c) Neutral [ ]

d) Less suitable [ ]

e) Other (specify)………………………………………………………………………

15. To what extent do you agree or disagree that availability of security determine your borrowing behavior?

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

16. In your own opinion explain how collateral influences accessibility of micro-finance products in Rongo constituency

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………………………………………………………….

SECTION D: INFLUENCE OF INFORMATION

17. To what extent do you agree or disagree that the training offered by micro-finance institutions is adequate for credit management.

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

18. Indicate the timing of such trainings

a) Before disbursement [ ]

b) After disbursement [ ]

c) Periodically [ ]

d) Irregularly [ ]

19. Indicate how training are financed

a) Micro-finance [ ]

b) Individual enterprise [ ]

c) Partnership [ ]

e) Donor[ ]

f) Others (specify)………………………………………………………………………

20.Which other form of information do you obtain from the micro-finance institutions?

a) New products [ ]

b) Changes in tariffs [ ]

c) Other products elsewhere [ ]

d) Progress reports [ ]

21. How do you normally access information about the micro finance products?

a) Local dailies [ ]

b) Company newsletters [ ]

c) Convened meetings [ ]

d) From other clients [ ]

22. Explain how accessibility to information influences access to micro-finance products

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SECTION E: AVAILABILITY OF SERVICE PROVIDERS

23.To what extent do you agree or disagree that you easily access microfinance service providers

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

24. Which micro-finance providers do you commonly access?

a) Banks [ ]

b) Sacco’s [ ]

c) Table banks [ ]

d) Shylocks [ ]

25. Indicate distribution channels these micro-finance institutions use to reach the customers

a) Agency banking [ ]

b) Staff visits [ ]

c) Customer visits [ ]

d) Other (specify)…………………………………………………………………………

26. Indicate the average number of micro-finance service providers in Rongo constituency

a) Less than 5 [ ]

b) 5-10 [ ]

c) 10-15 [ ]

d) Above 15 [ ]

27. In your own opinion, explain the influence of accessibility of micro-finance service providers on accessibility of micro-finance products in Rongo constituency

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APPENDIXC: INTERVIEW SCHEDULE FOR CREDIT OFFICERS

1. What are the key determinants of pricing of micro-finance products?

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2. How do the key determinant factors influence accessibility of micro-finance products to the clients?...
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3. How does pricing influence ability of clients to access your products?

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4. For how long have you served in this capacity in your bank?

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5. Which average amount of loan do majority of your clients go for?

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6. How frequently do clients borrow?

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7. What micro finance products do clients prefer?

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8. Which conditions inform your decision to award a certain credit to a client?

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9. Which micro-finance products do you offer to your clients?

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…………………………………………………………………………………………………

10.How do clients obtain information about your products?

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11. Do you consider training as a critical tool for disseminating information to clients?

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12. How often do clients make inquiries about your products?

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13. Indicate the average number of customers who access your products

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14. What are some of the measures put in place that influence credit management by client?

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