

**FACTORS INFLUENCING SELECTION OF RURAL
FINANCIAL SERVICES BY PASTORAL COMMUNITIES OF
KENYA: A CASE OF LOITA MAASAI COMMUNITY IN LOITA
DIVISION, NAROK COUNTY.**

by

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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD
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NAIROBI.**

2012

DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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DEDICATION

This research work is dedicated to my two sons, Olando Jnr and Musanga Jnr, who have brought joy and inspiration to work hard in life.

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TABLE OF CONTENTS

	PAGE
DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
LIST OF FIGURES.....	viii
LIST OF TABLES.....	ix
ABBREVIATIONS AND ACRONYMS.....	x
ABSTRACT.....	xi
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem.....	2
1.3 Purpose of the Study.....	3
1.4 Research Objectives.....	3
1.5 Research Questions.....	4
1.6 Significance of the Study.....	4
1.7 Delimitation of the Study.....	5
1.8 Limitations of the Study.....	5
1.9 Assumptions of the Study.....	6
1.10 Definition of Significant Terms.....	6
1.11 Organization of the Study.....	7
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Introduction.....	8
2.2 Pastoral Loita Maasai (Iloitai).....	8
2.3 Local Development in Loita Division.....	10
2.4 Overview of Rural Financial Services in Kenya.....	11
2.5 Factors Influencing Selection of Rural Financial Services.....	13
2.5.1 Financial Viability.....	13
2.5.2 Social-cultural Acceptability.....	14
2.5.3 Environmental Sustainability.....	15
2.6 Emerging Issues from Literature Review.....	16
2.7 Conceptual Framework.....	17
CHAPTER THREE: RESEARCH METHODOLOGY.....	19
3.1 Introduction.....	19
3.2 Research Design.....	19
3.3 Target Population.....	20

3.4	Sampling Procedure.....	21
3.4.1	Sample Selection Procedure.....	21
3.4.2	Sample Size.....	22
3.5	Methods of Data Collection.....	23
3.5.1	Collection of Primary Data.....	23
3.5.2	Collection of Secondary Data.....	24
3.6	Validity and Reliability.....	24
3.6.1	Validity.....	24
3.6.2	Reliability.....	24
3.7	Data Collection Procedures.....	25
3.8	Data Analysis Procedures.....	26
3.9	Operationalization of Variables.....	27
3.10	Ethical Considerations.....	28
3.11	Summary.....	28
CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION.....		i
4.1	- Introduction.....	29
4.2	Response rate.....	29
4.3	Classification of Respondents by Affiliation.....	29
4.4	Financial Viability.....	30
4.5	Environmental Issues.....	32
4.6	Social Cultural Concerns.....	32
4.7	Other Factors.....	33
CHAPTER FIVE: SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS.....		34
5.1	Introduction.....	34
5.2	Summary of Findings.....	34
5.3	Discussion of Findings.....	35
5.4	Conclusions of the Study.....	36
5.5	Recommendations of the Study.....	37
5.6	Suggestions for Further Study.....	39
REFERENCES.....		40
APPENDICES.....		46
Appendix 1: Letter of Introduction.....		46
'Appendix 2:'Oata Collection Instruments.....		47

TOOL A: FOCUS GROUP DISCUSSION (FGD) GUIDE.....	47
TOOL B: OBSERVER'S CHECKLIST FOR FGD.....	47
TOOL C: QUESTIONNAIRE FOR KEY INFORMANTS.....	48
Appendix 3: Map Showing Loita Division.....	51
Appendix 4: Selected Field Photographs.....	52

LIST OF FIGURES

FIGURE 1: STUDY CONCEPTUAL FRAMEWORK.....	18
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LIST OF TABLES

TABLE 2.1: OVERVIEW OF RURAL FINANCIAL SERVICES IN KENYA.....	12
TABLE 3.1: SAMPLE MIX.....	22
TABLE 3.2. OPERATIONALIZATION OF VARIABLES.....	27
TABLE 4.1: RESPONDENTS CLASSIFICATION BY AFFILIATION.....	30
TABLE 4.2: FINANCIAL VIABILITY.....	31
TABLE 4.3: ENVIRONMENTAL ISSUES.....	32
TABLE 4.4: SOCIAL CULTURAL ISSUES.....	33

ABBREVIATIONS AND ACRONYMS

ALRMP		Arid Lands Resource Management Project
ASALs		Arid and Semi-arid Lands (areas)
ASCA		Accumulating Savings and Credit Association
CARE		Care International (NGO)
CBO		Community Based Organization
CDF		Constituency Development Fund
COCOBA	-	Community Conservation Bank
FGD		Focus Group Discussion
FSA		Financial Services Association (Variant for Village Bank)
GoK		Government of Kenya
HPI		Heifer Project International
HIT-MAC	-	High Impact Trainers and Management Consultants
ILIDP		Ilkerin Loita Integral Development Project (NGO)
Iloitai		Loita Maasai Community (native name, alternate <i>Oloitai</i>)
KEFRI		Kenya Forest Research Institute
KERRA		Kenya Rural Roads Authority
KARI		Kenya Agricultural Research Institute
LASDAP		Local Authorities Service Delivery Action Plan
LATF		Local Authorities Transfer Fund
LDF		Loita Development Foundation
MF		Microfinance
MFI		Micro finance Institution
MMD		Mata Masu Dubara (VSLA Variant in Niger)
NGO		Non-Governmental Organisation
PRA		Participatory Rural Appraisal
PCDA		Pastoral Community Development Association
RAs		Research Assistants
SACCO		Savings and Credit Cooperative Society
UoN		University of Nairobi
VSLA		Village Savings and Loans Association

ABSTRACT

The purpose of the study was to establish factors influencing selection of rural financial services in pastoral communities of Kenya using experiences from the pastoral Loita Maasai community in Loita Division, Narok County. The study aimed to achieve three main objectives, namely: (i) Examine how financial viability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division; (ii) Establish how environmental sustainability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division; and (iii) Establish how socio-cultural acceptability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division, Narok County. 28 respondents were purposively sampled from the 6 Pastoral Community Development Authorities (PCDAs), financial institutions operating in Narok region, Provincial Administration, opinion leaders, community based development groups, and programme officers from NGOs operating in the area. The study recorded an excellent response rate of 82%. The findings, discussions and recommendations contained in this report will be useful input for designing suitable rural development strategies for reducing poverty and accelerating development in arid and semi-arid lands (ASALs). It is expected that outputs of the study will inform various stakeholders in the local development sector as well as micro-finance industry about the critical success factors for developing sustainable rural financial systems in pastoral communities especially the Loita Maasai. The study adopted a sample survey design to help undertake descriptive research. Apart from questionnaires and interview guides, Participatory Rural Appraisal (PRA) was used to engage the target community leaders, women and youth groups on the study topic. More than 80% of the target respondents from the elders' council, women and youth groups were interviewed during a political leaders meeting held on 31st August 2012 near Ilkerin shopping centre. Most of the quantitative data was analyzed using Statistical Package for Social Sciences (SPSS) and presented using frequency distribution tables. The Atlas TI software was used to synthesize qualitative information into a coherent description, similar responses given appropriate code frames and excerpts extracted from the narrative. According to the study findings on financial viability, there were no formal financial institutions in Loita Division though the Division was profitable for financial institutions. At the same time, support to community owned financial providers, a consumer-friendly loan repayment system, consumer protection policy and pro-poor components influence selection of rural financial services by pastoral communities such as the Loita Maasai. On the environmental issues, the ability of the model to provide a number of opportunities to improve environment sustainability, association, and community coordinated implementation of the conservation and rural finance components influence its selection. On the social cultural concerns, the ability to build mutually supportive culture, provision of social funds to support education, ritual rites and access to health as well as contribution to social status and building of trust has influenced the choice of financial services in pastoral communities. The study recommends that further research be conducted in another constituency where a different economic activity is practiced, in agriculture or fishing regions, on the same topic in order to generate a broader understanding of the factors influencing selection of financial services in multi-cultural pastoral society. It is also recommended that research be conducted to establish the impact of gender issues on local development in pastoral communities such as the Loita Maasai of Narok County.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Rural financial services refer to all financial services extended to agricultural and non-agricultural activities in rural areas; these services include money deposit/savings, loans, money transfer, safe deposit and insurance. In most rural areas, demanders/ and beneficiaries of rural financial services are mainly households, producers, community development committees, input stockists/suppliers, traders, agro-processors and service providers (Kibaara, 2006).

Rural financial services help the poor and low income households increase their incomes and build the assets that allow them to mitigate risk, smoothen consumption, plan for future, increase food consumption, invest in education and other lifecycle needs. These needs can be broadly categorized into working capital, fixed asset financing, income smoothing and life cycle events. Access to credit and financial services has the potential to make a difference between grinding poverty and economically secure life. Despite the importance of a savings account, 77% of Kenyan households have no access to a bank account (Kodhek, 2003). In the late 1990's, most mainstream commercial banks closed down their rural branches in order to cut operational costs and improve profits. The non-traditional financial institutions have emerged to fill the gap created by the mainstream banks which locked out low income and irregular earners. This study covered both traditional and non-traditional financial services provided in Loita Division.

The Loita Maasai (Iloitai) is a sub-tribe of the larger Maasai community residing in Loita division of Narok South district, situated approximately 300 Km South of Nairobi, along the common border of Kenya and Tanzania. Southwards, the Iloitai extend across the international border to the Loliondo district of Northern Tanzania. According to the ILIDP Strategic Plan 2012-2016, the estimated population of the Loita community is slightly above 26,000 residing in over 60 settlements spread over an area of 1,700 square kilometres: 47% of the total population is male and 53% female.

The community is predominantly pastoralists raising livestock especially cattle, sheep and goats as the main source of livelihood: They rely on livestock production for their subsistence and economic needs. The Iloitai are a unique Maasai people in that their lifestyles are still more or less traditional though slowly adapting to present day realities. Their land is owned, held and used communally under cultural practices and norms. They also move from place to place in search of better pastures for their livestock. To most of them, cattle are a source of social prestige and indicator of social status: Over 90% of the community solely relies on livestock for sustenance.

1.2 Statement of the Problem

Promoting efficient, sustainable and widely accessible rural financial systems remains a major development challenge in most sub Sahara African countries. With about 73% of Africa's population living in the rural areas and experiencing a high incidence of rural poverty, improved rural finance is crucial in achieving pro-poor growth and poverty reduction goals. However, in most cases development of rural financial systems is hampered by the high cost of delivering the services to small, widely dispersed customers; as well as a difficult financial terrain - characterized by high covariant risks, missing markets for risk management instruments and lack of suitable collateral for credit access (Onumah, 2002).

Due to the remoteness and contextual hardships of Loita such as lack of good infrastructure and harsh ecological conditions, penetration of formal financial services has been limited over years. Most pastoral communities tend to have a negative attitude towards monetary savings and focus on accumulating wealth in form of livestock: Loita Maasai community is no exception (ILIDP SP 2012-2016). This situation could be an indicator that significant gaps exist in finance and investment pipeline among the pastoral Loita Maasai community (Iloitai). Most likely, the lack of organized financial intermediation services together with a relatively rigid culture has slowed socio-economic development of the Iloitai. Although local development structures such as the Pastoral Community Development Associations (PCDAs) exist in Loita, they tend to lack an organized system of financial intermediation that has ability to spur the desired socio-economic

development in the locality (ILIDP SP 2012-2016). This reality presents the Iloitai with an opportunity to select the "best-fit" financial services from a pool of prospective service providers from both formal sector (banks, cooperative societies, micro-finance institutions, etc) and informal sector (money lenders, "*chama*" pyramid schemes and accumulated savings and loan schemes).

The Loita Maasai reside in a remote-rural locality hence a financial service is likely to be chosen or adopted if it addresses their unique situation. The researcher is not aware of any scientific investigations undertaken on the study topic. It is hoped that information generated through this study will help reduce existing knowledge gap on factors influencing selection of rural financial services in pastoral communities in Kenya by drawing experiences and lessons learnt in Loita Division.

1.3 Purpose of the Study

The purpose of the study was to establish factors influencing selection of rural financial services by pastoral communities of Kenya using experiences from the Loita Maasai community in Loita Division, Narok County.

1.4 Research Objectives

The objectives of this study were to:

- i) Examine how financial viability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division, Narok County;
- ii) Establish how environmental sustainability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division, Narok County;
- iii) Establish how socio-cultural acceptability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division, Narok County.

1.5 Research Questions

The study was guided by the following research questions:

- i) What financial viability issues are considered by the pastoral Loita Maasai community when selecting rural financial service models in Loita Division, Narok County?
- ii) Which environmental factors are considered by the pastoral Loita Maasai community when selecting rural financial services in Loita Division, Narok County?
- iii) What socio-cultural concerns are considered by the pastoral Loita Maasai community when selecting rural financial services in Loita Division, Narok County?

1.6 Significance of the Study

This study report is useful to various stakeholders in the development sector as well as micro-finance institutions (MFIs) seeking strategic entry in arid and semi arid areas of Kenya. The findings, discussions and recommendations contained in this report may be useful input for designing suitable rural development strategies for reducing poverty and accelerating development in arid and semi-arid lands (ASALs). In particular, the study has generated baseline data and information on factors influencing selection of various financial services among the Iloitai. Facts about the extent to which financial viability, socio-cultural acceptability, and environmental sustainability influence selection of a given financial service in the pastoral communities have been made available to key stakeholders.

Users of the study report may include local development actors such as the Ministry of North Eastern and ASALs, Narok County Development Committee, ILIDP, PCDAs, Microfinance Institutions (MFIs), Community based organizations (CBOs), and Non-governmental organizations (NGOs) with interest in Loita Division. Informed decision making by these actors is likely to accelerate investment in the much needed formal rural financial intermediation in Loita hence promoting local development. It is also expected that newly generated knowledge will help scholars and social researchers understand how selection of suitable ("best-fit") financial

services works in an environment of rich cultural values, livestock keeping and other pastoral activities such as Loita Division in Narok County.

1.7 Delimitation of the Study

The study was undertaken in Loita Division, Narok South District of Narok County. Loita Division consists of 6 administrative locations, and 9 sub-locations, covering an area of about 1,700 km² rolling on a 2,000m high plateau, bound to the east by the Nguruman Escarpment, to the north by the Loita Hills and to the west by the Siana and Mara plains. Participants in the study were purposively sampled from the Pastoral Community Development Authorities (PCDAs), financial institutions operating in Narok region, Provincial Administration, opinion leaders, community based development organizations, and programme officers from NGOs operating in the area.

1.8 Limitations of the Study

The following two main factors presented challenges in the course of research work:

Language barrier - The Iloitai are proud speakers of their native Maasai language and majority of them may not pass the basic proficiency in national languages (English and Kiswahili). However, the research methodology was designed to allow for participatory approaches during data collection and information gathering. A language translator who also double duty as a research assistant, with fluency in Maasai, was engaged to ensure every target respondent's input is well communicated and captured correctly.

Poor transport network - Loita Division is located in a remote area that is underserved in many economic perspectives. Not all areas covered by the study (Loita Plains and hills) were serviced by rural access (murrain) roads and neither of the feeder roads were well maintained. However, field work was undertaken just after the rainy season, September, to avoid foreseeable mobility barriers such as busted banks of Mara River and overflow of bridges. The research team hired off-road transport (4x4 Prado) for use in the rugged terrain. These measures enabled the team to reach all target respondents within planned timeframe thus enhanced quality and reliability of results.

1.9 Assumptions of the Study

The study was carried out under one main assumption: The target key informants from the pastoral Loita Maasai community would not be affected by drought/ and insecurity leading to their unforeseen movement outside Loita Division especially southwards to Loliondo plains in the Republic of Tanzania. Such migration could have resulted into dismal response rate hence denying the researcher an opportunity to accurately and confidently make opinion and conclusions on the study objectives.

1.10 Definition of Significant Terms

Rural Finance encompasses the range of financial services offered and used in rural areas by people of all income levels. It includes both microfinance and agricultural finance targeting the underserved population.

Rural financial services refer to all financial services extended to agricultural and non-agricultural activities in rural areas; these services include money deposit/savings, loans, money transfer, safe deposit and insurance. Demanders/beneficiaries of rural financial services are mainly households, producers, input stockists/suppliers, traders, agro-processors and service providers (Kibaara, 2006). Any financial service that targeted the poor and low income households in Loita Division of Narok County with aim of increasing their incomes and building the assets required to mitigate risk, smoothen consumption, plan for future, increase food consumption, invest in education and other lifecycle needs was considered in the study as a rural financial service.

Pastoralism can be described as a mode of livestock production that is adapted to the conditions of aridity and uncertain rainfall patterns and weather conditions such as those depicted in Loita Division.

Financial viability includes issues relating to design and implementation of a particular financial service delivery scheme from an economic perspective (Wild, 2008). This aspect of the study was assessed both in the long term and short term, including the strengths and weaknesses of various rural financial services.

Environmental sustainability refers to the ability of a given financial services to uphold or promote natural co-existence of communities and resources in the target

location. This aspect of the study was assessed particularly with reference to the biodiversity or environmental management objectives of the selected financial services in Loita Division.

Socio-cultural acceptability refers to the ability of a given financial service to be received and tolerated in the Loita Division. The study examined issues of group dynamics, broader natural resource governance, building of social capital, contribution to poverty alleviation as well as gender issues in Loita Division.

Remote areas: Remote, by itself, has elements of economics, livelihood, locale, and social status. Remote areas usually are poor and sparsely populated, with limited infrastructure and tenuous links to urban financial systems (Grant and Coetzee, 2005).

1.11 Organization of the Study

This study report has been organized into five (5) main Chapters, namely: Introduction; Literature Review; Research Methodology; Data Analysis, Presentation and Interpretation; and Summary of Findings, Discussion, Conclusion and Recommendations. Apart from Chapter One, each of the subsequent four Chapters contains an introductory part that outlines key sections covered for ease of readership. All secondary sources cited in the main documents (Chapter 1-5) are listed in the References section just after the fifth Chapter. The Appendices section contains all documents and tools used for planning and conducting the field study, a geographical map showing Loita Division and selected field photographs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter discusses findings of desk research on secondary data sources that are relevant to the study. Specifically, the chapter presents an in-depth understanding of the target community (Iloitai), context of the study, selected rural financial services in Kenya and factors influencing their selection. Key issues emerging from the literature review are discussed before presenting the conceptual framework for the study.

2.2 Pastoral Loita Maasai (Iloitai)

Maasai is a linguistic term, referring to speakers of the Eastern Sudanic language (Maa) of the Chari-Nile branch of the Nilo-Saharan family. The *Maa* language has two internal sub-divisions (dialects): North Maa includes the speech varieties of the Iisampur (Samburu) and Ilcamus (Njemps). South Maa is said to include the varieties spoken by the Ilarusa, Ilmoitanik, Isiria, Ilwuasinkishu, Ilpurko, Ilkeekonyokie, Ildamat, **Iloitai**, Isikirari, Iloodokilani, Ildalalekutuk, Ilkaputiei, Ilmatapato, Ilkisonko, and perhaps others. The Maasai are further divided into clans whose members stem from the same male ancestor not far back in history. Regardless of clan or family affiliations, all Maasai are also members of one or two moieties, one called *odomong'i* (house of the red oxen) and the other *orok-kiteng'* (of black cattle) (Vossen, 1988).

Before the colonial era (around 1890), the Maasai had a grazing range which comprised more than two thirds of present-day Kenya (Maundu P. et al, 2001). Majority of the Maasai population in Kenya is presently confined to the drier plains of Kajiado, Narok and Samburu Districts. They number about 450,000 with a birth rate of about 3.5% and an infant mortality of 8% (KBS 2009 Census). Although over the years the Maasai have undergone great changes in structure and organization, they are a unique ethnic group which has largely resisted rapid socio-cultural transformation change. The consequence of all the foregoing socio-economic developments has been access to grazing resources than before, less freedom of movement from one region to another, concentration of livestock in the more fragile dry ecosystems, degradation of

natural vegetation and soil erosion, fewer animals per family, social and cultural erosion and increased poverty. Despite these developments, the Maasai are recognized the world over for their lifestyle centred on their cattle, the tenacity to their culture and their traditional way of dressing (Vossen, 1988).

The Maasai keep animals for both economic reasons and as a source of food. Livestock keeping is the single most important form of earning a livelihood among the Iloitai. According to the ILIDP Strategic Plan 2012-2016, an ordinary Iloitai family has about 10-20 heads of cattle and 30-60 sheep and goats. Some families however may have over 1,000 head of cattle and 1,500 goats and sheep while some have as few as three (3) heads of cattle. Milk from cows, especially fermented, is the main traditional food of the Maasai. Herbal soup is an important part of the diet for most people, men and women alike, but especially for the warrior age group. It is taken as a health food by ordinary people and as a drug by warriors. Wild food, especially fruits, tubers, resins and roots, are still important, particularly to women and those taking care of animals in the field (Maundu et al, 2001).

The Loita Maasai live in six sub centres, each consisting of several homesteads (sometimes 100 or more) scattered in one general area and with a central area that has facilities such as a clinic, school and shops. More often than not, the family is polygamous with the number of wives per household head averaging two to three. Young boys, girls and occasionally the women look after cattle. Boys of between 8-13 years provide most hours of herding. Girls in their early teens, on the other hand, help their mothers in home chores such as gathering firewood but get married earlier than the males, usually between the ages of 14 and 16. The woman is responsible for her portion of livestock from which she gets milk for the family. She is also responsible for gathering firewood which in Loita may be obtained from as far away as seven (7) km and may be brought up to four times a week, in loads up to 60 kg. The man is the head of his set of family units, each of which consists of a woman and her children. He takes important decisions such as where to graze and may undertake large projects such as fencing the homestead and animal enclosures. In all however, the man is far less busy than the woman and can spend long hours chatting with, and

getting news from colleagues (*lomon*), which is also important for the family (Maundu P. et al, 2001).

Land in Loita is owned communally by the Loita community and ideally one can live and have access to resources anywhere in the land of the Iloitai. However, each community has some control over access to resources in the vicinity of their settlement. Permission to use specific resources has to be sought from the community elders. Grazing during normal seasons is thus limited to specified places within the home range (ILIDP Strategic Plan 2012-2016). In addition to village elders, Maundu (2001) observes that the Chief *Olaibon* plays a key role in decision making regarding the extraction of large wood quantities. Other resources, such as medicinal and food plants, appear to be plentiful enough and can be obtained freely from anywhere with little objection.

All political leaders are elected during the warrior-hood (moranhoo) stage and retain their positions throughout their lives. According to Voshaar (1998), for varying periods sometimes lasting up to seven years, the boys are trained in the forest in a variety of skills and knowledge, ranging from fighting techniques to the knowledge of medicinal plants and their uses-respected elders from the villages thereby acts as tutors. At the end of the warriorhood stage the leaders cut their hair in the sequence of their rank to become *ilpayani* (elders). The Chief *Olaibon* oversees the rituals of all Maasai sections. He names age groups and, in collaboration with the elders, decides on the time to end a current age set and start a new one. Age groups and age sets are important social structures among the Maasai. An age group is composed of men who were initiated during a given time span, usually about eight years. They represent men who have similar experiences hence have much in common. Their age difference may be as high as ten years (Maundu et al, 2001).

2.3 Local Development in Loita Division

The office of the Divisional Community Development Assistant of Narok County Council is based at Ilkerin and works closely with local development actors on many social issues including the Local Authorities Service Delivery Action Plan (LASDAP) and Local Authorities Transfer Fund (LATF) for the division. Through

the Arid Lands Resource Management Project (ALRMP), the Government of Kenya (GoK) collaborates with other local actors in alleviating poverty and improving the quality of life in Loita. Although the GoK established the Kenya Rural Roads Authority (KERRA) to spur development of rural access road network across the country, literature review and field data indicated that presence of KERRA is dismal in Loita. Some of the governance changes envisaged in the New Constitution include implementation of devolved governments (the 47 Counties). This implies that after March 2013, all development issues in Loita Division shall be identified and coordinated by the Narok County Government through a participatory process as will be outlined in a time-bound County Development Plan.

The six (6) Pastoral Community Development Associations (PCDAs), supported by Ilkerin Loita Development Programme (ILIDP), are the main structures used to coordinate development activities in Loita. The Constituency Development Fund (CDF) of Narok South has also supported a number of projects in the area especially in education. Moreover, there are a few other active development actors in the Division such as; the Loita Development Foundation (LDF) working in the Ecotourism sector and a partner of Heifer Project International (HPI), VSF Germany working in the animal health sector and Care International. Notably, two Government research institutions- Kenya Agricultural Research Institute (KARI) and Kenya Forest Research Institute (KEFRI), carry out their activities in the Division (ILIDP Strategic Plan 2012-2016).

2.4 Overview of Rural Financial Services in Kenya

From literature review, different approaches are used to provide essential financial services to rural communities in Africa. Generally, financial services provided in the rural parts of Kenya may be broadly classified into two categories, namely: (i) Formal financial services which are provided by regulated (formal) financial institutions mainly composed of commercial banks, Savings and Credit Cooperative Associations (SACCOs), and Micro Finance Institutions (MFIs); and (ii) Informal financial services which are provided by the unregulated financial intermediaries such as money lenders (shylocks), pyramids (*chama* or merry go-round), financial services associations (FSAs)/village banks, and accumulating savings and loans

schemes such as village savings and loans associations (VSLAs) designed by CARE International. Mobile money transfer services such as Airtel money, Mpesa, Orange money among others may also be grouped under this category. The study covered both formal and informal financial services present in Loita Division. A summary of strong points and inherent limitations of formal and informal rural financial services provided in Kenya is presented in Table 2.1.

Table 2.1: Overview of Rural Financial Services in Kenya

Service Provider	Strong Points	Inherent Limitations
Commercial Banks	Access to structured loans and savings plans; High interest rate-given as dividends to members at the end of each financial year; Credit risk management	Limited outreach since in the rural areas, you must go to them; High transaction costs; High collateral requirements
Savings and Credit Coop. Societies (SACCOS)	Located in rural areas; Usually modelled on the main economic activities of the society	To become a member- requires contribution of minimum share requirement
Micro Finance Institutions (MFIs)	Groups usually have a long-term relationship with the micro-finance agency; Loan appraisal and approvals; Credit is usually group guaranteed and this minimises cases of default; Promote sometimes savings which are compulsory	Access to loan is limited to the performance of the whole group; High transaction costs; Credit is usually group guaranteed - all members are responsible in case of default
Financial service Assoc. (FSAs)	Locally owned and managed; Separation of ownership and management	Found only in Kenya Limited and inflexible loan amounts
Accumulating Savings and Loans Associations	Informal voluntary groups; Group cohesion	Semi-structured financing scheme
Rotational Savings and Credit Ass. (ROSCAs)- <i>Chama</i>	Access to a lump sum amount Repayment through peer pressure Self managed groups; Mobilization of savings	Inflexible timing Limited and inflexible loan amounts Risk of loss in investment
Money lenders	Rapid response to credit needs; Client selection based on personal knowledge of the client	Extremely high interest charged; Sell products below market price
Pyramids (Shylocks)	Access to big amount of money No interest charged	Access to funds is subject to bringing new members High/punitive default rate
Mobile Money Transfer	Within reach of the rural unbanked people; Wide network coverage Minimal transaction costs	Security of transactions not strong; Restricted to mobile telephone network

Source: FSD Kenya Reports 2007-11

According to the Financial Sector Deepening Kenya (FSD Kenya) Reports (2008, 2011), only 19% of adult Kenyans have access to a formal financial institution (commercial bank or finance mortgage firm) while over a third (38%) have no access to even the most rudimentary form of informal financial service. This leaves a percentage of more than 80% outside the bracket of the reach of mainstream banking. 8% of the Kenyans access semi-formal financial services (SACCOs and MFIs) while 35% access informal financial services (ASCAs, ROSCAs, money lenders, etc).

2.5 Factors Influencing Selection of Rural Financial Services

2.5.1 Financial Viability

According to Wild (2008), financial viability components may be analyzed under the following thematic areas:

Availability of other financial services - As is the case for many rural communities in Africa, Loita Division (pastoral villages) may not be particularly attractive to MFIs or commercial financial institutions. The research provided information about the range of financial services available in the area and their use by the respondents.

Availability of start up funds - Apart from commercial banks, most of the rural financial services are community-owned and managed. Ability to give grants or loans in the first instance without dropping fairly early is considered as one of the measures for liquidity. The study interrogated the influence of supporting the local people set up a particular financial service mechanism on its selection in Loita. Although some literature sources have cited a number of places where projects have effectively started without start-up funds, previous research seems to have focussed on smallholder agricultural communities in Kenya. Under this area of study, advantages and disadvantages of start-up funding were examined within the context of Loita Division.

Credit period - Ideally, the loan awarded should be repaid within the economic ability of the borrowing local people. For Loita Division, an ideal repayment period should be seen to be favourable to the nomadic and climatic conditions of the area- loans should be structured conscious of the drought cycle.

Loan repayment system -In practice, loan repayment may be either in small amounts and on a regular basis, or in a lump sum final payment. For example, some rural

financial service providers such as the MFIs and FSAs have encouraged weekly payments that are flexible enough to meet cash flow requirements of the borrower.

Consumer protection - This refers to measures integrated in service delivery so as to cushion the investor or members from unregulated exploitation by selfish people in the community as well as business oriented institutions targeting high interest rates and punitive transaction costs.

Impact on the poor - This is usually examined in terms of a given financial service contributing to poverty alleviation and encouraging participation from lower income sectors of the community (pro-poor initiatives). Effects of increased economic activity are most likely to be seen by employment and self-reliance within the community. These indicators were interrogated in terms of contribution made by a financial service to improving the general wellbeing of the people of Loita.

Capacity building and scheme expansion - This is defined by the ability of a financial service or scheme to be technically implemented and scaled up over time, both in terms of outreach and the level of savings that are mobilized. Much of this would be linked to the design of apex organisations and forging strategic links with other financial institutions.

2.5.2 Social-cultural Acceptability

Social-cultural acceptability may be assessed in terms of the following dimensions (Wild et al, 2008):

Social capital development - Ability of a financial service or model to build and sustain mutually supportive culture within the target group or community. From literature review, this may be more important than the financial benefits derived from financial services especially for pastoral communities such as the Iloitai.

Provisions of social funds - These funds include advances or loans to cover mainly health, education, and emergency bills. In some communities, this is much appreciated and ranked highly when scored. For example, financial schemes may deliberately plan to finance locals for a social event or seasonal festival, so members would have a lump sum to meet social obligations.

Contribution to social status -As has been mentioned before, the pastoral Iloitai are sensitive to social status. This dimension was therefore assessed in terms of support

for livestock keeping, improved housing, and increased credit worthiness enabling members to borrow money from other sources such as banks, among others.

Group motivation - The length and level of support to microfinance projects is important: they are long-term efforts and motivation has been identified as a livelihood 'flow' in that follow up, contact and communication helps maintain the motivation of groups.

Cultural and religious issues- Influence of gender roles and religious beliefs on selection of services are examined under this theme. For example, project implementers may seek the advice of the Community Priest (traditional or conventional) on religious issues related to financial services and particularly regarding interest. This has been reported to be strong among the Islamic and traditional communities. Members may also drop out of a group early due to religious concerns.

Trust building/breaking - Community memories are long when it comes to making losses from failed microfinance projects hence it is imperative to provide sufficient inputs for successful project implementation'and sustainability. For instance, previous bad experiences with community-based microfinance initiatives may discourage selection of a given financial service and vice versa.

2.5.3 Environmental Sustainability

Environmental conservation and management is a global issue. More so, it is an emotive issue amongst the pastoral communities due to their exposure to drought and hunger arising from environmental degradation in water catchment areas. Conflicts arising from common use and management of natural resources have been reported in Kenya and beyond (Wild et al, 2008). It is further observed that analysis of environmental sustainability for selected rural financial service model or scheme may take place at individual, household, association and community levels as explained below:

Individual business level - Ability of a financial service to provide a number of opportunities for improving environmental sustainability of individual businesses. The main mechanism used by many financial service providers is the setting of prohibitions against the most unsustainable activities. Environmental sustainability is-often not a clear cut issue and the way any individual business is operated affects

its environmental impact and hence sustainability. As a result this analysis could include examination of resource use and compliance with environmental regulations, among other considerations relevant to Loita.

Household level - At this level, the main focus would be whether the service allows households more options (choice) when they are trying to meet financial demands upon them. Availability of products that support household choices such as the social fund providing micro insurance may also be assessed under this area.

Association level - Most rural micro-finance models are designed on a group structure. Issues of peer pressure, environmental education, training, symbolic and ethical environmental links, and integration of community's social identity (performances) are analyzed at this level.

Community level - Coordinated implementation of the conservation and rural finance components is critical for programme sustainability. It is equally important to ensure that a rural financing project component is well integrated with other development and conservation components, for maximum effect. Population density is quite influential on the success of some microfinance initiatives. Some financial service models tend to perform better under urban and high rural population densities than others.

2.6 Emerging Issues from Literature Review

The following issues considered as key to this study emerged from the desk research.

Gender issues in Loita Division- The literature review indicated that women and girls are generally less favoured by the Loita Maasai culture than men and boys. Analysis of gender roles in the social organization of the Iloitai, as discussed under section 2.2, seems to support the foregoing indication. However, the field study sort to understand specific gender issues that influence socio-cultural acceptability of selected financial services in the community.

Gaps in provision of rural financial services to pastoral communities in Kenya-

The literature review also revealed gaps in formal financial intermediation amongst the pastoral communities of Kenya. This may be explained by the failure of formal or centralized financial institutions to reach remote areas especially in arid and semi

arid regions. The mainstream MFIs and banks have reported a number of challenges in penetrating such remote areas including among others; dilapidated infrastructure, low population density, small transaction sizes and risk-prone returns. All these inhibiting factors make it more often costly for financial institutions to deliver services in the remote rural areas. The foregoing discussion indicates that existing contextual realities (diversity of population) in Loita Division could interfere with objective selection of financial services. In designing the research methodology, challenges facing financial service delivery in Loita were examined as intervening variables, explained in the conceptual framework (Figure 1).

Opportunities for innovation in provision of rural financial service- As earlier mentioned with reference to FSD Kenya reports (2008, 2011), about 38% of Kenyans remain unbanked today. This fraction is still high for a developing country like Kenya thus presents opportunities to leverage on information community technology (ICT) as a business enabler. The Central Bank of Kenya (CBK) Financial Sector Survey (2008) sets the number of conventional mobile agency branches at 876 and 1,424 ATM machines. Although these statistics are likely to have changed over the last three years, the 2008 findings imply that within that short duration of operation, the number of M-banking outlets had tripled that of traditional banks. Porteous (2006) asserts that mobile banking has the potential to be transformational owing to various facts. First, it uses existing mobile communications infrastructure which already reaches unbanked persons. Secondly it may be driven by new players such as mobile phone industry operators with different target markets from traditional banks that are able to harness the power of new distribution networks for cash transactions. The foregoing attributes of M-banking make it more preferred in rural financing than the traditional approaches such as commercial banks.

2.7 Conceptual Framework

This section presents the Conceptual Framework which shows the link between the study concepts and the three areas identified for investigation in the study. Figure 1 shows the relationship between variables identified in the problem statement, objectives and research questions.

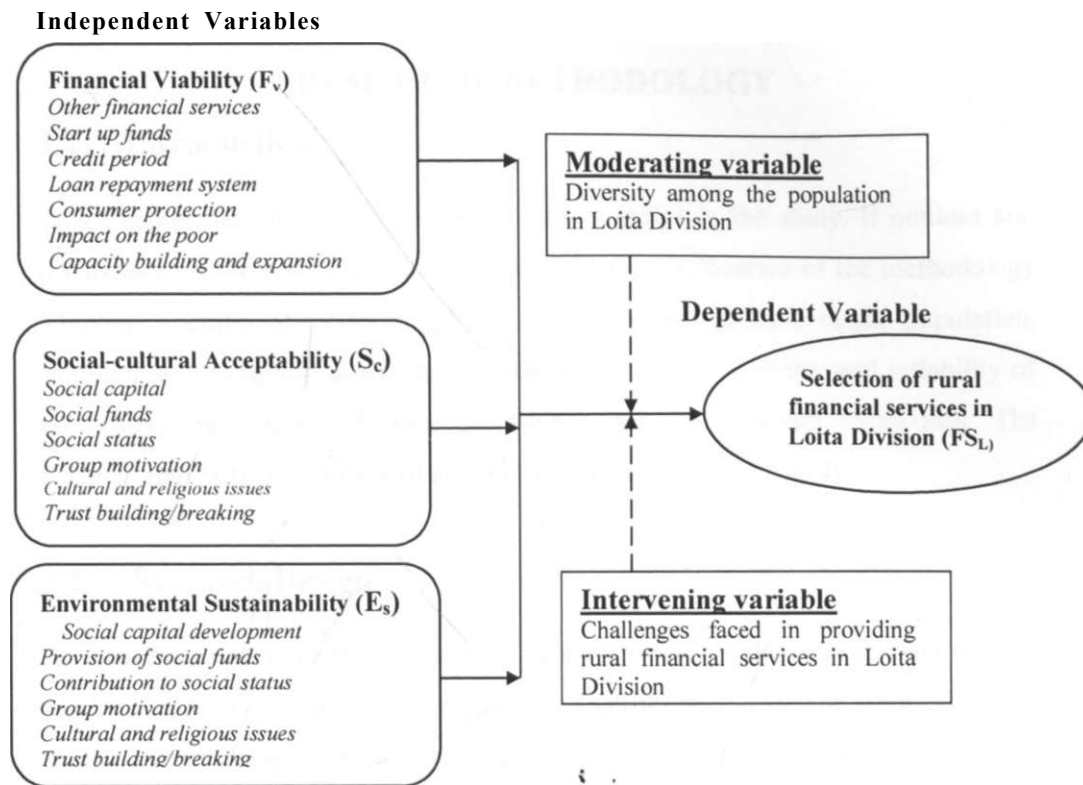


Figure 1: Study Conceptual Framework

The three main factors likely to influence selection of rural financial services in the target community were the independent variables denoted as follows: (i) Financial viability (F_v); (ii) Socio-cultural acceptability (S_c); and (iii) Environmental sustainability (E_s). "Selection of rural financial services in Loita Division" was the dependant variable, denoted as "FS_L". The independent variables were operationalized through measurement and assignment of values. Inherent challenges faced in providing rural financial services in Loita were the intervening variables while diversity among the Loita population was the moderating variable. The relationships were analyzed under the cause and effect model.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter describes research methodology applied in the study. It outlines and discusses how the research was conducted and the justification of the methodology adopted. Specific attention is given to the research design, target population, sampling and sampling procedures, research instruments, validity and reliability of the instruments, data collection procedures and data analysis techniques. The Chapter ends with a summary of key areas covered in the main body.

3.2 Research Design

A research design is a plan and strategy of investigating a phenomenon and it seeks to obtain answers to various study questions (Kerlinger, 1973). The study adopted a sample survey design to help undertake descriptive research. Kothari (2004) defines a sample survey as a way of collecting data from a population with a view towards making statistical inferences about the population using the sample. The descriptive survey design was considered suitable for the study since it would help obtain data that describes characteristics of the study topic. Descriptive statistics discover and measure cause and effect relationships among variables (Cooper et al, 2003). It is expected that findings and conclusions made from the case study of Loita community will help generate facts and useful information on factors influencing selection of rural financial services amongst the pastoralist communities in Kenya.

Participatory Rural Appraisal (PRA) was used to engage the target community leaders, women and youth groups on the study topic. PRA is one of the participatory research techniques in the class of qualitative research which is described by Chambers (1994) as a growing family of approaches, methods, attitudes and behaviours to enable and empower people to share, analyze and enhance their knowledge of life and conditions, and to plan, act, monitor, evaluate and reflect.

3.3 Target Population

Population is a group of knowledgeable people also known as universe (Hair et al., 2007). Cooper and Schindler (2003) define a population as the total collection of elements about which we wish to make inferences. The results of the K.BS 2009 Census put the population of Loita Division at slightly above 25,000. According to ILIDP Strategic Plan 2012-2016, the Division's population as at the end of 2011 was estimated to be 26,172 out of which 47% were male and 53% female. This number consisted of 11,643 adults (5,146 men-44% and 6,497 women-56%), 14,529 children (7,061 boys-49% and 7,468 girls-51%) distributed in 2,180 households.

In defining the most appropriate target population, a number of factors unique to Loita Division were considered. First, preliminary consultations with the political leadership of the Narok South Constituency revealed that it is the practice of the Loita Maasai community to identify, plan and participate in local development projects under the 6 pastoral community development associations (PCDAs). This approach to local development had proven to promote participation and inclusion of all the 6 administrative locations in the Division. Second, it is the norm of the Iloitai people to speak to visitors (or strangers) through their institutions of local governance. Guided by these two factors and research objectives, it was deemed prudent to define the target population as the total number of PCDAs/ community based groups/associations, councils, government agencies, faith-based and non-governmental organizations operating in Loita Division.

The target population was established to be 68 community-based institutions comprising of: 6 PCDAs covering the 6 locations in the Division; 5 NGOs including ILIDP; 28 women groups; 18 youth groups; 1 women council (the only one); 1 elders council (the only one); 1 livestock traders' cooperative society (the only one); 1 youth association/network (the only one); 5 commercial banks and micro-finance institutions operating in Narok County; and 2 Government Agencies (Narok South CDF and Provincial Administration representative).

3.4 Sampling Procedure

3.4.1 Sample Selection Procedure

Mugenda and Mugenda (1999) define a sample as a subject of a particular population. All the 6 PCDA management committees were selected since they represented all the 6 administrative units in Loita Division. Purposive sampling technique was applied in selection of a representative sample from programme staff and management committees of development organizations operating in the Division. This sampling technique was used due to its popularity in qualitative research and ability to allow selection of subjects because of some defined characteristics as observed by Patton (1990).

A table developed by Krejcie and Morgan (1970) was used to guide determination of the most appropriate sample size. According to the table, a population of 68 falls between 65 and 70 which have recommended sample sizes of 56 (86%) and 59 (84%) respectively. Going by these statistical values, a sample size of 58 (85%) could have been theoretically ideal for the target population (68). However, it was important to consider whether the theoretically ideal sample size could be practically achieved in the context of the study. Guided by the three study objectives and research design, a sample size of 28 (41%) was found adequate to provide enough accuracy and confidence to base decisions on the study findings.

All the 6 PCDA's were identified as key respondents as they offered institution-based representation of those member households that could have migrated southwards to Loliondo for greener pastures at the time of the study. In addition, selection of all the PCDA management committees ensured that all the 6 sub-locations in Loita Division were represented in the field study hence boost process buy-in from key stakeholders in Loita Division.

Project management committees from community based development organizations were selected based on relevance of their programmes to the study topic as follows: 2 Programme teams of the 5 NGOs including ILIDP (40%); 1 community based group from each of the 6 PCDA area of jurisdiction that is 6 of the 28 women's groups (21%) and 6 of the 18 youth groups (33%); 1 women council (100%); 1

elders council (100%); 1 livestock traders' cooperative society (100%); 1 youth association/network (100%). The 1/3 gender rule was applied within the selected groups, to ensure conformity with the overall gender mix (47% male; 53% female) in Loita Division. Business development officers from 2 out of the 5 (40%) commercial banks and micro-finance institutions operating in Narok County were selected to provide institutional development perspectives on the study topic. The local District Officer (DO) and 1 executive committee member of the Narok South CDF were approached for opinion and process buy-in. In applying the sample selection criteria, the Catholic Priest resident at the Entasekera Mission was involved as part of the elders' council to enhance ownership and acceptance of the field study by the local community.

3.4.2 Sample Size

Based on the sample selection criteria outlined under sub-section 3.4.1, 28 participants were sampled from ten (10) respondent categories as presented in Table 3.1.

Table 3.2: Sample Mix

Category	Population size	Percentage (%)	Sample size
PCDA Management Committees	6	8.8	6
NGO Programme Staff/Teams	5	7.4	2
Women Groups	28	41.2	6
Youth Groups	18	26.5	6
Women Council	1	1.5	1
Elders Council	1	1.5	1
Youth Association	1	1.5	1
Livestock traders' Cooperative Society	1	1.5	1
Financial Institutions	5	7.4	2
Government Agencies	2	2.9	2
Total	N=68	100	n=28

The sample size (41%) was found adequately representative of the population as it ensured that the subdivisions entailed in the analysis were accurately catered for.

This being a study focussing on one of the marginalized communities in the country, reliability of data was enhanced with involvement of both state and non-state actors in Loita.

3.5 Methods of Data Collection

3.5.1 Collection of Primary Data

Collection of primary data was done mainly using semi-structured questionnaires. The researcher was concerned with the opinion, perceptions views, feelings and attitudes. Bell (1993) observes that such information is best collected through the use of interviews and questionnaires. A questionnaire was preferred because it was economical to administer and suited all levels of literacy in the sampled population. The use of the questionnaire also ensured faster collection of data as well as a high return rate as they could be dropped and picked from the respondents easily.

The study also used a standardized interview guide to collect data from the community based project implementation committees. This approach helped to gather adequate qualitative information from the project implementers and community development actors. The guide also helped to reduce bias from the interviewers as well as produce consistent data easy to compare and analyze. Focus group discussions (FGDs) were facilitated through participatory rural appraisal (PRA) sessions with the PCDA's and community based development groups (women and youth groups). Observation was used where necessary to validate responses given during the FGDs and PRA.

Self administered questionnaires were provided for the technical groups such as the NGO programme teams and business development officers of banks and MFIs. This was done to ensure that individual staff members take quality time to understand and objectively respond to the study questions. Both teams based in Narok and field (Loita) were provided with printed copies of the questionnaires which were collected upon completion. Due to administrative protocols at play, the interview sessions for the two government agencies (DO and CDF) were administered by the researcher himself.

3.5.2 Collection of Secondary Data

Secondary data was collected from secondary sources. The choice of this method was guided by objectives of the study, nature and time available for the study. More so, it made information collected on this study more accurate and representative of the facts in the population. The secondary data was obtained from published sources (articles in journals), accessible government and micro-finance registries (sources), seminar and workshop power-point presentations accessible online, and programme records on situational analysis of Loita Division. This technique augmented primary data collected to shed light on factors that influence selection of rural financial services by rural communities of Kenya.

3.6 Validity and Reliability

3.6.1 Validity

A content related validity of the data collection tools was ascertained by conducting a pilot test of the questionnaires and the standardized interview guides in Ilkerin sub-location of Loita Division. The development of content valid instruments was also achieved by a rational analysis of the instrument by 3 raters familiar with the issues under study. Specifically, the raters reviewed all the sections for readability, clarity and comprehensiveness and came to some level of agreement as to which items should be included in the final instrument. These two approaches were used to identify any form of ambiguities or difficulties in responding to the questions. This enabled the researcher establish whether the questionnaire and the interview guide had been properly developed as to capture relevant and quality data for the study. The use of standardized interview guides and questionnaires guaranteed capturing of all information that was intended to be collected.

3.6.2 Reliability

The study used ordinal scales (1-3) to measure the construct of interest in a more respondent-friendly and economical manner. A well developed yet brief scale led to higher levels of respondent participation and comprehensiveness of responses making data collected more rich and able to answer the research questions. The researcher also employed the use of purposive sampling to ensure that only the sample that is qualified and representative of the population is targeted. Various data

collection tools were adopted for different respondent categories. For instance, the use of questionnaires was intended for respondents who knew how to read and write while key informant interviews were for respondents who could not read and write. In order to improve the reliability of the tools, both the questionnaires and interview guides were standardized so that information collected could be sorted, entered and analyzed in a more consistent and accurate manner. The standardization also enhanced consistency in the questions being asked thereby eliminating bias and making information gathered more reliable.

A formal reliability coefficient, Cronbach's Alpha Reliability Index was computed and reported for the scaled variables based upon the formula below:

$$\alpha = rk / [1 + (k - 1)r]$$

Where "k" is the number of items considered and "r" is the mean of the inter-item correlations: the size of alpha was determined by both the number of items in the scale and the mean inter-item correlations. Gkofge and Mallery (2003) provide the following rules of thumb: $\alpha > .9$ - Excellent, $\alpha > .8$ - Good, $\alpha > .7$ - Acceptable, $\alpha > .6$ - Questionable, $\alpha > .5$ - Poor and $\alpha < .5$ - Unacceptable" (p. 231). For this study, a score of 0.7 and above was considered having acceptable reliability in measuring the domain under investigation. Training of the research assistants (RAs) helped to enhance objectivity and overall quality of the data collection process.

3.7 Data Collection Procedures

Three (3) research assistants (RAs) out of ten (10) applicants were recruited based on merit and ability to effectively interact and engage the target respondents in English, Kiswahili and Maasai languages. A good understanding of the study context was one of the key competences during the recruitment. A half-day training session was organized for the RAs at the ILIDP social hall two days before commencement of actual fieldwork. The draft tools were piloted on the 3 RAs and 2 randomly selected respondents in Ilkerin sub-location, Loita Division. The RAs were trained on the study objectives, quality expectations and ethical issues in research before being allocated team roles and responsibilities. Most of the

respondents were invited either through their personal mobile phones or the nearest local chiefs office at least three days to proposed date of interviews.

In light of the stringent study timelines and harsh geographical terrain in Loita Division, the researcher opted to trace most of the respondents during publicized community leaders' meetings. About 80% of the target respondents from the elders' council, women and youth groups were interviewed during a political leaders meeting held on 31st August 2012 near the Ilkerin shopping centre. However, the Catholic Priest and District Officer were interviewed at their stations of work in Entasekera. Due to cultural considerations, the Chief Priest (*Olaiboni*) was interviewed at sunset over a bottle of honey beer at his home in Olngarua.

3.8 Data Analysis Procedures

Sorting, coding and entry of field data were done by a data analyst under quality supervision and technical guidance of the researcher. All questionnaires were thoroughly checked for completeness and coded accordingly before data entry. The qualitative data was sorted using data reduction methods. The Atlas TI software was used to synthesize qualitative information into a coherent description, similar responses given appropriate code frames and excerpts extracted from the narrative.

Quantitative analysis was applied using descriptive statistics. Coopers and Schindler (2003) define descriptive statistics analysis as the process of transforming a mass of raw data into tables with frequency distribution and percentages which are a vital part of making sense of the data. Most of the quantitative data was analyzed using Statistical Package for Social Sciences (SPSS) and presented using frequency distribution tables. The statistic of choice was frequency expressed as a percentage, mean and standard deviation. This presentation style gave a picture of the research findings at a glance on how much the various factors have influenced financial rural services.

3.9 Operationalization of Variables

According to Babbie and Mouton (2001), operationalizing a variable means finding a measurable, quantifiable, and valid index for your variable (independent and dependent variables), and (sometimes) finding a way to manipulate that variable in such a way as to have two or more levels. From literature search, it was established that the study variables could be operationalized using already-devised techniques as defined in the context of the study. An ordinal scale with 3 LEVELS was used to rank the responses in terms of extent of agreement to specific research questions. Respondents were asked to indicate whether they Agree=1, Unsure=2, or Disagree=3 with a given construct of interest. Table 3.2 summarizes the operationalization definition of the study variables.

Table 3.3: Operationalization of Variables

Variable	Indicators	Scale of measurement	Tools of Analysis
Financial viability	Level of agreement with specific construct	Ordinal	Descriptive
Environmental sustainability	Level of agreement with specific construct	Ordinal	Descriptive
Socio-cultural acceptability	Level of agreement with specific construct	Ordinal	Descriptive
Diversity amongst the population in Loita Division	Observable tastes and preferences	Ordinal	Descriptive
Challenges faced in providing rural financial services in Loita Division	Level of accessibility to financial services	Ordinal	Descriptive

3.10 Ethical Considerations

Ethics is that branch of philosophy which deals with one's conduct and serves as a guide to one's behaviour. Most professions therefore have ethical guidelines governing their practices (Mugenda and Mugenda, 1999). This study was conducted in a culturally sensitive environment in which the researcher was required to respect its construct and possess high integrity so as to deliver effectively on the study objectives. The research team cultivated a working culture hinged on values of honesty, professionalism and objectivity to guard against unethical practices before, during and after the field study. This strategy helped check on ethical issues related to individual researcher such as plagiarism and fraud as well as maintaining confidentiality and privacy of research data. It is the intention of the researcher to disseminate the results of the study to all groups and individuals who participated in the study for feedback purposes. It is for that reason that the research team used partial anonymity of respondents by use of codes for follow-up purposes.

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3.11 Summary

Sections 3.1 to 3.8 outline research approaches and methods used in executing key tasks of the field study including data entry, analysis and presentation of findings. Operational definition of the study variables is presented in Section 3.9. The researcher employed mixed approaches to data collection; using various tools capable of collecting both qualitative and quantitative data. The tools were made as simple and friendly to apply as possible so as to realize many responses from the lowly literate participants in Loita Division. Ethical issues considered during the study are discussed in the last section

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This Chapter presents material on data analysis, presentation and interpretation of the findings of the research. It provides frequencies, corresponding percentages, analysis and interpretation of how these findings relate to the study objectives. The study sought to determine factors influencing selection of rural financial services by pastoral communities of Kenya. Kothari (2004) observes that the use of an ordinal scale implies a statement of 'greater than' or 'less than' (an equality statement is also acceptable) without our being able to state how much greater or less. Since the numbers of the scale had only a rank meaning, the appropriate measure of central tendency is the median. The research responses were therefore analyzed on an ordinal scale of 1-3 where 1= Agree, 2=Unsure, and 3= Disagree against each question. The data collected was arranged into categories and interpreted under each research objective based on mean and standard deviation calculations.

4.2 Response rate

The field study targeted 28 respondents out of which 23 either participated in the interviews or filled and returned the questionnaires giving a response rate of 82%. This response rate was excellent and representative as it conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.3 Classification of Respondents by Affiliation

The respondents were required to indicate their affiliation while completing the questionnaires and during PRA sessions. The results were as presented in Table 4.1.

Table 4.1: Respondents classification by affiliation

<i>Category</i>	<i>Frequency</i>	<i>Percent</i>
PCDA Management Committee	2	9
NGO Programme Staff	2	9
Women Group	2	9
Youth Group	4	17
Youth Association	5	22
Financial Institution	4	17
Government Agency	2	9
Other (such as Money transfer business)	2	9
Total	23	100

From the findings, Youth Association was the most affiliated category with 22% followed by Youth group and Financial Institution at 17% each. Women Group, Government Agency, NGO Programme Staff, and other categories were represented by 9% each. PCDA Committee was represented by 4%. From the results, it can be deduced that majority of the respondents were affiliated to the Youth Association.

4.4 Financial Viability t .

The study sort to find out the respondents' view on the influence of financial viability on selection of financial services in Loita Division where 1= Agree, 2=Unsure, and 3= Disagree. The findings under this area of study were as presented in Table 4.2.

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Table 4.2: Financial Viability

Parameter	Mean	Std. Deviation
Loita has enough financial Institutions	2.6957	.70290
Loita is profitable for financial institutions	1.1304	.34435
Support to community owned financial providers impacted on financial services selection Loita	1.4783	.66535
Credit period designed by financial institutions has impacted on the selection of financial services	1.7826	.90235
Loan repayment system impacted on the selection of financial service selection	1.3913	.65638
Consumer protection policy impacted on the selection of financial service selection	1.3478	.64728
Impact on the poor has impacted on the selection of financial service selection	1.3478	.71406

From Table 4.2, majority of the respondents indicated their strong agreement that Loita was profitable for financial institutions with a mean of 1.1304. Respondents also agreed that support to community owned financial providers had impacted on the financial services selection with a mean of 1.4783, that loan repayment system impacted on the selection with a mean of 1.3913, that consumer protection policy had impacted on the selection with a mean of 1.3478 and finally impact on the poor had impacted on the selection of financial services with a mean of 1.3478. However some respondents were unsure of the fact that credit period designed by financial institutions had impacted on the selection of financial services with a mean of 1.7826. Most respondents disagreed on the illusion that Loita had enough financial institutions having a mean of 2.6957.

4.5 Environmental Issues

With the rating of 1 to 3, where 1=agree, 2=Unsure, 3=Disagree, the respondents were asked to agree on the environmental issues that influenced selection of financial services in Loita. Table 4.3 presents details of the responses under this area of study.

Table 4.3: Environmental Issues

Parameter	Mean	Std. Deviation
Opportunities for environmental sustainability	1.2174	.51843
Association level	1.1304	.45770
Community coordinated implementation and rural finance	1.3043	.55880
Availability of products such as social funds	1.8261	.88688

Majority of residents agreed to three facts as* follows; the ability of the model to provide a number of opportunities to improve environmental sustainability of individual businesses had influenced the choice with a mean of 1.2174, the association level had influenced with a mean of 1.1304 and finally community-coordinated implementation of conservation and rural finance components had influenced with a mean of 1.3043. The residents were unsure to the fact that availability of products that support household choices such as the social fund providing microfinance had an influence with a mean of 1.8261, while there was no point that was disagreed.

4.6 Social Cultural Concerns

On the social cultural concerns, the respondents were asked to rate, given 1=agree, 2=unsure and 3= Disagree, whether social cultural concerns in the region affected the choice of financial services. Table 4.4 presents findings under this area of study.

Table 4.4: Social Cultural Issues

Parameter	Mean	Std. Deviation
Mutually supportive culture	1.2941	.58787
Social funds	1.4118	.71229
Contribution to social status	1.1176	.48507
Cultural/religious beliefs	1.5882	.87026
Trust building/breaking	1.4706	.79982

Majority of respondents agreed to the fact that choice of financial services in Loita had been influenced possible by; the ability to build mutually supportive culture with a mean of 1.2941, provision of social funds like health and education with a mean of 1.4118, contribution to social status with a mean of 1.1176, and building/breaking of trust with a mean of 1.4706. Respondents however were unsure that cultural and religious beliefs had impacted on the choice of financial services with a mean of 1.5882.

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4.7 Other Factors

Respondents were also asked to outline any other factor (s) that could influence selection of financial services, challenges faced and opportunities that existed in provision of financial services in Loita. In response to first question, the following factors were outline as influential to selection of financial services; adequacy of life skills (vocational and technical training), availability of start up capital within the area, managerial and economic will to engage in business by the local people.

On the challenges faced in providing financial services, the following were outlined; inadequate business management skills, poor infrastructure, insecurity, undeveloped market opportunities, long distance from banking systems (nearest bank is in Narok town - over 150 kilometres from Loita), poor communication systems and traditional culture conflict. On the opportunities that exist in provision of financial services, the following were outlined; availability of devolved funds such as CDF, youth group financing, women group financing, eradication of poverty programmes, availability of ICT centre at ILIDP, improvement of business training, agriculture and livestock development.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study sought to establish factors influencing selection of rural financial services in pastoral communities of Kenya using experiences from the Loita Maasai of Narok County, Kenya. This chapter presents summaries of key findings under each objective, discussions, main conclusions, recommendations and suggestions for further study.

5.2 Summary of Findings

The following are the key findings of the study presented under each objective.

The first objective was to examine how financial viability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division, Narok County. In summary, key findings under this area of study included the following: Although most respondents disagreed on the illusion that Loita had enough financial institutions they concurred with the fact that Loita was profitable for financial institutions; Loan repayment system, consumer protection policy, impact on the poor and support to community owned financial providers had influenced selection of the financial services. The influence of credit period designed by financial institutions on the selection of financial services could not be justified since majority of respondents were unsure (scored it at 2).

The second objective was to establish how environmental sustainability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division, Narok County. According to the findings, the ability to provide a number of opportunities to improve environmental sustainability of individual businesses had greatly influenced the choice of financial services in Loita. In addition, impact of a given financial service on the association level such as peer pressure, environmental education and training, symbolic and ethical environmental links as well as community coordinated implementation of the conservation and rural finance components had strong influence on its selection.

The third objective was to establish how socio-cultural acceptability influences selection of rural financial services by the pastoral Loita Maasai community in Loita Division, Narok County. Majority of the respondents agreed that the following social cultural concerns influenced selection of financial services in the Division: Ability to build mutually supportive culture; provision of social funds for community health care, cultural rites of passage, education and training; contribution to social status like improving livestock keeping and building/breaking of trust amongst members.

5.3 Discussion of Findings

The finding that majority of the respondents were affiliated to the Youth Association was collaborated by observed trends in local development of Loita Division in Narok County: Whereby the young elites, especially men through the Loita Youth Network, were leading in design and implementation of innovative income generating activities such as "boda boda" motorbikes across the Division. Furthermore, participation of the youth especially those in university and college in decision making processes was observed to be on the rise in the Division. For instance, the Loita Political Leaders Meeting held near the Ilkerin shopping centre on 31st August 2012 was organized by the Youth Network to endorse their Chairman for the Loita County Representative seat.

The lack of formal financial institutions in Loita could be explained by factors inhibiting provision of financial services in the area as discussed in Section 4.7 of this report. These constraints notwithstanding, the Division was found profitable for financial intermediation as was demonstrated by two M-pesa shops operating in Ilkerin and Entasekera shopping centres. Other observed indications for increasing demand (profitability) for financial services in Loita included, among others: Rapid growth in retail and other small businesses such as bakeries, shops and bars requiring financial mediation to support efficient trading activities; construction of permanent commercial buildings at market centres especially at Ilkerin and Entasekera to provide secure business space for money transactions; improved community will to engage in small holder agricultural activities such as maize

farming in addition to livestock keeping; and increased number of private/donor-supported schools requiring banking services. Most respondents could have been unsure on the issue of credit period since they could hardly differentiate between influence created by loan repayment terms and credit period; to Loita community, the two terms mean the same.

Contrary to the earlier notion built from literature review, availability of products that support household choices such as the micro insurance did not affect the choice of rural financial services in Loita Division. The study findings may point at individual tastes and preferences that could be dominant in the Loita community when it comes to selection of financial services. For example, there is high value placed on the ability to support association of individual business to boost environmental sustainability required for livestock trading and recently introduced small holder agricultural produce marketed by the PCDA Cereal Stores. In addition, the community places high importance on environmental conservation and discourage degradation of the natural resources such as the Loita forest due its cultural value and Mara River as a source of water for livestock and households.

The research findings indicate that cultural and religious beliefs had neutral impact on selection of rural financial services by the target community. As such, socio-cultural acceptability of a given rural financial service may be assessed in terms of its ability to create mutually supportive culture that is hinged on community-centred social programmes. This finding could be also explained by the fact that the pastoral Loita Maasai community places more importance on social status, trust and sense of belonging (solidarity).

5.4 Conclusions of the Study

On the financial viability components, it can be concluded that a particular rural financial service or model's support to community owned financial providers, a consumer-friendly loan repayment system, consumer protection policy and pro-poor components had influenced its selection by the pastoral Loita Maasai community in Loita Division, Narok County.

On the environmental issues, it can be concluded that the ability of a particular rural financial service or model to provide a number of opportunities to improve environment sustainability, association and community coordinated implementation of the conservation and rural finance components had to a larger extent influenced its selection by the pastoral Loita Maasai community in Loita Division, Narok County.

On the social-cultural concerns, it can be concluded that the ability of a to build mutually supportive culture, provision of social funds to support education, ritual rites and access to health, contribution to social status and building of trust had influenced its selection by the pastoral Loita Maasai community in Loita Division, Narok County.

From the study findings and discussions, it can concluded that selection of rural financial services by the pastoral Loita Maasai community residing in Loita Division was influenced by financial viability, environmental sustainability and social-cultural acceptability components of product design and service delivery. However, the extent of influence of each factor is likely to vary from one pastoral community to another depending on its socio-economic development level and degree of cultural and religious diversity.

5.5 Recommendations of the Study

The study recommends that formal financial institutions penetrate the potential financial intermediation markets in pastoral communities of Kenya such as the Loita Division of Narok County with a view of establishing permanent presence in those locations. This will ensure that they provide rural pastoral communities with three immensely valuable benefits; a way to save money, a way to earn interest, and a way to access previously unavailable capital to start small businesses and support livestock development. Such business expansion decisions should be informed by market research and market penetration strategies to sustain positive impact on the livelihoods of the target communities.

The opportunities arising from devolution of local governance to the Counties after the next General Election (March 2013) should be tapped to address factors inhibiting financial service provision in pastoral communities such as inefficient and unreliable transport and communication network, lack of electricity, insecurity particularly along the administrative borders, among others. For instance, the process of drafting a County Development Plan will require participation of all communities in the county irrespective of cultural or religious affiliations. This approach to regional development opens a window for formal financial institutions to support rural development programmes through public-private partnerships. These policy developments are likely to encourage participation of commercial banks in financial intermediation especially for rural infrastructure and poverty alleviation projects in remote rural areas such as Loita

The Government should therefore create an enabling policy and legislative framework to spur economic growth in marginalized areas. According to the study, the pastoral environment seems to favour microfinance products and informal financial service providers such as *chamas*, youth and women groups, and mobile banking. The business community in Narok County should consider adopting the latest M-banking products targeting the unbanked rural populations such as M-*Kesho* (Equity Bank) and Cooperative Bank's *Coop Mtaani* which is managed more else like the *M-Kesho* facility. Adopting these products will ensure that a pastoralist residing in Loita travels to Narok town only may be once -may be the first time to open the bank account with Equity or Cooperative Narok branch- but transacts all enabled features on her mobile phone in Loita over a longer time.

The study also recommends that the pastoral community be enlightened on the influence cultural and religious beliefs on local development such that it does not have any partial influence on selection of financial services. Finally, association levels and cultural rites such as the *eunoto* (passage of morans to junior elders) should be encouraged by the community as they have positively influenced the choice of financial services.

5.6 Suggestions for Further Study

The study suggests that further research should be conducted in another constituency where a different economic activity is practiced, in agriculture or fishing regions, on the same topic in order to generate a broader understanding of the factors influencing selection of financial services in multi-cultural pastoral society. It is also recommended that research be conducted to establish the impact of gender issues on local development in pastoral communities such as the Loita Maasai. Information generated from such studies should be helpful in designing integrated community development policies and programmes for accelerated attainment of Vision 2030 and County Development priorities.

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APPENDICES

Appendix 1: Letter of Introduction

Olando Sitati
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P.O. BOX 41622 - 0100, Nairobi
Tel: +254 733 777 396

To:

Mr/Mrs/Dr/ Prof/ Fr./ Hon

Dear Sir/Madam,

REF: COMPLETION OF QUESTIONNAIRE

I am a postgraduate student at the University of Nairobi's School of Distance and Continuing Education. The topic for my research project is "Factors influencing selection of rural financial services by pastoral communities of Kenya: A case of Loita Maasai in Loita Division of Narok County". This is purely an academic research and as such any information you will provide shall be treated with utmost confidentiality.

I consider the results of this research project to be important to you/ and your organization hence will purpose to share them with you at the end of the study. The questionnaire is organized into five main parts, namely: Type of Respondent; Financial viability; Socio-cultural acceptability; Environmental sustainability; Challenges and Opportunities. Kindly spare some time and respond to all the sections.

Please feel free to contact me in case of any further clarifications. I look forward to your positive response.

Yours faithfully,



.....

Olando Sitati

Appendix 2: Data Collection Instruments

TOOL A: FOCUS GROUP DISCUSSION (FGD) GUIDE

[Same Guide was used during Participatory Rural Appraisal-PRA sessions]

A1.Engagement Questions:

1. What factors influence selection of financial services by the pastoralist communities of Kenya?

A2.Exploration Questions:

2. What are the main factors influencing selection of financial services by the Loita community?
3. What are the factors that favour selection of formal financial services by the Loita community?
4. What are the factors that favour selection of informal financial services among the Loita community?

A3.Exit question:

5. Is there any other factor that has influenced selection of financial services - among the Loita community?

TOOL B: OBSERVER'S CHECKLIST FOR FGD

1. Determine the scheduled start day and time for the session.
2. Begin the session no more than 10 minutes prior to the scheduled start time.
3. Ensure that relevant participants are available and ready to take part.
4. Check the form for completeness across questions tackled.
5. Hand over data for checks and entry into system.

TOOL C: QUESTIONNAIRE FOR KEY INFORMANTS

SECTION 1: TYPE OF RESPONDENT

1. Please indicate your affiliation. *Tick/check one box)*

- a. PCDA Management Committees •
- b. NGO Programme Staff/Teams •
- c. Women Groups •
- d. Youth Groups •
- e. Women Council •
- f. Elders Council •
- g. Youth Association •
- h. Livestock traders' Cooperative Society •
- i. Financial Institutions •
- j. Government Agencies •

SECTION 2: FINANCIAL VIABILITY

Please give your rating on a scale of 3, where Agree =1, Unsure =2 and Disagree =3)

	Agree	Unsure	Disagree
1. Loita has enough financial institutions?			
2. Loita is profitable for financial institutions?			
3. Support to community owned financial providers impacted on financial services selection in Loita?			
4. Credit period designed by financial institutions has impacted on the selection of financial services?			
5. Loan repayment system impacted on the selection of financial service selection in Loita?			
6. Consumer protection policy impacted on the selection of financial services in Loita?			
7. Impact on the poor has impacted the selection of financial services in Loita?			

SECTION 3: ENVIRONMENTAL ISSUES

Please give your rating on a scale of 3, where Agree =1, Unsure =2 and Disagree =3)

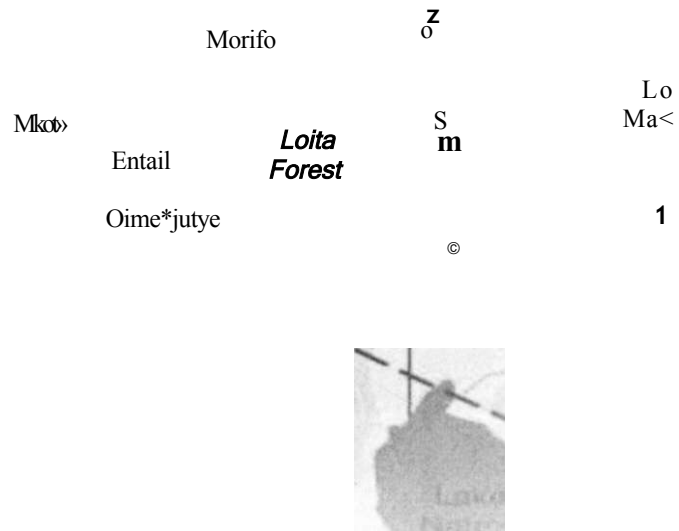
	Agree	Unsure	Disagree
1. The ability of the model or scheme to provide a number of opportunities to improve environmental sustainability of individual businesses has influenced the choice of financial services in Loita?			
2. At association level, peer pressure, environmental education, training, symbolic and ethical environmental links have influenced the choice of financial services in Loita?			
3. Community coordinated implementation of the conservation and rural finance components has influenced selection of financial services?			
4. Availability of products that support household choices such as the micro insurance has influenced the choice of financial services?			

SECTION 4 : SOCIO-CULTURAL CONCERNS

Please give your rating on a scale of 3, where Agree =1, Unsure =2 and Disagree =3)

	Agree	Unsure	Disagree
1. The ability to build mutually supportive culture impacted on the selection of financial services in Loita?			
2. Provision of social funds like health, education loans etc impacted on the choice of financial services?			
3. Contribution to social status like improving livestock keeping has influenced selection of financial services?			
4. Cultural and religious beliefs has impacted on the choice of financial services?			
5. Building of trust has influenced the choice of financial services?			

Appendix 3: Map Showing Loita Division



Map showing Loita Division- Adapted from "*Ethnobotany of the Loita Maasai*" (Maundu, P. *et al.* 2001)

**IKUYO⁰⁰⁹02,*

Appendix 4: Selected Field Photographs



*LEFT TOP- Research Assistant (Ole Makol) and Lead Researcher (in checked Maasai Shuka) standing before a County Re/> aspirant j banner during the Loita Political Isaders Meeting at Ilkerin [31.0*2012/*

RIGHT TOP: Lolla Maasai women sinking and dancing during Loita Political Isaders Meeting al Ilkerin IH. OH 2012/

LEFT BOTTOM: The only fivctional Mpesa shop located at Ilkerin Shopping Centre



RIGHT CENTRE: \ Loita Maasai rnoran grazing Zebu steers (superior breed) at the ILIDP farm, Loita

RIGHT BOITOM A Communal Cereal Bank operated by Olmcsutxc PC DA. Loita

