MICROFINANCE STRATEGIES INFLUENCE ON STANDARDS OF LIVING IN KIGUMO CONSTITUENCY, MURANGA COUNTY, KENYA: THE CASE OF IKUMBI TEA FACTORY FARMERS

BY

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DECLARATION

This research project report is my original work and has not been submitted to any other university or institution for any academic award.

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DEDICATION

I dedicate this work to all who have embraced our National and Africa continent development goals. As you seek knowledge and solutions to human suffering, I hope that this research shall be of help and inspire you to action.

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ABBREVIATIONS AND ACRONYMS

CBK	-	Central Bank of Kenya
GDP	-	Gross Domestic Product
GOK	-	Government of Kenya
IRDP	-	Integrated Rural Development Program
KER	-	Kenya Economic Report
MFI	-	Microfinance Institutions
MSE	-	Middle Small Scale Income
NGO	-	Non Governmental Organizations
UNDP	-	United Nations Development Program

ABSTRACT

Introduction of microfinance in Bangladesh by Mohammed Yunus was such a relief to millions of people who were locked up in poverty. The Microfinance in that country was credited with reduction of poverty whose at the beginning was at 80% of the republic. The concept addressed the challenge of collateral and lack of information which had kept the poor from accessing credit facilities. Even women now were in a position to transform their lives using credit increasing the household consumption and also helping to reduce the dependency ratio. Retrogressive cultural values that hindered women from active participation in economic activities were also challenged opening the economic field for the both genders. The impact was felt in all sectors including health and education. Despite the success, studies have shown that although the microfinance is credited with much success there are instances where the net effect has ended up being negative. This is where instead of the credit facilities empowering the people they have ended up impoverishing them. In Kenya despite the high number of microfinance's the poverty level is still as high as 42.5% with some regions having poverty level as high as 70%.This has necessitated a critical look at the operations of Microfinance in Kenya with an aim of identifying the gaps to ensure success of Microfinance in Kenya. This study therefore focused on assessing the influence of Microfinance strategies on improvement of standards of living in Kigumo constituency. This was done through a study of microfinance activities in Kigumo constituency, Murang'a County. The target population was 7,003 farmers who constituted the total number of tea growers in Ikumbi factory and three field officers serving the farmers. Krejcie and Morgan table was used to identify the sample size with systematic sampling being used to identify the exact number to constitute the 364 sample size where every 19^{th} farmer was picked. Census was used on the case of the field officer due to their low number. The data was collected using interview questionnaires guide. Descriptive statistics was used to analyze the quantitative data using statistical package for social sciences (SPSS) and the information presented using tables. Qualitative data was analyzed using content analysis, a technique that allow for inferences to be systematically and objectively made. The research showed that accessibility of the MFIs had a positive impact on the standards of living of the people and to ensure that there was maximum gain the study recommended that there was need to incorporate the different characteristics of the population to ensure even the vulnerable groups were able to access the service. Products were also found to play great role on improving the standards of living with the need for information sharing and diversification being emphasized to increase the opportunities for financing. The study also found the policy to be playing great role in ensuring the goals are achieved. The study therefore recommended that the policy make the standards of living improvement a part of the main objectives on the existence of MFIs to guide aspect such as interest rates and monitoring and evaluation on the impact of services on the clients. On monitoring and evaluation, the study found that the MFIs were not committed towards improving the living standards of the people and it was recommended that the definition needed to be changed to ensure that it also covered the improvement of standards of living and set indicators that will allow for monitoring and evaluation and ensure success of MFIs in improving the standards of living for the people.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Microfinance refers to a range of financial services for low income earners including credit, savings, insurance and money transfers (Odel 2010).A microfinance institution therefore refers to any type of institution offering microfinance services including informal institutions such as community based financial institutions ,banks , Nonprofit organizations and credit cooperatives.

Microfinance grew out of the need in the late 1990's to increase micro credit services such as savings and loans to poor clients (Watson and Dunford 2006).Over the past few decades microfinance has grown to over the 3550 institutions serving more than one hundred million clients, 83 % of whom are women (Daley Harris 2009).Although economically active, the poor lack access to finance through formal financial institutions such as banks (Cheston 2007; Kim et al 2008).

According to Goss and Mitten (2007), although Microfinance institutions charge higher interest rates to cover the operational cost, the interest on loan is always significantly lower than the rate charged by other credit sources. Micro finances grow at a rate of 30% annually the main target being women (Mayoux 2007). Microfinance promote asset growth, consumption smoothing and occupational mobility(Odel 2010).The Microfinance impact also include improved decision making ,improved self esteem ,self confidence and expanded social networks(Cheston and Kuhn 2002).

Some studies have demonstrated impact of Microfinance on health and gender empowerment (Jewkes et al 2010).Microfinance projects that focuses on finance and other development issues such as linking development and education have also been noted (Dunford 2001).Watson and Dunford (2006) argue that families with access to Micro finances have health practice, better nutrition and get sick less often than comparison families.

Kenya development efforts since independence have emphasized poverty reduction through economic growth employment creation and provision of basic social services. Despite the efforts, the results are yet to be achieved (Kebubo and Mariara 2007) with 50% of the population still mired in poverty with women and rural dwellers being particularly affected. This is despite the huge potential to reverse the trend through microfinance. According to Daley Harris (2009), Asia has the highest percentage of women clients, 86%, followed by Sub-Saharan Africa at 83% and Latin America at 80%.

In an effort to understand poverty dynamics in Kenya, Nelson Mango et al (2009) conducted a research among 4773 households' .The findings indicated that 42% of the households were poor 15 years ago and 50% are poor presently. Over the same period, 12% of the households escaped poverty while another 20% fell into poverty .The findings are also supported by a study done by Burke et al (2007) on poverty in Kenya. Findings showed that 57% were poor in 2004 and had been poor since 1997.22% had made progress in moving out of poverty while 21% experienced a decline in welfare. Reasons for escaping poverty included diversification of income sources, livestock improvement, crop improvement and social factors. Evidently, access to capital therefore seems to not be the solution to poverty. The gaps existing in microfinance, resulting to low impact on poverty is what this study seeks to establish.

1.2 Statement of the Problem

Microfinance refers to a range of financial services for low income earners including credit, savings, insurance and money transfers (Odel 2010).This was important in order to seal a gap left by formal banking institutions. Low income earners had been left out of the financial services due to their lack of collateral to secure loans and the banks lack of information concerning this group. Successful implementation of the Microfinance strategy in Bangladesh therefore marked a paradigm shift as the risk associated with the low income earners was demystified.

However the success rate noted in the country of origin was not replicated here in Kenya according to comparison of the statistics for the two countries. Where else in Bangladesh 40% reduction in poverty is attributed to MFIs, in Kenya a similar report by Kenya

Economic Report (2013) shows an 8% net increase in national poverty an indication that the presence of MFIs is not significantly impacting on improved standards of living in Kenya. This study is therefore aimed at the operations of MFIs with an aim of identifying how this is influencing the standards of living of the locals.

The study was conducted in Murang'a County, Kigumo constituency. Murang'a County has a population of 942,581 thousand population with male constituting 49% and female 51%.The County has seven constituencies including; Mathioya, Kangema, Kiharu, Gatanga, Kigumo Maragua and Kandara. The poverty level in Murang'a as at 2013 was 29% with 80 % of the population relying on farming. Kigumo constituency has a total population of 123,766 with 59,807 being male and 63,959 being female (Kenya National Bureau of statistics 2013).

1.3 Purpose of the Study

The purpose of this research was to investigate the influence of microfinance strategies influence on standards of living in Kigumo Constituency, Murang'a County.

1.4 Research Objectives

The objectives of the study were;

1. To determine how accessibility of microfinance services strategy influences living standards of the locals from Kigumo Constituency.
2. To determine how the Micro finances product design strategy influences standards of living at Kigumo Constituency.
3. To establish how micro finances credit policies strategy influences standards of living at Kigumo Constituency.
4. To evaluate how monitoring and evaluation strategy by micro finances influences standards of living at Kigumo Constituency.

1.5 Research Questions

This research was guided by the following questions.

1. How does the accessibility of microfinance services strategy influence standards of living at Kigumo Constituency?
2. How does the product design strategy by microfinance influence on standards of living at Kigumo Constituency?
3. How does the credit policies strategy by microfinance influence standards of living at Kigumo Constituency?
4. How does the monitoring and evaluation strategy influence standards of living in Kigumo Constituency?

1.6 Study hypothesis

This study tested the following hypothesis;

i. Accessibility of microfinance services in Kigumo Constituency results to improved standards of living.
ii. Microfinance product design in Kigumo Constituency results to improved standards of living.
iii. Microfinance credit policies results to improved standards of living.
iv. Monitoring and evaluation of Microfinance results to improved standards of living.

1.7 Significance of the Study

Micro finances are aimed at empowering the low income earners through provision of financial services with an aim of transforming their social economic lives. This is by identifying creative ways that help to overcome the challenges faced by banks in dealing with the low income earners. The success of MFIs is therefore only established through the impact evidenced in the lives of the target groups. The study sought to establish the gaps in microfinance and give recommendations on possible solutions ensuring success of MFIs.

Improving the welfare of her citizenry is a core objective of any government. To achieve these governments engages different stakeholders including policy makers. Effective policies are therefore critical in lifting the population from poverty and steer the economy forward. This study was therefore of benefit to both the government and policy makers by informing their decision.

According to Abraham Maslow, it is the desire of every human being to live life up to self actualization .The study, by enhancing effectiveness of micro finance sought to make this a reality. The study shall also add more knowledge into the research field helping to broaden the research knowledge.

1.8 Basic assumptions

The study was guided by the following assumptions.

The study assumed that microfinance has the potential to effect social change in favor of development. This assumption is supported by the previous studies on microfinance's that had shown among other things its ability to enhance gender parity, improve health standards reducing mortality. The studies have also showed the ability of MFIs to reduce poverty, Grameen bank in Bangladesh demonstrating this.

The study also assumed that every human being has the desire to live life to its fullest and given the opportunity he can make this a reality. This is further informed by the work of Abraham Maslow hierarchy of needs where the desire for the human beings to first meet the basis needs and then move on to higher needs up to self actualization is demonstrated.

The study also assumed that with Microfinance concept having worked in other countries there is also high potential for it in Kenya. Since past studies showed that microfinance's have not worked effectively in Kenya, there were gaps which if identified and sealed, the MFIs in Kenya should achieve their goals.

1.9 Limitations of the Study

The study had the following limitations.

Time. Evaluation of the impact of microfinance services on the people requires longer duration of time where the progress can be assessed and the change noted in the study population. As such, case studies are most desirable where control groups can be set for comparison. To address the challenge aware of the time allocated, the research is informed from the past researches. The questionnaires were also set to allow for the target to give information that captures the progress in sample population.

Nature of Information. People are usually not comfortable to share personal information especially where it touches on challenges. To ensure the information given was true the respondents were assured of confidentiality and also informed on the benefits of the project.

1.10 Delimitations of the Study

The study had the following delimitations:

Scope. The study limited itself to the rural areas narrowing down to farming with larger percentage of the population being women. This in my view was important as according to research women and rural areas are worst hit by poverty.

Sample Size. Kigumo Constituency has a total population of 123,766, but for the purpose of this study only 7,000 was targeted from which the sample was chosen. This was because the population was representative of the Constituency where the main cash crop is tea with 80% of the population being in farming.

1.11 Definition of significant terms

Improved standards of living. This study shall use the phrase to refer to successful reduction of the number of the people within the poverty category by helping them to attain the target set for one to shift from poverty.

Micro finance institution .This refers to any type of institution offering microfinance services including informal institutions such as community based financial institutions, banks, Nonprofit making organizations and credit cooperatives.

Micro finance. For the purpose of this study, microfinance refers to a range of financial services for low income earners including credit, savings insurance and money transfers.

Microfinance strategy. The study shall use the term to refer to the adoption of Micro finance approach including its product and policies to address the poverty challenge, am issue the banks had not been able to resolve.

Poverty. For the purpose of this study poverty is defined as inadequacy of income and deprivation of basic needs. As such, those considered to fall within these categories are unable to afford basic human needs including food and non food items such as medical care and education for their children. The 1997 Welfare Monitoring Survey estimated the absolute poverty line at Kshs 1,239 per person per month and Kshs 2,648 respectively for rural and urban areas

1.12 Organization of the study

This study was organized into five chapters.

Chapter one entails the background of the study, statement of the problem, research objectives and research questions, Significance of the study, basic assumptions, limitations and delimitations of the study.

Chapter two consists of the literature review. It has details on the objectives, conceptual framework and theoretical framework. The chapter also explains the relationship between variables, gaps in literature review and a summary of the chapter.

Chapter three is known as research methodology. It consist of Research design, target population sample size and sampling procedure, data collection instruments, pilot testing, Validity of the instruments, data collection procedures, analysis, ethical issues and operational definition.

Chapter four is referred to as data analysis, presentation and interpretation. It consists of the questionnaires return rate, demographic characteristics of the population and findings on each of the objectives.

Chapter five is known as summary of the findings, discussion, conclusion and recommendations. The chapter entails the summary of the findings, discussion, conclusion, recommendations for policy action, suggestion for further studies, contribution to the body of knowledge references and appendices

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the past studies done on the impact of micro finances on poverty with emphasis on how the various strategies employed by MFIs enables them to achieve the objectives. Accessibility, product design, credit policies and monitoring and evaluation shall each be analyzed to establish how the past studies rated them as strategies towards improved standards of living. It further seeks to highlight the gaps in theoretical and conceptual frame works within which the study is to be carried out.

2.2 Microfinance Strategies

Micro finance according to Otero (1999) is the provision of financial services to low income poor and very poor self employed people. Schreiner and Colombet (2001) define microfinance as attempt to improve access to small deposits and small loans for the poor households neglected by banks. This financial service according to Ledger Wood (1999) includes savings and credit but can also include other financial services such as insurance and payment services. Therefore, Microfinance involves the provision of financial services such as savings, loans and insurance for both people living in urban and rural settings, who are not able to obtain such services from formal financial sector.

Microfinance has its roots in Mohammed Yunus, the founder of Grameen Bank. In 1970's, Bangladesh secured independence from Pakistan with floods later claiming tens of thousands (Sen 1981). Government survey found over 80% of population living in poverty between 1973 to 1974 (Bangladesh Bureau of statistics 1992).Mohamed Yunus, an economist trained at Vanderbilt University, Was teaching at Chittagong University in South East Bangladesh. In 1976, he started a series of experiment lending to poor households in nearby village of Jobra. The clients used the money to run simple business like husking and bamboo weaving. Yunus found out that those borrowers were not only profiting greatly by access to the loans but that they were also repaying reliably, even though they could not afford collaterals.

In 1976, Yunus conceived the Bangladesh Bank and requested the Central Bank of Bangladesh to help him set up a special branch for the poor of Jobra. Another trial project soon began in Tangail in North Central Bangladesh .Encouraged by the success, Grameen went National wide. The bank grew up by 40% per year, and by 1991, the bank had over one million members in Bangladesh and by 2002, the members had swollen to 2.4 million. Dalley Harris (2003), by the end of year 2002, there were 67.6 million microfinance clients worldwide served by over 2500 Microfinance's, out of the total number, 41.6 million were in bottom half of those living below their Nations poverty line (Micro Credit summit 2003) .In 2009, 3589 MFIs reached out to 190,135,080 million clients out of whom 128,220,051 million were amongst the poorest with 81% being women (Micro Credit Summit Report 2011)

Between 1977 and 2002, the member grew on average by 40% per annum and the growth is expected to grow as credit unions and Commercial Banks enter the market. Microfinance thus presents a series of exiting possibilities for extending markets reducing poverty and fostering social change. Khandker (1998), Microcredit in Bangladesh lifts 5% of its borrower out of poverty each year. Pitt and Khandker (1998) and Khandker (2005) prominently reinforced the finding that microcredit is effective in reducing poverty.(Boone 1996) Microfinance approach allows for banks and NGOs to flourish even when effectiveness of foreign aid to ease burdens of the world poor is facing criticism for being corrupt .Against this background, banks and NGOS offer innovative cost effective path to poverty reduction and social change (Easterly 2001) .In Bangladesh ,between 1990 to 2008 on net ,two million households with ten million members had moved above the threshold of $1 a day.

Carter Barret (2006), Kenya development efforts since independence has emphasized poverty reduction through economic growth, employment creation and provision of basic social services (Kamalu et al 2002). Despite the efforts, result are yet not achieved (Jane Kabubo, 2007), More than 50 % are stilled mired in poverty with women and rural dwellers particularly affected (GOK, 2007). Chambers (1997) while National poverty level rates are often slow to change, Poverty is not statistic situation. It changes as a result

of seasonality, climatic change, household level shocks (illness and death), lifestyle changes and public policies.

(Sen. 2003; Barret et al 2006) argues that looking at the small households over time provides better understanding of conditions that keep people in poverty so as to identify the general patterns and assists in policy targeting. Burke et al (2007), a study in Kenya involving 1,324 households, studied from 1997 to 2004 on poverty, show that majority, 57 %, were poor in 2004 and had been poor since 1997. 22% had made progress in moving out of poverty while 21 % experienced a decline in welfare. Pastoral livelihoods zones(Northern Eastern Kenya, experienced the highest net poverty increase (27%) over fifteen year period while high potential livelihood zones experienced marginal poverty reduction(1% each).In 2015 ,Kenya was classified a lower middle income country after rebasing its GDP in September 2014. The poverty level has reduced to range at between 34% to 42 down from 45.9 in 2005 according to Kenya Economic update Report (2015).

Reasons for escaping poverty included diversification of income sources while reasons for falling into poverty included poor health and heavy health expenses land and livestock related issues and social factors .The fact that despite heavy penetration of MFIS in Kenya, poverty remains high, requires a review of past studies with an aim of identifying the gaps for improvement to ensure success of micro finances. This is also necessitated by the success noted in other countries.

2.2.1 Influence of Accessibility of Micro Finances on Standards of Living

Odel (2010) microfinance refers to a range of financial services for low income earners including credit, savings insurance and money transfers. Microfinance grew out of the need in the late 1990's to increase micro-credit services such as savings and loan to poor clients. Access to micro finances has been found to bear fruits. According to Micro credit Summit Report (2011), in 2009 MFIs reached 190,135,080 clients out of whom 128,220,051 million were amongst the poorest and 81.7% being women. In Bangladesh, between 1990 and 2008 there were two million households served with an average of ten million members moving above the threshold of $1 a day. In 2010, the accumulated number of people who had moved out of poverty ranged at 37% for a period between

1990 and 2010 (Micro credit Summit 2012). This shows after access has been enhanced the impact is evident.

Armendariz and Murdoch (2005) from the view point of basic economics the need for microfinance is somewhat surprising. One of the first lessons in the introductory economics is the principle of diminishing marginal returns to capital which says that enterprises with relatively little capital should be able to earn higher returns on their investment than enterprises with relatively higher capital. Poor enterprises should therefore be able to pay banks higher interest rates than richer enterprises. Money should therefore flow from rich depositors to poor entrepreneurs. The rationale behind the principal is based on the assumption that when an enterprise invests more it should expect to produce more output but each additional unit of capital will bring smaller and smaller marginal gain. Access of capital shall therefore allow the poor to boost their businesses while still repaying the loan.

The size of incremental gain matters since it determines borrower's ability to pay implying that poorer entrepreneurs have a higher ability to pay. Lucas (1990), based on the estimates for marginal returns to capital, finds that borrowers in India should be willing to pay fifty eight times as much for capital as borrowers in the United States. Money should thus flow from Newyork to New Delhi. Capital should therefore flow from rich to poor borrower within any given country. The main challenge facing banks in financing the poor is incomplete information about poor borrower and the poor borrower lack of collateral (Desoto 2000). The first problem of the adverse selection occurs when banks cannot easily determine which customers are likely to be more risky than others. Micro finances therefore provide a platform where the challenges facing the banks in financing the poor can be addressed allowing their access and improved standards of living.

The second problem of moral hazard arises because banks are unable to ensure that customers are making the full effort required for their investment projects to be successful or when customers attempts to absconds with banks money (Desoto 2000). These problems could potentially be estimated if banks had cheap ways to gather

information and enforce contacts. Some banks typically face relatively high transaction cost when working in poor communities since handling many small transaction cost is far more expensive than servicing one large transactions for a rich borrowers. A solution could be found when borrowers have marketable assets to offer as collateral since banks could lend without risks. But the starting point for microfinance is that new ways of delivering loans are needed to address assets challenge. The generation's poverty has reproduced poverty and microfinance is seen as a way to break the vicious cycle of poverty by reducing transaction cost and overcoming information problems (Stiglitz and Weiss 1981).Microfinance present itself as the latest solution to the age old challenge of finding a way to combine the bank resources with the local information.

Bank of India (1954), the failure of State owned development banks further explains the role of microfinance in ensuring effective improved standards of living approaches. As low income countries attempted to develop their agricultural sectors after World War II, rural finance emerged as a concern. Large state agricultural banks were given the responsibilities of allocating funds, with hope that subsidized credit would induce farmers to irrigate, apply fertilizers and adopt new crops varieties and technologies aiming at increasing land productivity, increasing labor demands resulting to increasing agricultural wages. Heavy subsidies were also deployed to compensate banks for entering into markets where they feared taking huge losses due to high transaction costs and interest risks .The subsidies were also used to keep the interest low for poor borrowers. In Philippines, Interest rate charged to borrowers was capped at 16% before a reform in 1981 while inflation rates were 20% annually (David 1984).

The negative real interest rates created excess demand for loans, adding pressure to allocate loans to politically favored residents rather than to the target groups. The interest rates offered to rural depositors were only 6% per year so inflation eroded the purchasing power of savings at a rate of about 14 % p.a. McKinnon (1973) Rather than delivering access, the policies have been blamed for creating financial repression by resulting to interest rates that do not reflect cost. India integrated rural development program (IRDP) also present a perfect example of inefficient subsidized credit. The Program allocated creditors according to social targets pushing 30 % of loans towards socially excluded

groups and 30% towards women. Achieving social goals become as important as achieving efficiency. Under the system, capitals was allocated according to a series of nested planning exercise with village plans aggregating to block plans aggregating to district plans and states plans. Subsidies in 1979 to 1989 amounted to roughly between 25% and 50% of loan volume. Those resources did not generate good institutional performances. According to Pulley (1989) the repayments rates fell below 60% and just about 11 % of the borrowers took second loan.

In 2000, the IRDP loan recovery fell to just 31 % (Meyer 2002) making IRDP not a reliable source of services for the poor .This revealed that the credit could not be directed to particular end favored by policy makers and coupled with cheap credit policies created havoc in rural finances markets and ultimately undermined attempts to reduce poverty (Adams Grahams and Pischke 1984). Subsidized banks it was argued made those banks flabby by creating –mono-policies and removing markets tests. Apart from pushing out informal credit suppliers on which the poor rely, the approach led to viable projects not being funded. Since the banks were state owned, pressure to forgive loans just before elections was a norm.

The privilege of cheap money for the poor was an incentive for the powerful that blocked management efforts to build tight efficient institutions. Braveman and Guasch (1986) conclude that government credit programs in Africa, Middle East, Latin America, South Asia and south East Asia have with a few exceptions ended up with a default rates between 40% to as 95 %.This they further argue that borrowers can be forgiven for assuming it to be grant. The constant deposits from government also waters on the need for the banks to mobilize savings leaving the poor with relatively unattractive and inefficient ways to save.

The misallocation of resources happened so regularly that Gonzales-Vega (1984) dubs it the iron law of interest rate restrictions. Khandker and Binswanger (1995) found out that in India, a great deal of resource targeted to poor ended in wrong hands. It is the reproduction of these negative legacies that has driven microfinance movements to look up to private sectors for inspiration .Microfinance in Bangladesh begun at a time where

80% of the country population was living in poverty between 1973-1994 (Bangladesh Bureau of statistics 1992).A fourteen year study in Bangladesh showed that 40 % of entire poverty reduction was directly attributable to MFI's (Watson and Dunford, 2006).

Browling and Chiappori (1998) argue that bargaining context between genders tend to shift with income. Microfinance may thus affect household choices through a variety of channels by changing bargaining power, by raising overall resources, by affecting returns to investment in human capital and by influencing altitudes and norms. According to the UNDP Human development report (1996), 70% and world poor, about 900 million people were women. Under the standards neoclassical assumption about production function, if women have less access to capital than men, returns to capital for women should be higher than for the men. Endowing women with capital can thus be growth enhancing in principle .Although not all MFIS focus on women (Mody, 2000) urges that women constitute 80% of the client of the 34 largest micro lenders. Microfinance's have therefore challenged gender norms and values leading to women empowerment

The potential of women was also evidence in other key performance dimensions. For instance, Khandker (2003) finds that 100% increase in the volume of borrowing by a woman would lead to a 5% increase in per capital food expenditure ,while a 100% increase in borrowing by men would lead to just a 2% increase in non food expenditure and negligible change in food expenditure. Commercial Banks tends to favor men due to collateral, a barrier which the MFIs have addressed .This contribute to poverty reduction by changing gender stereotypes. Microfinance has shown that the women are capable of managing business even better men at times (Hossain, 1988). Women in Bangladesh are more reliable customers citing evidence that 81 % of women had no repayment problem is 74 % of men.

Khandker, Kharir and Kahn (1995) find that 15.3 % of male borrowers were having challenges in payment against 1.3 % women. In Malawi, Hulme (1991) state that on time loan repayment for women was 92 % versus 83% for men. In Malaysia, Gibbons and Kasim (1991) find women loan repayment 95% and men 72%. Unequal access to health, nutrition and educational status of women in low income households has been linked to

high fertility rate, low labor force participation, low hygiene standards and increased incidence of infectious diseases and these variables are clearly related to productivity and household income. Through access of microfinance services improved standards of living has been noted (Jewkes et al 2010)

By proving gender stereotypes about women wrong through access to credit, MFIs have contributed to gender deconstruction. For instance, in instance in south Asia, Middle East and North Africa sex ratio is skewed against women due to high female mortality rates (Sen 1992). World Bank (1990) women typically work for longer hours, and when paid at all are paid lower wages. Rosenzweig and Schulz (1983) provide early evidence on pure investment under finding that survival probabilities for female in fact in rural India are higher in areas where opportunity for female employment are higher.

Odel (2010) Microfinance promotes assets growth, consumption smoothing and occupational mobility. Cheston and Kuhn (2002) MFIs intervention has resulted to improved decision making, improved self esteem and self confidence and expanded social networks enabling women to participate in areas traditionally dominated by men. Some studies have also demonstrated impact of MFIs on health and gender empowerment (Jewkes et al 2010). A survey conducted in 22 MFIs found out that 43 % of MFI provided health information to clients (Parker 2000).

Other important aspects including HIV related negotiations reforms policy are significantly associated with control of one's own money rather simple act of receiving a loan (Ashburn, Kerrigan and sweat 2008). According to Watson and Dunford (2006) families with access to MFIs have better health practice, better nutrition and get sick less often than comparison families. According to poverty reduction strategy paper (1999), a large number of Kenyans derive their livelihood from medium sector enterprises. Development of the sector therefore important means of creating employment, promoting growth and reducing poverty in the long run. Despite this, experiment shows that provision and delivery of credit and other financial services to the sector by formal financial institution has been below expectations. This means that it has been difficult for the poor to climb out of poverty due to lack of finance by their productive activities.

Technology has also allowed for more Kenyans to be able to access microfinance services. For instance, after its launch in 2007, Mpesa reached over 70% of all Kenyans and over 50% of poor unbanked rural populations by 2009 (Jack and Sun 2010).The potential of using institutional credit and other financial services for improved standards of living in Kenya is quite significant . According to National micro and small enterprise baseline survey of 1999, there are close to 31.3 MSE's employing nearly 2.3 million people or 20% of country's total employment and contributing 18 % of overall GDP and 25 % of non agricultural GDP.

2.2.2 Influence of Product design on standards of living

Beatrice and Murdoch (2005) explain that the major challenges in poor by banks are bank incomplete information about poor borrowers and poor borrowers lack of collateral to offer security in banks. Banks are therefore not able to establish clear difference between safe and risky customers and raising average interest for everyone drive safer customers out of the credit markets. Moral hazards also arise since the banks are unable to ensure customers are making full effort required for their investments projects to be successful. Schreiner (2003) banks typically face relatively high transactions cost when working in poor communities since handling many transaction is far more than servicing one large transaction for rich borrower. The starting point for microfinance is therefore on new ways of delivering loans and is therefore seen as a way to break vicious cycle of poverty by reducing transaction cost and overcoming information problems .

One innovation that allowed Grameen Bank to grow explosively was group lending, a mechanism that allows poor borrowers to act as guarantors for each other. The bank grew by 40% per year and by 1991, the Grameen Bank had over 1 million people members in Bangladesh, and by 2002 the number had swollen to 2.4 million. Today, replication exists in thirty countries from East Timor to Boswa (Hashelim, Schuler and Riley 1996). Group lending also operate in thirty of the fifty states in the United States (Pitt and Khandker). In a standard relationship, the borrower give the bank collateral as security, gets a loan from the bank, invest the capital to generate a return and finally pays the bank loan with interest .Grameen contract takes advantage of those relationship within community. While loan are made to individuals within groups, all members are expected to support

each other when difficulties arise. The group contract of five borrowers each. Loans first go to two members, then another two then to another fifth group member. As long as loans are being repaid, the cycle of lending continues ,but, according to the rules if fellow groups members do not pay off the debt, all in the group are denied subsequent loans (Murdoch 1999).

This future gives customers important incentives to repay promptly ,to monitor their neighbors and to select responsible partners when forming groups (Fugelsang and Chandler 1993). Repayments are made in public, that is, before the forty members of the centre, in weekly installment. Group lending thus takes advantage of local information, peer support and if needed peer pressure. The mechanism rely on informal relationship between neighbors the facilitate borrowing for households lacking collateral (Beasley and coated 1995; Armendariz de Aghion 1999) The product therefore combines the scale advantage of a standard bank with mechanisms long used in traditional mode safeguarding both parties interest. Dynamic incentives are put in place where by starting with small loans size and increasing it gradually the reliability of customer is established. In addition, the bank uses a usual payment schedules with repayments just a week after initial loan disbursement making the contract look closer to a consumer loan than business changing the nature of the risk to the bank (Stiglitz 1990).

While the traditional banks have historically lent nearly exclusively to men, women make up the bulk of microfinance customers (Khadhiker1998.)According to Daley-Harris (2005) Asia has the highest percentage of women clients (88%) followed by sub-Saharan Africa 83% ad Latin America 80%.According to Liz Mc Kenzie (1993), women accounts for more than 50% of the world population, perform 67% of the world working hours ,60% of the world labor force but only earn 10% of world resources. (Lakwo 2001, 2003) women are about twice illiterate (43%) compared to men in Uganda 26%). About 41% of women are exposed to domestic violence while also although 97% of women have access to land for farming, only 8% have leasehold and only 7% own land under customary tenure system in Uganda. Lakwo (2006) and Khandker (1998) argue that MFi's help women acquire asset of their own and exercise power in decision making. Watson and

Dunford (2006) Families with access to MFIs have better health practices, better nutrition and get sick less often than comparison families.

Kavila Singh, Shelah Bloom and Paul Broodish (2015)Women with higher decision making and more positive gender norms have greater ability to access existing maternal and child health services than their counter parts. Studies in Asia have demonstrated positive relationship between gender equality and women ability to seek and advocate for herself and children (Galal and Lu, 2009).Microcredit schemes that extend small business loans to women have been key to their empowerment in Asia and Africa (Norwood 2012)

Pitt and Khandker (1998) micro finance promote investment in the capital and raise awareness of reproductive health issues among poor families. The marginal impact on consumption was 18% for women and 11% for men. Microfinance also was found to have potential to lift 5% of borrowers out of poverty each year. Chesson and Kuhn (2002) MFI's intervention has resulted to improved decision making , improved self esteem and self confidence and expanded social networks enabling women to participate in areas traditionally dominated by men. In 2009, out of the total population reached by microfinance, 81.7% was constituted of women. Micro Finance products therefore not only empower financially but also allow for achievement of other human necessities like heath and protection against shocks through insurance.

2.2.3 Influence of microfinance Lending Policy on standards of living

After success of Grameen Bank microfinance model, more microfinance's across the world have been born with an aim of reaching the low income earners. The approach used is informed of the fact that this group lack adequate security and the financial institutions also are unable to access sufficient credit history to support their borrowing potential (Beatrice and Murdock 2005).This has resulted to a drastic increase in the number of low income poor accessing the microfinance services. In 2010, out of the total number reached out to by the microfinances, 82.3% were women an indication that previously omitted groups were now being reached out to (Micro credit Summit 2011).

Using Grameen model new members are placed in groups of five with five to eight groups forming a centre. All members in the centre meet with a loan officer weekly. For the first few weeks, they learn Grameen rules, and memorize a set of vows for self improvement (Schreiner 2003). New members must also buy a share of stock in Grameen for $2. Lenders seek to manage repayment risks, all borrowers promise to repay, but whether due to choice or constraints to control risks, most lenders require collateral, an asset the borrower forfeits upon default. The poor however either lack such assets or cannot afford to lose them. The innovation of Grameen and of microfinance in general is to collateralize the asset for future access to loans. In this sense, microfinance in low income countries works a lot like credit cards in high income countries. Borrowers repay because they want to preserve future access to loans. (Stiglitz and Weiss, 1983).

Although microfinance did not invent threat of termination as an incentives to fulfill contracts they popularize the combination with another procedure; defaults by one group members leads to loss of access for all members. Conning (1998). This joint liability reduces risks in three ways, first, joint liability gives members an incentive to exclude known bad risk for outsiders, knowledge of individual's characters is costly, but for villages, it is often a sunk cost. Thus joint liability can cut the cost to screen potential borrowers. Second, joint liability gives member's incentives to make sure that their fellows do not squander their loans. This cut the cost of monitoring borrowers. Thirdly, joint liability gives members an incentive to coax comrades out of arrears or even to repay their debts. Zwingle (1998) because joint liability lets the poor bank on social Capital, it has captured the imagination of the public.

Since joint liability also involves repeat games between heterogeneous agents with imperfect information, it has drawn attention from theoretical economist (Ghatak and Guimman, 1999).Ito (1998) microfinance's staggers disbursement to leverage the threat of termination. Two members get gets loans first, and then, one month later two other members get loans. After one more month, the last members get the loan. Since most of the loans last exactly one year, staggered disbursement reduces the risk of domination by defaults because some borrower must finish repayment before they know whether their comrade will default. Rahman (1999) Loan officers tend to be considerate bending the

rules both because they know that some arrears are involuntary and because they are reluctant to kick out good borrowers. To enforce repayment without strict joint liability at the group level, loan officers use social pressure at the centre level. For example, they may suspend all disbursements until all debts are up to date.

Murdoch (1999) In Microfinance, savings is compulsory and some types of withdrawal are restricted. Members can borrow against their savings in emergencies, and Grameen can freeze saving balances in case of default. Grameen has four types of forced savings. The first two types are called savings but they really are fees. After first loan, members must pay two cent each week for schools run by centre. They must also pay 0.5% of disbursement in excess of $20 into a loan loss fund. The last two types of saving are real savings. Members must deposit four cents each week into personal savings. Interest accrues at 8.5% and withdraws are unrestricted. 5% of each disbursement goes to group fund where it earns 8.5% interest and is used to cater for group members' emergencies (Ardener and Burman, 1995).

(Rutherford 2000) In practice, loan officers often control the fund and use it to insure MFi's against defaults. (Martin 1997) The savings is only refunded after one leave the MFi's or attain a specified period of time. Grameen only refund if members leave or have stayed for ten years. The duration allows for accumulation of savings making members find it hard to leave. Although some people can build assets through debt, even more can build assets through savings. Some of the poor are credit worth but all are deposit worthy. For instance, the poor in Bangladesh have a high demand for savings services. (Alamzir and Dolwa, 2000), this realization has made MFi's and bank adopt flexible voluntary saving decoupled from debt as an incentive (Yunus 2002)

The procedures also guide Non-financial services. In Bangladesh, apart from loans, MFi's supply discipline (Khandha et al 1995). This is not only financial discipline to make payment and deposits each week, but also physical discipline, members must sit in straight rows, salute chant and sometimes do calisthenics (Hashemi, 1997). The vows also instill distance in that they foster a break from some social norms that perpetuate misery in rural Bangladesh. For examples, the resolution praise small families, flourish

dowry and child marriage, promotes gardens, extol educational and exhort member to drink clean water and use latrines. Most important non financial services of MFi's are social intermediation. (Edycomb and Barton, 1998) creating social capital as a byproduct of meetings for instance in rural Bangladesh where due to Purdah norms isolate women, meetings provide a socially accepted excuse to gather and talk beeping women build on their networks. (Lawrence, 2001)

Microfinance therefore provides a sustainable platform where poor can build on their assets. This addressed the challenges faced by government in fighting against poverty. For instance, since states banks were recurring regular deposits from government, they were not keen to mobilize savings leaving locals without attaching and attractive ways to save. (Armendariz and Murdoch, 2005) The State banks also faced pressure to forgive ways for political reasons getting a lot of influence from politicians who ensured weak mechanism removing incentives for most to create tight efficient institutions. This resulted to programs in Africa, Middle East, Latin American, and south Asia to range between 40-95% Gonzalez-Vega (1984. Misallocation of funds was also so regular due to lack of accountability.

2.2.4 Influence of monitoring and evaluation on standards of living

Otero (1999), microfinance refers to provision of financial services to low income poor and very poor self employment people. Schreiner and Colombet (2001) defined microfinance as the attempt to improve access to small deposits and small loans for poor households neglected by the banks. The main aim was to offer financial services to the poor with an aim of boosting their businesses and consequently reduce poverty (Armendariz and Murdoch 2005).Though started in 1976, according to Daily Harris 2003, by the end of 2002 there were 67.6 million microfinance served by over 2500 microfinance. Out of the total number, 41.6 Million were in the bottom half of those living below their nation's poverty line (Micro credit summit, 2003).

Micro Credit Summit (2011) in 2009, 3589 MFIs reached 190,135,080 million clients out of whom 128,220,051 million were amongst the poorest with 81.7% women. In 2010, 3652 MFIs reached 205,314,502 million clients with 137,547,441 million of whom were

amongst the poorest when they took their first loan. Women constituted 82.3% of the poorest reached showing an increase from the previous year. With an average house consisting of five members, loans to 137.5 million poorest clients affect a total of 687.7 million people. E. Rhyne (2011) to safeguard clients a self reporting mechanism for external assessments and external ratings important.

According to Khandker (1998) Micro credit in Bangladesh lift 5% of its borrower out of poverty each year. Pitt and Khandker (2005) reinforcing the face that micro credit is effective in reducing poverty. A fourteen year old study in Bangladesh found that out 40% of the entire poverty reduction was directly attributed to microfinance. (Watson and Dunford, 2006)

Some studies have demonstrated impact of MFi's on health and gender empowerment (Jewkes et al 2010). Odel (2010) argues that MFi's promote asset growth, consumption smoothing and accusation, mobility. Cheston and Kuhn (2002), MFi's intervention has resulted to improved decision making, improved self, esteem and self confidence and expanded so many networks enabling women to participate in areas traditionally dominated by men.

Monitoring and evaluation on Grameen bank services also showed the ability of microfinance to effect social change. Yunus (2001) due to cultural values that prohibited women movement and interaction, Mohammad Yunus had a challenges reaching out of women, but gradually the number has risen to as 95%. The partnership of women in business is also evident. Khandker (2003) 100% increase in per capital household on food. Similarly, increase in borrowing by men would lead to join a 2% increase in non food expenditure and negligible change in food expenditure. Hassan (1988) finds women more reliable customer citing evidence in Bangladesh where 81% of men had no repayment problem compared to 74% of men.

In Malawi, Hulme (1991) finds that on time repayment for women was 92% against 83% for men. Monitoring and evaluation is therefore important in establishing what is working for more improvement and also to determine areas for conclusion in the intervention.

Rosenzweign and Schultz (1982) evidence on pure investment model found that survival probability for women infants in rural Indonesia are high in areas where opportunities for women empowerment are high. Barnel et al (2001), Microcredit client from Uganda were found to have more diversified sources of income compared to the non client. Dupas and Robinson (2008) through microfinance, Kenyan savings clients were found to be investing more money in land for cultivation. This enables them to improve in production raising their income

2.3 Theoretical framework

A theoretical framework refers to a group of related ideas that provides guidance to a research project or business endeavor. The study has been explained using two theories to guide the research.

2.3.1 Game theoretical approach in group lending

Classical financial institutions require collateral for loan to be advanced to an individual. Low income and lack of security exclude low income earners from funds. In contrast, MFi's adopt group peer pressure and social selectivity to increase repayment rates and hedge against default risk though group lending. The group is responsible for a loan given to specific individual. As group forms voluntary, no group is willing to accept a member whose reputation is questionable. Murdoch (1999) in case of Grameen bank, the sanction for default is lasting credit decimal for all groups' members.

Guttmann (2006) distinguishes three major problems responsible for low credit provision for poor in standard banking systems. Adverse selection; Ex ante moral hazards occurring when borrower has incentives to take too high risks in investing loans; ex post moral hazard while a borrower decides to deny possible profit to avoid loan repayment. Through systematic information the threats can be investigated.

Sachs (2005), group lending decreases transactional cost which is a limiting factor for standard banks. Approach also interesting to counter often assumed insufficiency credit worthiness of the poor, a rational shared by standard banking institution (Romanes, 2008).The design of groups lending is formalized by game theory approach .The design involves a trigger strategy. The player (MFi's and five borrowers) cooperate until one

defaults, where MFi's deny further was to group pushing the trigger. Assumption made is that lending is done simultaneously to group members. Player is MFi's and player is group.

Basic play resembles prisoner dilemma and social optimum is achieved if both players cooperate. That is, MFi's grants credit and all group members eventually pay. Where members use the loan for a highly risky project and eventually fail to pay, the sanction is denial of the loan in future.

To ensure long term cooperation on group part, and continuous repayment of loans, the discounted profit in every period for cooperating from player 2 has to exceed the sum of discounted profits from defecting once.

Player 1 (MFi's) cooperative defect	**a1a2**	**b1b2**
	c1c2	**d1d2**

Guttmann (2006) study though without game approach argues that "assertive matching" process of group formation separating risky from safe borrowers would only occur in absence of dynamic incentives such as proposed trigger strategy. Cateris Paribus, he argues that the marginal benefit of having a safer partner would decrease with higher income and with higher success probability of one's investment project.

However he assumes throughout the feasibility of side payment between both borrowers, where one pay a certain amount to share cost if his own player succeed and that of his partner fails. In absence of the assumption the results of assortive matching holds also for dynamic setting. Hence a trigger strategy is also stable in non game theoretical analysis which supports its robustness.

2.3.2 Microfinance Change Theory

According to Srikant M. Datar, Marc J. Epstein and Christ Yuthas (2008) Microfinance may be one of the world's most powerful new solutions to poverty, as well as to the wars, diseases and suffering that poverty ignites. Micro finance supporters argue that microloans increases household consumption, give women clout in their communities

and improve the nutrition of young children (Shahidur R. Khandker 2005). Critics in contrast, contend that the world most vulnerable people are often in no position to take on the risk of entrepreneurship. This they support with research findings showing that microfinance clients have been known to scrimp on food, sell their furniture, and borrow from loan sharks while also taking second class jobs to pay off their loans.

Microfinance therefore overall fails to find its way to world poorest people (Susy Cheston and Lisa Kuhn 2002).Microfinance vary so much in their mission strategy which makes it a challenge to assess their impact. Few MFIs have explicitly formulated their path towards desired outcomes. Without clear theory of change, these MFIs invest resources and track outcomes that have little to do with their ultimate goals. The ultimate goal for most of the organization is to alleviate poverty by giving people access to credit. The theory of change for this organization stipulates that by building financial institutions for poor, the clients will eventually be able to move from poverty. Just like banks, they track financial outcome such as loan repayment, loan size and number of clients.

This is an egregious oversight as the vast majority of micro finances clients have no prior business or banking experience. A client centered theory as opposed to institution centered theory as opposed to institution centered theory as opposed to institution centered theory is critical for success in improved standards of living. This is to allow for inclusion of MFIs success and borrowers profitability. This calls for financial education, management training, value chain support and social services. Apart from income, health nutrition, housing and education should be used. Marc J. Epstein and Christopher A crane (2007).Institutionalized approach can hide how poorly MFIs clients are faring. MFIs often lend to groups and hence do not report when individual client within the group defaults. High loan repayment rate do not necessarily indicate wealthier, happier clients. Another common indicator of MFIs health is the average size of its loans yet a study in Bangladesh found that the longer the line of credit ,the more the families borrowed rather than saving some of their credit for future use. These families continued to borrow to borrow from informal sources plunging them into excessive indebtedness (Manfred Zeller and Mahonar Sharma, 2002).

Thus, although organization PAR might be zero, the percentage of clients moving out of poverty might be unknown. Client with training increased their profits, reinvested into business and maintained better records than those not trained (Dean S Karlan and Martin Valdiva 2006).Client centered approach also emphasize on the need to measure whether their loans are actually moving people out of poverty. Grameen bank does this with its poverty index. This includes social economic indicators such as school age children going to school age whether the \members are free from treatable health problems. Such measures can show whether organization are achieving their social goals.

Client centered approach requires that the MFIs staff apart from competence in banking need also to be conversant with human services. The MFI s ought to consider success of micro enterprises critical both to alleviate poverty and drive financial returns to MFIs. Although the ranks of MFIs are swelling, the MFI s remembers that their clients are often in business by necessity, rather than by choice. They are not entrepreneurs in their traditional sense. If their communities had jobs and if their families situations permitted it, they would be employed.

2.4 Conceptual of Framework

Conceptual framework is a diagrammatic representation of the relationship between the dependent variables and the independent variables. The independent variables are represented on the left side of figure 1 while the dependent variables are positioned on the right side. This is to allow for the relationship between the variables.

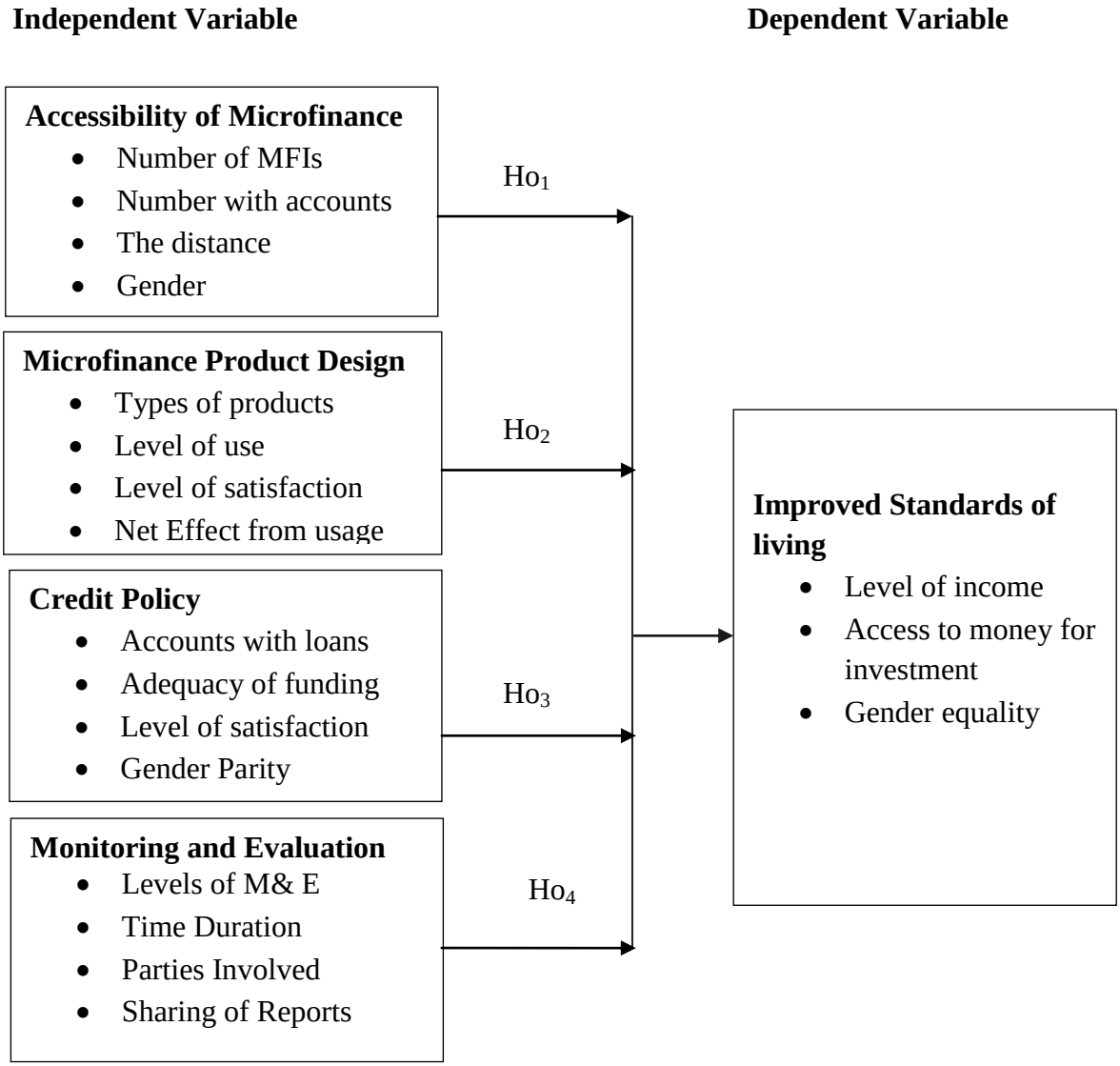

Figure 1 : Conceptual Framework

2.5 Explanation of relationship of variables in conceptual framework

This part is aimed at briefly explaining the variables to show how each independent variable affect the dependent variable. Accessibility, product design, credit policy and monitoring and evaluation are each explained on their relationship with the improved standards of living.

2.5.1 Accessibility and the Improved Standards of Living

According to the previous research done on poverty, access of financial services by the poor has been as a major strategy in improved standards of living where the poor are able to save and access credit for running their business poverty level has been found to go down. The decrease in poverty level therefore is associated with ensuring financial services access by the poor. Micro finances have since inception pursued accessibility of the financial service for the poor. The area of intervention in this case is on accessibility whose successful implementation is expected in result to improved standards of living. Microfinance accessibility strategy is therefore the independent variables and improved standards of living that independent variables

2.5.2 Product Design and Improved Standards of Living

Previous strategies by the state banks adopted with an aim of reducing poverty ended up failing. The bank also shunned the poor due to lack of security and information comprising their character and ability to pay. However, according to research, entry of microfinance seems to have led to the threat of information and security been resolved. Microfinance product are designed in a way that allows the poor to access money they are comfortable to pay while also safeguarding the institution from defaults, for instance through group lending, clients bring together their resource to enable each other secure loan.

They also know each other enabling the institution to know those who can be funded and those who cannot be funded. Microfinance also allow for product that address the constraints facing different groups. For instance, women though lacking security and who are worst hit by poverty are able to access finance with them constituting 80% of

customers in MFi's. Through products that are designed for specific groups, Microsoft enables those individual to access credit and other financial services leading to improved standards of living.

2.5.3 Credit Policy and Improved Standards of Living

The policies set by the banks limited the poor from accessing the financial services from banks. Information being a, client history in the bank was important .This the poor could not manage. Security to safeguard the bank was also a requirement during client appraisal, again limiting the poor forcing them to remain poor. Micro finance sought to intervene by designating policies that allows group members to do the vetting as they know each other best. Also the members in a group guaranteed each other and defaults by one results to all being denied any loan until the arrears are cleared. Unlike in bank where one pays for fear of losing security, in Microfinance one pay for fear of losing an opportunity to secure loan in future. MFi's policies therefore allow the poor to access credit and other financial services for their business leading to improved standards of living. The credit policy is therefore the independent variable and improved standards of living the dependent variable

2.5.4 Monitoring and Evaluation and Improved Standards of Living

Through monitoring and evaluation, microfinance is able to evaluate their results against targets. This allows for factual assessment on whether the strategies adopted are making significant contribution in improved standards of living. Accessibity, product design and credit policy effectiveness is therefore established. This result to continuous improvement to ensure improved standards of living goal is achieved. Goals and objective related to improved standards of living allow for indicators to be chosen and evaluated. As such, effective monitoring and evaluation ensures the MFi's goals of serving the poor with an aim of lifting them from poverty remain the area of focus with continuous improvement to ensure efficiency. Monitoring and evaluation is therefore the independent variable while an improved standard of living is the dependent variables.

2.6 Gaps in literature reviewed

This part shows the knowledge gaps identified from the previous research. Each independent variable is explained separately with an aim of finding out how the potential in each variable can be maximized from the study.

2.6.1 Influence of MFI's Accessibility Strategy on Improved standards of living

Schreiner and Colombet (2001) define microfinance as the attempt to improve access to small deposits and small loans for poor households. According to Armendariz and Murdoch (2001) define microfinance as the attempt to improve access to small deposits and small loans for poor households. According to Armendariz and Murdoch (2005) the principle of diminishing marginal returns to capital, enterprise with relatively little capital should be able to earn higher returns than enterprise with great deal of capital. Money should therefore flow from rich deposits to poor entrepreneurs

According to Rutherford (2000), the principle of diminishing marginal returns that poor can pay better than rich makes an interesting assumption. It assumes that everything but capital is held constant, education levels business savvy, commercial contacts and access to other input are the same for rich and poor. Since the assumption is not always the case, entrepreneurs with less capital could have lower marginal returns than richer households. Still with an assumption that rich and poor are alike in the non capital characteristics, the principal of diminishing marginal returns to capital may still not hold since the production function may not be so conveniently concave. For instance, due to technology, there may be large profit per dollar invested by larger scale entrepreneurs with less capital. The poorer household cannot therefore pay for credit at high prices without adequate financing, poorer entrepreneurs may never be able to achieve the required scale to compete with better endowed entrepreneurs, yielding a credit related poverty trap (Armendariz and Murdoch 2002).

The challenge taken up in Bangladesh and Indonesia has been to charge relatively low rates of interest while continuing to serve poor clients and covering cost (Rutherford 2000). Subsidy has been identified by mainstream economist as instrumental also to

address the challenge if well addressed (Krugman 1994) accessibility is therefore more than just the presence of microfinance in areas occupied by the poor. The very poor and chronically poor face difficulties accessing microfinance's services as they are viewed as credit risk by microfinance's and community members (Carter and Kegima 2007) most MFi's also tend to focus on urban areas failing to reach the rural poor. Cheston (2007) in Bangladesh, although women received the loans, less than 50% actually controlled it. A survey from Grameen bank also showed that 70% of women had an increase in aggression and violence from spouses due to their association with microfinance Hashemi and Badal (1998).

Accessibility having being enhanced through an increase in the number of micro finances operating in different countries, attention is drawn to the impact on the standards of living of the target groups. In India, the influx of micro finances apart from reaching out to many people and helping some out of poverty is associated with dangerous competition with client ending with more debts than their ability to pay. D. Johnson and S.Meka (2010) 83% of the clients in Andhra Pradesh, India was found to be having more than four loans at the same time which was more than their ability to pay. According to Asad Mahmood (2011) Micro finances seems to have focused on the growth at the expense of the social aspect. The social aspect therefore needs to be intertwined with the financial one. The micro finance institutions therefore need to be assessed against the impact they have on the standards of living to show its contribution.

Accessibility of financial services to the poor is not on its own enough to address poverty. There is therefore the need to understand the factors resulting to continued poverty despite the strong evidence showing accessibility contribute towards improved standards of living. Burke et al (2007) 1324 households' studied in Kenya between 1997-2004 on poverty showed that majority 57% were poor since 1997. Sen (2000) among 4773 households studied in Kenya 15 years ago were poor and presently 50% are poor. 12% of households escaped poverty while another 20% fell into poverty resulting to a net increase in poverty of 8% over 15 years period.

2.6.2 Influence of product design strategy on improved standards of living

Microfinance institutions product design has allowed for the information and collateral challenges faced by bank to be addressed (Beatriz & Murdoch 2005). This has resulted to access of financial services to the poor impacting positively on improved standards of living (Dunford 2006). Product design has also enhanced reduction of transaction cost experienced by banks while serving the poor, Schreiner (2003).Micro Summit (2012) Those who sell MFIs products have a duty to know their customers ,design and sell products that meet their needs. According to D. Collins et al (2009) the world's poor have three broad financial goals. One is to regularize their financial flows of money followed by better preparation to cope with emergencies and also school fees and lastly investment.

According to Oliver Wyman (2008), In order for micro finances to help improve the living standards of the poor, they need to know clients business opportunities, their cash flows, and the types of financial services they are likely to need. MFIs that have regulatory approval to accept savings and give appropriate savings in exchange end up with more savers than borrowers. Opportunity International Bank of Malawi has 45,000 borrowers and 250,000 savers while Equity Bank in Kenya has 715,000 borrowers and four million depositors. Grameen bank had $1.4 billion in deposits and a loan portfolio of $965 million. Financial literacy is also necessary to enable the client know what they need and what to do if they do not get it(Micro Credit Summit 2012).

Richard Montgomery (1996) turns a critical eye on product design by microfinance. According to him, implementation of group lending can lead to forms of borrower discipline which are unnecessary exclusionary and which can contradict broader social aim of solidarity group lending. This works against the poorest and the most vulnerable members of the community. He mentions stories of forced acquisition of household's utensils, livestock and other assets of defaulting members. Provision of insurance alongside credit, to enable borrowers cope with major risks, there is a legitimate question whether microfinance make some borrower more vulnerable than they have been. (Harper 2002)

Martin (1997) argues that group loans are disbursed in a staggered deliberate strategy to ensure in case of a default there is some in large group who need the loan to help in pushing for recovery. This could hinder the member from accessing loan at the time when the money was needed. Product design is therefore an important strategy by microfinance that allows for the poor to access finance. However, despite many products designed for the poor, the poverty level is still high in Kenya. There is therefore the need to assess how micro finance products meet the need of the customers and also how well they help them improve on their standards of living.

2.6.3 Influence of microfinance credit policy on standards of living

According to Armendariz and Murdoch (2005) microfinance address the challenge of information and collateral that hindered banks from giving financial services to the poor. This allows the poor to access financial services enabling them to escape poverty. According to Asad Mahmood (2011) many MFIs focus on growth at the expense of the social aspect of the business. Focus on growth and productivity may allow for MFIs to achieve their goals at the expense of the clients' goals. In India for instance, influx of the MFIs at Andhra Pradesh resulted to a crisis with 83% of the clients having more than four loans at the same time. This not only harm the clients but also the MFIs due to huge loans default (D.Johnson and S.Meka 2010).

Schreiner (2003) the design of products and incentives allow Grameen to make small loans to poor people without physical collateral. Conning (1998) the joint liability give members' opportunity to exclude known bad risk cutting the cost of screening new potential borrowers. It also cut on the cost monitoring borrowers as group members make sure their fellow do no squander their loans. It also ensure incase of defaults the group shall pay on behalf of the members.

Murdoch (1999) saving is compulsory and some types of withdrawal are restricted. The microfinance can also freeze savings in case of defaults. Richard Montgomery (1996) can lead to borrower discipline which are unnecessarily exclusionary and which can contradict the broader aims of solidarity group lending. He argues that group lending can create peer pressure that works against the poorest and the most vulnerable member of

the community. He mentions instances of forced acquisition of household's items and other assets of defaulting members. This is so even when borrower faced difficulties beyond his control. Provision of insurance against credit is important to enable borrower have a way to cope with major risks. Without insurance, there are legitimate questions as to whether microfinance can make some borrower more vulnerable than they had been.

Staggering of disbursement of loans to ensure in case of defaults the need of loan by a member in the group shall force them to pay has been criticized Martin (1997). The desperation could even compel the needy member to pay the arrears affecting the budget of the affected person. The policy could be very working for the institutions but at the expense of the client. Although creditor policies by microfinance's are instrumental in improved standards of living, there are gaps of knowledge on its application in Kenya. There is therefore the need to assess how well the credit policy ensures that the MFIs impact positively on standards of living of the beneficiary.

2.6.4 Influence of monitoring and evaluation on improved standards of living

Otero (1999) Microfinance refers to provision of financial services to low income poor and very poor self employed. Schreiner and Colombet (2001) define microfinance as the attempt to improve access to small deposits and small loans for poor households neglected by banks. Although the number of micro finances since its inception in 1976 has been on the rise with clientele base also rising improved standards of living on the target remains a challenge. Some studies show that the micro finances have the potential to lift people from poverty. Watson and Dunford (2006) found from a fourteen year study that 40% of the entire poverty reduction was directly attributable to microfinance.

The ability to ensure that women, who previously had been left out in the access to capital, are now able to access financial services shows further the potential of microfinance's in initiating social change (Yunus 2001).The impact of MFIs on gender empowerment has also been demonstrated in some studies (Jewkes et al 2010).Despite all this potential some studies have raised questions on the impact of MFIs on its clientele. In Kenya, the success recorded in other countries is yet to be reflected. According to Kabubo and Mariara (2007), more than 50% are still mired in poverty with women and

rural dwellers particularly affected. Chambers (1997) argues that National poverty is not a static situation. It changes as a result of seasonality, climate variability, household level shock, lifestyle changes and public policies.

Burke et al (2007) a study in Kenya involving 1324 house hold studies between 1997 to 2004 on poverty in Kenya showed that majority (57%) were poor and had been poor since 1997.22% had made progress in moving out poverty while 21% experienced a decline in welfare. Reasons for escaping poverty included diversification of income sources while reasons for falling into poverty included poor health and heavy health expenses, land, livestock related factors and social factors. Although MFIs are highly linked with improved standards of living for their clients, its own definition does not make them responsible for the improvement of their target groups welfare. Micro credit Summit (2012) Indicate that there is a concern that MFIs which started as a social movement has now become fixated on financial returns.

C. Velasco (2010) Monitoring of social performance important to help redress mission drift and instill awareness in MFIs managements that if a social bottom line is adopted it should be equally emphasized as financial bottom line. Indicators to show the impact on the clients' standards of living ought to be developed to measure outcomes against expectations. Commitment to reporting on social indicators will ensure incentives to maximize social outcomes in a sustainable way. Inclusion of non financial services that increase the welfare of the clients can also be advantageous to service provider especially when the service increases the client ability to repay (S. Leatherman and C. Dunford 2011).Microcredit summit report (2012) also imply that in order for MFI s to remain committed there is need for recognition of the institutions which are reaching out very poor and helping them move out of poverty. A seal of excellence is also required to ensure that those organizations significantly contributing towards poverty outreach and improved living standards in a sustainable way are recognized as an incentive.

In Kenya ,this has not been given adequate attention and being a best practice adopted in other countries there is need to assess how well organizations missions is connecting with the improvement of the target standards of living

2.7 Summary of literature review

Accessibility of MFIs to the people is not a sufficient condition in ensuring improved standards of living for the people. Asad Mahmmod (2011) explains that focus by MFIs on growth at the expense of social aspects negatively impact on the work by MFIs. The social aspect therefore needs to be intertwined with financial ones. Micro Summit (2012) agreed that those who sell MFIs products have a duty to know their customers, design and sell products that meet their needs. D. Collins et al (2009) explains that the world poor have three broad financial goals .One is to regularize the financial flows of money followed by better preparations to cope with emergencies and also school fees with investment coming in last. MFIs failure to intertwine social and financial aspects results to policies that favour institutions growth at the expense of the clients. MFIs failure to integrate social and financial aspects results to policies that favour institution growth at the expense of the clients. C. Velasco (2010) explains that monitoring of social performance is important to help redress mission drift and instill awareness in MFIs management that if a social bottom line is adopted it should be equally emphasized as financial bottom line. Commitment to report on social indicator will ensure incentives to maximize social outcomes in a sustainable way. Institutions should also be recognized through a seal of excellence for their contribution towards improving living standards .Susy Cheston and Lisa Kuhn (2002) explains that without a clear theory of change , MFIs invest resources and tack out comes that have little to do with their ultimate goals

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the research methodology that was used in the research project. This includes research design ,target population ,sample size and sampling methods, data collection methods, instruments validity and reliability ,data presentation and analysis, ethical issues and finally operationalization of variables.

3.2 Research Design

A research design refers to a blue print for collection, measurement and analysis of data (Cooper and Schindler, 2011).It expresses both the structure of the research problem, the framework and organization of variables and the plan of investigation used to obtain empirical evidence on those relationships. (Alasuutari, Bickman and Brahnen 2008) Research design is a scientific method of investigation in which data is collected and analyzed in order to describe the current gap.

The study adopted descriptive survey research design which according to Churchill (1991) is appropriate where the study seeks to describe characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions.

Creswell (2003) the design is appropriate because it provides quantitative description trends, opinions and attitudes of a population. Cross sectional survey was also incorporated with an aim of allowing for tracking of trend over a given time. This is according to Cooper and Schindler (2003) who argues that this method allow for information to be obtained without much constraint on budget and time. This was done through adroit questioning about past attitudes, history and future expectations.

3.3 Target Population

Cooper and Schindler (2003) Target population refers to a group that the researcher is focusing on. The target of this research was tea farmers from Ikumbi Factory, Kigumo constituency. The factory had a total of 7,000 farmers. The factory had three field officers with one handling 3,000 farmers and the other two 2,000 farmers each. The constituency has a total of five factories with the main cash crop being Tea.

Table 3.1 : Target population of the participant

Category	Population
Farmers	7,000
Field Officers	3
Total	**7,003**

Source: Ikumbi factory (2015)

3.4 Sample Size and Sampling procedure

Cooper and Schindler (2011) Sampling refers to selection of some elements in a population with an aim of using it to draw a conclusion about the entire population. Sampling refers to selection of some elements in a population with an aim of using it to draw a conclusion about the entire population. Sampling is credited with lower cost, greater accuracy of results, and greater speed of data collections and availability of population elements.

Kothari (2004) Sampling design is the plan for obtaining a sample from a given population. Using the Krejcie and Morgan (1970) sample size table, a sample size of 364 was identified from 7,003 the farmers. Census was used in selecting the numbers of field officers to be involved. This required that the three officers be included in the sample. According to Cooper and Schindler (2006) census is preferable when the population targeted is small. Systematic sampling was applied in identifying the farmers to be sampled from the 364 sample size selected from the Krejcie and Morgan (1970) sample

size table .Every 19th Farmer was included in the sample. According to Cooper and Schindler (2011) systematic sampling is simple and flexible to use.

Table 3.2 : Sample Size of 367 participants

Category	Target Population	Sample Size	Percentage
Farmers	7,000	364	99.18
Field Officers	3	3	0.82
Total	**7,003**	**367**	**100**

3.5 Methods of Data Collection

This study collected primary data. Interview schedules were used together with questionnaires to collect the data including both structured and unstructured questions. This was to present the respondent with an opportunity to objectively answer specific questions and also freely clarify where necessary(Cooper and Schindler 2011). Kothari (2004) explains questionnaires as the most appropriate instruments due to its ability to collect a large amount of information in a reasonably quick span of time. Mugenda and Mugenda (2003) explain the interview schedules as commonly used to obtain information about a population under study. The interview schedule was divided into five categories. One category was for demographic information and the others to address the variables.

3.6 Validity of Research Instruments

Coopers and Schindler (2011) defines validity as the extent to which a test measures what we actually want to measure. Bridget and Lewin (2005) also define it as the degree by which the sample of test items represents the content. Cronbach (1971) indicates that validity refers to results that have the appearance of truth or reality. Coopers and Schindler (2011) explain content validity as the extent to which it provides adequate coverage of the investigative questions guiding the study. Correlation between theory and measurement instruments is also called construct validity. Mugenda and Mugenda (2003) argue that the usual procedure in assessing the content validity of a measure is to use a professional or an expert in that field.

Therefore, to establish validity of the research instruments, the researcher sought opinions of the expert in the field of study especially the researcher's supervisors and lecturers. This facilitated the necessary revision and modification of the research instruments thereby enhancing validity.

3.7 Reliability of Research Instrument

Cooper and Schindler (2011) explain reliability as the degree to which a measurement is free of random or unstable error. Such instruments can be used with confidence that transient and situational factors are not interfering. Stable measure secures consistent results with repeated measurements of the same person with the same instruments. A reliable instrument also shows consistency at one point in time among observers and sample of items. Internal consistency is also evident in a reliable instrument. . For the purpose of this research, reliability was determined by use of half –split form of pilot study whereby half of the respondents in the smaller subset of the target population had the questionnaires administered to them. The other half had the questionnaire administered to them after one week.

The half- split method was critical and effective as it helped avoid issues related to respondent maturity and thus quite reliable. Interviewees were carefully instructed to identify ambiguous, inappropriate, unclear or offending questions. Their valuable opinions were used to modify the final questionnaire. Cronbach's alpha was calculated by application of SPSS version 18 for reliability analysis giving 0.727.According to Sekaran (2003), reliability coefficient of less than 0.5 is deemed unacceptable while coefficient closer to 1.0 are acceptable. The reliability in this case met the threshold required.

3.8 Data Collection Procedure

The research proposal was presented to the University of Nairobi upon which an introductory letter from the University was sought. The questionnaires were administered by the researcher through interviews. The questionnaires were presented based an elaborate review of literature. Data collection tools were piloted before finalizing the questionnaires. A five point likert scale was used to answer most of the questionnaires.

The study utilized interview schedules administered by the researcher. The first part covered respondent demographic information of the study sample. The other four parts covered the variables where each variable had questions under it addressed together. The first variable was accessibility of MFIs while the second was product design by MFIs. The third variable was credit policy and the forth one was on monitoring and evaluation. Another interview schedule was prepared for the key informants who comprised of the three field officers in the factory. The interview schedule was organized just like the one prepared for the farmers.

3.9 Data Analysis Technique

Once collected, the data was processed. This involved editing, coding classification and tabulation so that the data could be possible to analyze (Kothari 2004).Data analysis involved searching for patterns of relationship that existed between independent and dependent variable. Descriptive statistics was used to analyze data using statistical package for quantitative data (SPSS). Data collected was crosschecked for completeness, clarity and consistency. Data was coded cleaned and validated to achieve a clean data set. Quantitative data was presented using frequency tables and percentages. The findings were presented using tables for further analysis and quantitative reports prepared through tabulations, percentages and measure of central tendency. Content analysis which according to Cooper and Schindler (2011) is the most appropriate for open ended questions was used to analyze qualitative data. Creswell (2003) explains content analysis as a technique for making inferences by systematically and objectively identifying specific characteristics of messages and using the same to analyze trend. Qualitative data was categorized in themes as per research objectives and reported in narrative form alongside quantitative presentation and used to reinforce quantitative data.

3.10 Ethical Considerations

Coopers and Schindler (2011) defines ethics as norms or standards of behaviour that guides moral choices about our behaviour and our relationship with others. This is aimed at ensuring that no one is harmed or suffers adverse consequences from research activities ranging from Non disclosure, confidentiality and deception. The introduction letter from the University of Nairobi was used for introduction and to clarify on the fact the research was to be used purely for academic purpose only. The respondents were assured of their confidentiality through omission of their names

3.11 Operationalization of Variables

Operationalization of variables allowed for variables to be expressed in measurable terms. The indicators to be measured for each variable were identified together with the measurement scale.

Table 3.3 : Operationalization Table

Study Objective	Variables	Indicators	Measurement Scale	Tools	Type of Analysis
Influence of accessibility of MFi's on improved standards of living	Accessibility of microfinance's. Independent Variable	-No of MFi's -No with accounts -No of visits per month to the bank -Women and youth representation,	-Nominal -Nominal -Nominal -Nominal	Questionnaire	Descriptive statistics
Influence of product design on improved standards of living	Product design Independent Variable	-Types of products -Level of use by customers -Level of satisfaction ---- Net change in income -Gender	-Nominal -Ordinal -Ordinal -Ordinal -Nominal	Questionnaire	Descriptive study
Influence of Credit Policy on improved standards of living	Credit Policy Independent Variable	-No of accounts with MFIs -No of accounts with loans. -Requirement for funding. -Adequacy of capital. -Level of satisfaction -Gender	-Nominal -Ordinal -ordinal -Ordinal -Nominal	Questionnaire	Descriptive Study
Influence of Monitoring and Evaluation on improved standards of living	Monitoring and Evaluation Independent variable	-Levels of monitoring. -Types of Monitoring. -No of contacts. -Reports Generation timings	-Ordinal Nominal -Nominal -Ordinal	Questionnaire	Descriptive statistics

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDING

4.0 Introduction

The chapter presents data analysis ,presentation and interpretation of the findings on the study of the influence of Micro finance strategies on the standards of living for the people of Kigumo constituency .The data collected was collated and reports generated in form of descriptive tables.

4.2 Questionnaire Return Rate

The analysis of the rate at which questionnaires were completed and returned is discussed below.

Table 4.1 : Return Rate by Respondents

Category	Farmers	Percentage	Key Informants	Percentage
Response	347	95.33	3	100
Non Response	17	4.67	0	0
Total	**364**	**100**	**3**	**100**

The data was collected from two groups with one comprising of the farmers and the other one had key informants working as field officers, employees of Kenya Tea Development Agency. Out of the 364 questionnaires given to the farmers, 347 were returned indicating a 95.33% return rate. The three field officers targeted also availed themselves for the filling of interview schedule. The return rate was above 40% and therefore a representative sample of the population.

4.3 Characteristics of the Respondents

The population under study had characteristics which were vital for the study. This included gender, age, level of education, duration of stay in the locality and also the level of income.

4.3.1 Respondents Gender

The research intended to establish how the two genders were represented in the sample population.

Table 4.2: Gender

	Frequency	Percent	Cumulative Percent
Male	187	53.9	53.9
Female	160	46.1	100.0
Total	**347**	**100.0**	

According to the research findings, out of the 347 respondents, 187 were men while 160 were women. This indicates that there are more males than females involved in farming at Kigumo Constituency.

Table 4.3: Education

	Frequency	Percent	Cumulative Percent
University Level	26	7.5	7.5
Tertiary Level	23	6.6	14.1
Secondary Level	155	44.7	58.8
Primary Level	90	25.9	84.7
None of the above	53	15.3	100.0
Total	**347**	**100.0**	

According to Table 4.3 those who had attained university level of education was 26 (7.5%), Tertiary level of education 23 (6.6%), Secondary level 155 (44.7%), primary level 90 (25.9%) while those who had not been to school was 53 (15.3%).Thus 58.8% of the total population has secondary education and above although the transition to tertiary and university level of education was lower with a total of 14.1 %.

Table 4.4: Duration in the Area

	Frequency	Percent	Cumulative Percent
5-10 years	17	4.9	4.9
11-15 years	24	6.9	11.8
16-20 years	57	16.4	28.2
21-25 years	20	5.8	34.0
26 years and above	229	66.0	100.0
Total	**347**	**100.0**	

According to Table 4.4, 17 respondents (4.9%) had been in the area for five to ten years, 24(6.9%) had been in the area for eleven to fifteen years, 57 (16.4%) had lived there for a period between 16-20 years while 20 (5.8%) had lived there for 21 to 25 years while 229 (66%) had lived there for 26 years and above. Majority of the respondents in the area have therefore lived there for more than 26 years.

Table 4.5: Level of Income

	Frequency	Percent	Cumulative Percent
1000-9000 kshs	196	56.5	56.5
10000-19000 kshs	108	31.1	87.6
20000-29000 kshs	25	7.2	94.8
30000-49000 kshs	10	2.9	97.7
50000 and above	8	2.3	100.0
Total	**347**	**100.0**	

According to Table 4.5, 196 (56.5%) of the respondents were earning between 1,000 kshs to 9,000 kshs while 108(31.1%) earned between 10,000 kshs and 19,000 kshs .25 (7.2%) respondents earned between 20,000 kshs and 29,000 kshs while 8 (2.9%) earned between 30,000 kshs and 49,000 kshs with 8(2.3%) earning 50,000 kshs and above. Majority of the farmers therefore earned between kshs 1,000 and kshs 9,000.

Table 4.6: MFIs Availability

	Frequency	Percent	Cumulative Percent
Strongly agree	180	51.9	51.9
Agree	115	33.1	85.0
Somehow agree	44	12.7	97.7
Disagree	4	1.2	98.8
Strongly disagree	4	1.2	100.0
Total	**347**	**100.0**	

According to Table 4.6, 97.7 % of the respondents informed the research of the availability of MFIs in their areas while 2.4% reported that they had no access to MFIs within their areas. Therefore majority of areas were covered by the micro finances at Kigumo constituency.

Table 4.7: Low Income Earners Inclusion

	Frequency	Percent	Cumulative Percent
Strongly Agree	169	48.7	48.7
Agree	60	17.3	66.0
Somehow Agree	100	28.8	94.8
Disagree	11	3.2	98.0
Strongly Disagree	7	2.0	100.0
Total	**347**	**100.0**	

Table 4.7 indicates that out of the total respondents 48.7% strongly felt that the low income earners were served adequately by MFIs while 17.3% were satisfied with the service with 28.8% somehow agreed.3.2 % disagreed while 2.0 % strongly felt that the MFIs were not adequately serving the low income earners .The qualitative data identified the reasons for concern as too high rate of interest compared with the low income from the farmers while others explained their reason as due to the fact that their areas were not well covered by MFIs.

Table 4.8: Youth and Women Inclusion

	Frequency	Percent	Cumulative Percent
Strongly Agree	123	35.4	35.4
Agree	122	35.2	70.6
Somehow Agree	71	20.5	91.1
Disagree	26	7.5	98.6
Strongly Disagree	5	1.4	100.0
Total	**347**	**100.0**	

According to Table 4.8, 70.6 % of the respondents reported that youth and women were well integrated in the service delivery by MFIs with 35.2 % of that sample strongly supporting.20.5 % somehow agreed while 7.5 % felt that the MFIs did not adequately include the women and the youth, who are considered vulnerable. 1.4% felt strongly that the MFI s did not include the youth and women Majority therefore felt that the youth and women who are considered vulnerable have been adequately included. Tea proceeds being owned by the men gave men higher chances of securing finances leaving the vulnerable groups with lower chances and lesser control on how the money was spent.

Table 4.9: MFIs Response to Development Needs

	Frequency	Percent	Cumulative Percent
Strongly Agree	174	50.1	50.1
Agree	41	11.8	62.0
Somehow Agree	70	20.2	82.1
Disagree	44	12.7	94.8
Strongly Disagree	18	5.2	100.0
Total	**347**	**100.0**	

According to Table 4.9, 50.1 % of the population reported that the MFIs services were strongly responsive to their development needs while 11.8 % reported that the MFIs response to their development needs was satisfactory.20.2 % reported partial satisfaction. 12.7 % reported that they felt that MFIs did not serve as a solution to their development

needs with 5.2 % expressing their strong dissatisfaction. The reason for dissatisfaction is explained from qualitative data as because the clients were not able to access enough money forcing them to join more than one MFI.

Table 4.10: MFIs Products against Client Needs

	Frequency	Percent	Cumulative Percent
Strongly Agree	190	54.8	54.8
Agree	72	20.7	75.5
Somehow Agree	69	19.9	95.4
Disagree	11	3.2	98.6
Strongly Disagree	5	1.4	100.0
Total	**347**	**100.0**	

Table 4.10 indicates that 54.8 % of the respondents strongly viewed MFI products as in line with their needs while 20.7% viewed MFIs products satisfactory with 19.9% somehow agreeing. A total of 95.4% of the respondents therefore expressed their support for the services offered by the MFIs.3.2% reported that the products did not meet their needs while 1.4% disagreed strongly. The products and services designed by the MFI s were therefore not supported by a total of 4.6%. According to qualitative data, loan was reported as a product common with most of the respondents .Significant percentage of respondents was popular with consumer loans, school fees being the most noted. Although the clients were aware of other products including development loans, the respondents mostly used the money to serve basic needs.

Table 4.11: Client Involvement in Product Design

	Frequency	Percent	Cumulative Percent
Strongly Agree	112	32.3	32.3
Agree	71	20.5	52.7
Somehow Agree	95	27.4	80.1
Disagree	47	13.5	93.7
Strongly Disagree	22	6.3	100.0
Total	**347**	**100.0**	

According to the Table 4.11, 32.3% of the respondents felt that they were adequately consulted in the process of product design by MFIs while 20.5 % expressed their satisfaction with the involvement.27.4% somehow felt involved making it a total of 80.2%. 13.5% reported not to have been involved with 6.3% reporting to have never been consulted.

Table 4.12: Products Affordability

	Frequency	Percent	Cumulative Percent
Strongly Agree	159	45.8	45.8
Agree	70	20.2	66.0
Somehow Agree	85	24.5	90.5
Disagree	23	6.6	97.1
Strongly Disagree	10	2.9	100.0
Total	**347**	**100.0**	

According to table 4.12, 45.8% of the respondents reported the products offered by the MFIs to be much affordable with 20.2% reporting the products expressing their satisfaction and 24.5% somehow being in agreement. 90.5% therefore felt that the products were affordable.6.6% of the respondents reported the products to have been expensive while 2.9% strongly felt that the product were not affordable making a total of 9.5 %.

Table 4.13: Product Availability to Youth and Women

	Frequency	Percent	Cumulative Percent
Strongly Agree	112	32.3	32.3
Agree	126	36.3	68.6
Somehow Agree	70	20.2	88.8
Disagree	30	8.6	97.4
Strongly Disagree	9	2.6	100.0
Total	**347**	**100.0**	

Table 4.13 indicates that 32.3 % of the respondents strongly reported that the MFIs products were accessible to the youth and women which were also supported by 36.3% of the respondents with 20.2% partially agreeing. 8.6% of the respondents disagreed indicating that the products were not accessible to the youth and women with 2.6% strongly reporting that the youth and women were left out. Since the tea proceeds are owned by men, the vulnerable groups were unable to meet criterion for them to qualify.

Table 4.14: Inclusion of Low Income Earners

	Frequency	Percent	Cumulative Percent
Strongly Agree	164	47.3	47.3
Agree	77	22.2	69.5
Somehow Agree	84	24.2	93.7
Disagree	11	3.2	96.8
Strongly Disagree	11	3.2	100.0
Total	**347**	**100.0**	

Table 4.14 indicates that 47.3% % of the respondents strongly reported that the credit policy by the MFIs allowed for inclusion of low income earners which were also the case for 22.2% who supported. 24.2 % somehow agreed while 3.2 % disagreed and another

3.2 strongly disagreed. A total of 93.7% therefore felt the credit policy ensured service for the low income earners while 6.4% felt it was not the case.

Table 4.15: Growth and Profitability against Client needs

	Frequency	Percent	Cumulative Percent
Strongly Agree	159	45.8	45.8
Agree	49	14.1	59.9
Somehow Agree	97	28.0	87.9
Disagree	35	10.1	98.0
Strongly Disagree	7	2.0	100.0
Total	**347**	**100.0**	

Table 4.15 indicates that 45.8% of the respondents strongly reported that the MFIs pursuit for profit also recognized their need for growth a view supported also by 14.1% and partially supported by 28% of the respondents.

Table 4.16: Level of Information by Clients

	Frequency	Percent	Cumulative Percent
Strongly Agree	63	18.2	18.2
Agree	71	20.5	38.6
Somehow Agree	113	32.6	71.2
Disagree	51	14.7	85.9
Strongly Disagree	49	14.1	100.0
Total	**347**	**100.0**	

According to Table 4.16, 18.2% of the population strongly felt that MFIs credit policy ensured they had all the needed information while 20.5% responded that the credit policy ensured satisfactory information was available to them.32.6% of the respondents somehow agreed making it a total of 71.3%. 14.7% felt that the policy did not ensure adequate information was shared with 14.1 % disagreeing with the policy on client information sharing.

Table 4.17: Level of Satisfaction with the Policy

	Frequency	Percent	Cumulative Percent
Strongly Agree	83	23.9	23.9
Agree	85	24.5	48.4
Somehow Agree	95	27.4	75.8
Disagree	58	16.7	92.5
Strongly Disagree	26	7.5	100.0
Total	**347**	**100.0**	

According to Table 4.17, 16%, 23.9 % of the population strongly expressed their satisfaction with the policy while 24.5% were adequately satisfied with the policy while 27.4% somehow agreed.16.7% of the respondents were dissatisfied while 7.5% were strongly dissatisfied with the policy.

Table 4.18: Encouragement to Save

	Frequency	Percent	Cumulative Percent
Strongly Agree	200	57.6	57.6
Agree	68	19.6	77.2
Somehow Agree	46	13.3	90.5
Disagree	24	6.9	97.4
Strongly Disagree	9	2.6	100.0
Total	**347**	**100.0**	

According to Table 4.18, 57.6 % of the respondents viewed MFI s to strongly encouraging them to save while 19.6% felt that the MFIs were sufficiently encouraging them to save with 13.3% partially aggreing.6.9% felt that the MFIs did not encourage them to save while 2.6 % felt that MFIs did not encourage them at all to save.

Table 4.19: MFIs Client Contact

	Frequency	Percent	Cumulative Percent
Always	17	4.9	4.9
Usually	47	13.5	18.4
Sometime	87	25.1	43.5
Rarely	32	9.2	52.7
Never	164	47.3	100.0
Total	**347**	**100.0**	

According to the Table 4.19, only 4.9 % of the respondents reported to have ever been contacted by their MFIs with 13.5% reporting to have regular contacts with 25.1% reporting to have been contacted but once in a while.9.2 % reported that it is very rare that they are contacted while 47.3 reporting that they have never been contacted. A total of 18.4% therefore reported a regular communication while those not contacted regularly constituting 81.6%. Qualitative data indicated that those ever contacted were only contacted due to their loan in arrears.

Table 4.20: Pre disbursement and Post Disbursement Visit

	Frequency	Percent	Cumulative Percent
Always	18	5.2	5.2
Usually	37	10.7	15.9
Sometime	90	25.9	41.8
Rarely	75	21.6	63.4
Never	127	36.6	100.0
Total	**347**	**100.0**	

According to Table 4.20 a total of 15.9% respondents reported to have a regular visit from MFIs before and after they have received credit facilities from them. A total of 84.1% however reported not to have the visit done regularly to them by their MFIs.

Table 4.21: Client and MFIs Meetings to Share Feedback

	Frequency	Percent	Cumulative Percent
Always	38	11.0	11.0
Usually	31	8.9	19.9
Sometime	70	20.2	40.1
Rarely	91	26.2	66.3
Never	117	33.7	100.0
Total	**347**	**100.0**	

According to Table 4.21, 19.9% of the respondents reported to have had regular meeting with their MFIs aimed at sharing feedback while 80.1% reported not to have regular platforms where they can share feedback with their MFI s with 33.7% reporting they have never had such a meeting.

Key Informants

Table 4.22: Duration in the position

	Frequency	Percent	Cumulative Percent
1-3 Years	1	33.3	33.3
4-6 Years	1	33.3	66.7
7 Years and above	1	33.3	100.0
Total	3	100.0	

According to Table 4.22 ,all the key informants had served as field officers for a period of one year and above with two having served for 4 – 6 years and 7 years and above respectively. They were therefore well experienced to give reliable information about the clients whom they were serving.

Table 4.23: Are MFIs adequately felt on the ground

	Frequency	Percent	Cumulative Percent
Yes	3	100.0	100.0

According to Table 4.23, the three key informants reported that the MFIs were adequately felt on the ground.

Table 4.24: Clients Level of Education

	Frequency	Percent	Cumulative Percent
Primary Level	3	100.0	100.0

According to Table 4.24, majority of the clients had primary level of education. This meant that majority of the clients served by the MFIs had primary level of education.

Table 4.25: Are the MFIs services responsive to the Needs

	Frequency	Percent	Cumulative Percent
Yes	3	100.0	100.0

According to Table 4.25, the three informants viewed the MFI s services responsive to the needs of the clients.

Table 4.26: Rating of MFIs products

	Frequency	Percent	Cumulative Percent
Fairly Effective	3	100.0	100.0

According to Table 4.26, MFI s products were rated fairly effective by the three key informants who implied that the products still had areas of improvement to ensure they were fully effective.

Table 4.27: Does the policy cover both the client and MFIS

	Frequency	Percent	Cumulative Percent
Yes	1	33.3	33.3
No	2	66.7	100.0
Total	**3**	**100.0**	

The Table 4.27 shows that one respondent felt that the credit policy covered both the client and the MFI s while two respondents felt that the MFIs were biased in favor of their interest and not those of the clients.

Table 4.28: Are MFIs involved in researches related to their services impact on clients

	Frequency	Percent	Cumulative Percent
No	3	100.0	100.0

According to Table 4.28, the three respondents reported that the MFI s was not involved in any research relating to the impact of their service on their clients. This implies low level of farmer's participation in determination of the services and products availed to them by the MFIs.

Table 4.29: Are there forums for clients and MFIs to share feedback

	Frequency	Percent	Cumulative Percent
No	3	100.0	100.0

According to Table 4.29, the three respondents reported that there are no forums organized by MFIs for them to share information with the farmers. This shows that there is no feedback platform where the MFI s and the farmers can share feedback.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The final chapter contains a presentation of the summary of findings, discussions, conclusion, recommendations and suggestions for further research. This is from the findings obtained on the study of the influence of Microfinance strategies on the standards of living in Kigumo Constituency.

5.2 Summary of the Findings

The first objective sought to establish whether the MFIs have adequately reached the area. 85% of the respondents reported that the service was available with 12.7% indicating that the service was somehow felt on the ground. 2.4% reported as having no access .MFIs were reported by 66% as having reached out to the low income earners while 5.2% viewed the low income earners as still excluded. Youth and women inclusion was reported at 70.6% while those feeling the youth and women excluded were at 8.9%.As to whether the MFIs were viewed as vehicles towards development needs, 61.9 % agreed while 17.7 disagreed. The presence of MFIs was therefore found to have ensured that the vulnerable groups and the low income earners were able to access financial services. The view by 61.9 % indicating that the MFI s emerged as their bridge towards development shows a relationship between access and standards of living for the people.

The second objective of the study sought to establish the relationship that the MFIs products had on the living standards level.75.5 % of the respondents reported that the MFIs products were in line with their needs with only 4.6% reporting the products as not appropriate. 66% of the respondents viewed the products as affordable while 9.5% viewed them as unaffordable. Access of the products to youth and women was also reported to be going on well by 68.6% while 10.6% felt that the two groups were left out. Qualitative data also showed that the clients were conversant with the loans and savings

as the main products offered by the MFIs with the loan emerging the most consumed product. School fee was also noted in the qualitative study as the main reason for loan uptake. The study therefore showed that access was further enhanced by appropriateness of the products offered by the MFIs to the community. The products were not just available they were also affordable to majority of the people. The products use was noted mostly to be on school fees an indication that this was an area where majority were struggling with the MFIs coming to their rescue. Education being a basic need to a family, access to it through MFIs show a relationship between MFIs products and standards of living for the people.

The third objective of the study sought to establish how the credit policy related with the standards of living for the people. According to the study, 59.9% reported that the MFIs in pursuit to their growth also ensured the needs of the clients were prioritized with 28% somehow agreeing and 12.1% differing.38.7% of the respondents reported that the MFIs policy ensured sharing on products information with 32.6% somehow agreeing and 28.8% reporting that the policy did not ensure they got full information on the products important for their decision making. A total of 90.5% of the respondents responded that MFIs policy also encouraged them to save with 9.5% disagreeing.

Qualitative data showed that the respondents were of the view that the policy by MFI s ensured ease in loan access through less complex procedures where the tea proceeds served as the loan qualification basis. The policy being the frame work within which the services by MFIs are given bring in the difference between MFIs and banks positioning the MFIs to serve the low income earners previously shunned by the formal institutions. This shows existence of a positive relationship between the credit policies by MFIs and standards of living for the people.

The study had the fourth objective being to establish the relationship between monitoring and evaluation with the standards of living of the people. 18.4% of the clients reported that they were regularly contacted by their MFIs while 25.1% reported that they were at times contacted with 9.2% rarely contacted and 47.3% reporting that they had never been contacted by their MFIs. A total of 81.6% therefore reported as not having a consistent

communication with their MFIs. According to the qualitative data majority of those contacted were contacted due to their loans arrears.

Pre disbursement and post disbursement visits were also part of the study since there are important tools for monitoring and evaluation.5.2% reported that they were always visited during and after loan applications.10.7% reported that this was regularly done while 25.9% had the visits done sometimes.21.6% were rarely visited while 36.6% were never visited during and after loan applications.

15.9% therefore showed a consistency on the visits while 84.1% showed a consistent plan where clients were not visited during and after loan application. The study also showed that 19.9% of the respondents had a regular platforms to discuss the feedback while 80.1% did not have such platforms.100% feedback from the key informants also informed that the MFIs did not engage in meetings aimed at sharing feedback with the client or participate in researches aimed at establishing the impact of their products on the clients. The study therefore shows that the MFI s have ensured access, appropriate products and policies but have not invested in monitoring and evaluating the impact of their services on their clients. From the study, we are therefore not able to establish a relationship between the monitoring and evaluation with the standards of living for the people served.

5.3 Discussion of Findings

5.3.1 Accessibility of Microfinance and standards of living

Schreiner and Colombet (2001) define microfinance as the attempt to improve access to small deposits and small loans for poor households. With the capital challenge resolved it has been found out that as the poor invest, the poverty is reduced resulting to improved standards of living. Krugman (1994) argued that, accessibility was more than just the presence of MFIs in areas occupied by the poor. The research therefore went ahead to establish whether the low income earners and vulnerable groups had access to MFIs. According to the findings, 66% of the respondents reported that the MFIs had ensured access of financial services to low income earners.70.6% of the respondents reported women and youth had also been allowed access.61.9% of the respondents associated their

development initiatives to MFIs. Access of MFI s to the respondents had a positive impact on their development. As explained in the summary, majority were now been able to educate their children, with education loan been the most common.

According to Rutherford (2000), the principle of diminishing marginal returns that poor can pay better than the rich is not true since capital is not the only challenge. Those with above secondary education were only 14.1% with those having primary and no formal education amounting to 41.2%.Although 66% of the respondents had been in the area for more than 26 years. Majority of the respondents (56.6%) were earning an average income of between 1,000 kshs to 9,000 kshs per month.

This translates to 166 kshs per household .The use of this money is used to meet basic needs. The past studies showed that where people have moved from poverty diversification has played a great role. Where people have fallen into poverty, life shocks including medical bills have played a great role. Capital access therefore needs to be accompanied with trainings to bridge the knowledge gap between alternative investments to compliment tea farming. This will ensure more funding basis for the clients enabling them not only to borrow for basic needs but also for investment in other income generating activities increasing the impact of the service to their standards of living.

5.3.2 Products design by MFIs and Standards of living

MFIs product design has allowed for collateral and information challenge to be addressed. This has resulted to access of financial services to the poor impacting positively on poverty alleviation. (Dunford 2006).According to the research 75.5% of the respondents reported that MFIs products were in line with their needs. 66% reported the products as affordable while 68.6% reported the products as accessible to men and women. Richard Montgomery (1996) critical eye argues that MFIs at times works against the poorest and most vulnerable in the community. He mentions stories of forced acquisition of household utensils, livestock and others from defaulting members. Harper (2002) also argued that there is a legitimate question on whether MFIs make some borrowers more vulnerable than they had been.

According to the research, loan was the common product. Qualitative data indicated that majority of the clients used loan for schools fees showing that much of financing went to

consumptions. Failure to invest in income generating activities as the farmers met basic needs exposed them to default due to weakened financial base. Therefore, although MFI s products met the needs, consumption loans put the clients at default risk. This could either result to credit related poverty trap. A strategy to cushion the clients against life shocks is therefore needed.

5.3.3 Credit policy by MFIs on standards of living

MFIs have policies which guide them in serving their clients. This policy serves to protect both the client and the institution by guiding their relationship. According to the research, 59.9% of the respondents reported that in pursuit towards their growth, MFIs also prioritized the needs of the clients.38.7% of the respondents reported that MFIs policy ensured sharing of information with 32.6% partially agreeing and 28.8% reporting that this policy did not allow them full disclosure of the information. According to Richard Montgomery (1996), at times a policy can be counterproductive .For instance, where the borrower guarantor savings are frozen due to default even where the borrower was faced with difficulties beyond his control. Where this information is not adequately relayed, clients are rendered vulnerable. However, a total of 90.5% of the respondents reported that MFIs encouraged them to save. Qualitative data also showed that the respondents were impressed with simplicity in procedures.

Quantitative data also had instances where the respondents felt that the vulnerable groups were left with the main reason being from the finding that men owned the farm and were therefore the only people who could borrow using the tea proceeds giving them also control over the money.

5.3.4 Monitoring and Evaluation

Although MFIs aims at providing financial services to low income poor including access to small deposits and small loans, there has been a direct impact on poverty reduction. This also has a direct impact on improving the standards of living. Through monitoring and evaluation, the gaps in pursuit towards the goals are identified and an action point agreed upon. The past studies have shown instances where instead of people moving out of poverty even the ones previously out of poverty end up poor (Burke etal 2007).Standards of living is therefore not a static situation, but rather one that changes as

a result of seasonality, climate variability, household level shock, lifestyle changes and public policies.

Krugman (1994) argue that accessibility of small savings and loans is not sufficient condition for improvement of the welfare of the poor. The study showed that although there were more women than men in Kigumo, the target population identified showed there were more men than women participating in Tea farming. Gender balance therefore emerge as a challenge which support the findings by Kerubo and Mariara (2007) that women are more trapped in poverty than men. Reason behind this is explained as due to the fact that men control possession of means of production.

Empowerment of women has been found in the previous studies to have more significant per capita food expenditure than men with women also emerging better in loan repayment than men.

The service by MFIs in Kigumo seems to have limited them to the definition of the MFIs where provision of a platform for credit and savings is the main goal without taking responsibility on improving the standards of living for the people.

According to the study 81.6% of the respondents did not have consistent communication with their MFIs .Assertion by the 18.4% that the main reason for contact was from loan default implies there are no set indicators to allow for regular contact between MFIs and the clients. On both pre-disbursement and post disbursement visits, 15.9% showed consistency while 84.1% showed no consistency raising the question on whether monitoring and evaluation is given much weight. It is therefore not surprising to find that 80.1% of the respondents had no platform to share the feedback. The findings from the key informants that MFIs indeed did not organize forums for feedback discussion and participate in research shows neglecting of monitoring and evaluation by MFIs

5.4 Conclusion

Based on the study, the researcher was able to draw the following conclusions; that the access of credit and savings for the poor is not sufficient condition for improvement of the living standards of the people. An understanding of the characteristics of the people including low level of education and even lack of it for some clients is important. The journey towards improving the people standards of living is one that has to be considered

as a process with each stage being complemented by the other. Accessibility of MFIs was found to have positive impact with clients associating the development with their interaction with MFIs .Where poverty has been addressed through MFIs, diversification has been noted an important player. MFIs therefore ought to ensure this is made possible to provide the clients with platforms for increased borrowing opportunities.

Products tailored to meet the needs of the people were noted an important achievement by MFI s. However, the fact that much of money was going to meet basic needs like education implies little money left for income generating activities. With average household income of 166 kshs, the pressing needs may draw the clients to financial indiscipline that exposes them to loan default.

Credit policy was found to also be playing great role in ensuring the goals are achieved .Although it ensured access to loans and savings for low income earners, the policy also had some limitations. Failure to ensure full disclosure of information was noted to expose clients to risks emerging from default. Aware of the possible risk from reasons beyond ability of the client, measures needed to be put in place .This further informed by low level of education by the client to safeguard them from shocks. It was also important for the alternative income generating activities to be established to allow for the support of the vulnerable groups.

Monitoring and Evaluation. The study revealed that the MFIs presence resulted to improved standards of living for the clients. However, past studies and this research showed that the presence of MFIs does not guarantee improved living standards for the people. For success, the need for MFIs and clients to work together is important. The study showed there was no communication platform and where communication was done it was only in follow up of loan defaulters. Similarly, the pre disbursement and post disbursement visits were not prioritized by MFIs .This implies that MFIs are not able to establish the client progress including whether finances were being put into right use. Also, there was no data showing clients progress since the MFIs did not participate in research and feedback exchange .The MFIs ,by not having this a priority seems not to be making them responsible for their progress.

5.5 Recommendations

The Study concurred with the past findings that accessibility of MFIs to a population has a role to play in the improvement of the living standards of those people. However, there was a concern that even with accessibility of MFIs, the impact varied despite the potential to yield positive results. This research showed that although the MFIs were presents in the area, the people were limited on the amount they could borrow due to their limited ability with majority borrowing to meet basic needs leaving them with little for investment.

i. The MFIs therefore need to actively participate in research on viable alternative income generating activities with an aim of helping the people to diversify to give them wide options through which the can borrow to not only meet basic needs but also participate in income generating projects.

ii. The research showed that loans were the most consumed of the products with much of the money from loans going to education for the children. The study therefore recommends that the MFIs need to establish strategies and incentives to encourage their members to also buy those products aimed at their economic empowerment. There was also a concern on full disclosure of the information which the MFIs need to help the clients' access aware of the literacy challenge. This will further enhance the clients' uptake of products meant to cushion them from life shocks like insurance.

iii. Credit policy serves as the framework within which the MFI s operations are structured. The policy was noted to ensure the MFIs were playing the role of enhancing credit and small deposits access for the low income earners. However, although the results showed an improvement in the living standards of the people, the aspect of improved living standards was not an aimed at goal. To ensure the MFIs commitment towards improvement of the living standards of the people, there is need to include this as the ultimate goal of the MFIs.

    As such, the policy shall ensure that the MFI s do not end their work at the disbursement. Reports generated shall also ensure that the level of impact created in the lives of the people is generated. To ensure this, the MFIs will need to

further review the definition of the MFIs to include the ultimate goal of improving the lives of the people.

iv. Monitoring and evaluation serves as an important tool through which the MFIs are able to assess the level of their impact on the people. According to the research the progress of the clients using the MFIs products was not evident with post disbursement and pre disbursement visits not done. As recommended above that the MFIs definitions need to be reviewed to include the improvement of lives as the ultimate goal. This shall also enhance the quality of the level of monitoring and evaluation done. Specific objectives and clients' growth and development indicators should also be identified and reports generated and shared with the public.

Consequently, apart from the financial reports shared with the public the impact on the lives of the people served shall be published. This shall ensure that the MFIs actively participate in research to ensure that their products and services serve as conduits towards social economic transformation.

5.6 Suggestion for further studies

i. Although the past studies had showed that the poor were in a position to pay high interest rates due to ability of their business to earn higher income, the same studies questioned the argument asserting that capital cannot be presumed to be the only challenge this businesses face. Other variable including the level of education and technology cannot be underestimated. This study therefore advises that although the clients sounded impressed with the services by MFIs, there is need to establish whether the main motivation was from their desperate need that made the cost not a great concern.

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APPENDICES

APPENDIX I

LETTER OF TRANSMITTAL

Alfred Warui Kimani,
P.O.BOX 28901 GPO,
Nairobi

To the Participant

Dear Sir/ Madam,

RE: ACADEMIC RESEARCH PROJECT FOR A MASTERS DEGREE PROGRAM.

I am a student at the University of Nairobi (UON) pursuing a master's degree course in project planning and management. I am required to conduct and submit a research report on influence of microfinance strategies on improved standards of living in Kenya.

I am inviting you to participate in this research study by completing the attached questionnaire. Kindly note that these information you give is to be used in this study for academic purposes only and as such it well be treated with utmost confidentiality and will not be shared with unauthorized persons. Your cooperation and honesty in filling this questionnaire will be highly appreciated.

Thank you for your time.

Yours faithfully,

Alfred Warui Kimani
Cell Phone 0726717576/0763717576
Email: alfredwarui@gmail.com

APPENDIX II

QUESTIONNAIRE

Thank you for taking time to answer this questionnaire. It seeks to establish the influence of microfinance in improving the standards of living in Kigumo Constituency. The information gathered from the field during this research is surely for academic purposes and will not be shared with any unauthorized persons. Although your participation is voluntary, it is important for the purpose of this study that all questions be answered. In.(Please tick in the box against your response to the options provided. For questions without options, fill in your answer on the space provided).

Section A: Back Ground Information

1. Gender
   (a)Male ( )
   (b)Female ( )

2. Age
   (a) 18-27 years ( )
   (b) 28-37 years ( )
   (c) 38-47 years ( )
   (d) 48-57 years ( )
   (e) 58 years and above ( )

3. Level of education
   (a) University Level ( )
   (b) Tertiary Level ( )
   (c) Secondary Level ( )
   (d) Primary Level ( )
   (e) None of the above ( )

4. How long have you lived in this locality?

(a) 5-10 years ( )

(b) 11-15 years ( )

(c) 16-20 years ( )

(d) 21- 25 years ( )

(e) 26 years and above ( )

5. Level of income per month. (Kshs)

(a) 1,000-9,000 ( )

(b) 10,000-19,000 ( )

(c) 20,000-29,000 ( )

(d) 30,000-49,000 ( )

(e) 50,000 and above ( )

Section B: Accessibility of Micro Finance Institutions

6. Please rate each item below and indicate your selection by circling the appropriate number that represent your reaction to the statement where: 1 = strongly agree, 2 = Agree, 3 = somehow agree 4 = Disagree 5 = strongly disagree

	Statement	**1**	**2**	**3**	**4**	**5**
1	Microfinance services are available in my area	1	2	3	4	5
2	The low income earners are reached by micro finances	1	2	3	4	5
3	The youth and women are able to get microfinance service	1	2	3	4	5
4	I feel that microfinance institutions are an answer to my development needs	1	2	3	4	5

7. Explain your answer for number two and four above

……..…

……

8. Are you a member of more than one micro finance Institution? If yes give the reason

a) Yes ( ) b) No ( )

Section C. Product Design

9. Please rate each item below and indicate your selection by circling the appropriate number that represent your reaction to the statement where: 1 = strongly agree, 2 = Agree, 3 = somehow agree 4 = Disagree 5 = strongly disagree

	Statement	**1**	**2**	**3**	**4**	**5**
1	Micro finance products perfectly meet my needs	1	2	3	4	5
2	I am involved in the designing of the products offered	1	2	3	4	5
3	The products are affordable to low income earners	1	2	3	4	5
4	The products are available to youth and women also	1	2	3	4	5

10. Which products and services offered by micro finances are you aware about?

……

11. Which product /service do you consume the most from microfinance?

……

Section D: Credit Policy

12. Please rate each item below and indicate your selection by circling the appropriate number that represent your reaction to the statement where: 1 = strongly agree, 2 = Agree, 3 = somehow agree 4 = Disagree 5 = strongly disagree

	Statement	**1**	**2**	**3**	**4**	**5**
1	The policy ensures inclusion of low income earners	1	2	3	4	5
2	The policy balances institution growth and profitability with client needs	1	2	3	4	5
3	The customers are fully informed about the policy	1	2	3	4	5
4	I am satisfied with the credit policy as it is	1	2	3	4	5

13. Explain your reason for number one and two above……...

……

Section E: Monitoring and Evaluation

17. How often does the Microfinance usually contact you?

1 – To a very great degree ( )

2-To a great degree ( )

3 -To a moderate degree ( )

4-To a small degree ( )

5 –Not at all ( )

What is the main reason are you contacted for? .....

……..

18. Are there pre disbursement and post disbursement visits done by the Microfinance to your home?

a) Always ( )

b) Usually ( )

c) Sometime ( )

d) Rarely ( )

e) Never ( )

19. MFI organizes forums to discuss the social economic impact of their services on their clients

a) Always ( )

b) Usually ( )

c) Sometime ( )

d) Rarely ( )

e) Never ( )

Your cooperation and time highly appreciated.

APPENDIX III

KEY INFORMANT INTERVIEW SCHEDULE

Thank you for taking time to answer this questionnaire. It seeks establish the influence of microfinance in improving the standards of living in Kigumo Constituency. The information gathered from the field during this research is surely for academic purposes and will not be shared with any unauthorized persons. Although your participation is voluntary, it is important for the purpose of this study that all questions be answered. (Please tick in the box against your response to the options provided. For questions without options, fill in your answer on the space provided).

Section A: Background Information

1. What is your current position in the organization …….

2. For how long have you served in the position?

   a) 1-3 ( )
   b) 4- 6 ( )
   7 and above ( )

Section B: Accessibility of Micro Finance Institutions

3. Are the MFIs services adequately felt on the ground?

   a) Yes ( ) b) No ( )

4. Where would you rate the level of education for majority of your clients?

   a) University Level ( )
   b) Tertiary Level ( )
   c) Secondary Level ( )
   d) Primary Level ( )
   e) None of the above ( )

5. Do you find the services responsive to the needs of the clients?

   a) Yes ( ) b) No ( )

   Reason……

   ……

Section C: Product Design

5. Do you think the MFIs are aware of the needs by the client and products aligned to the needs?

   ……

6. How would you rate the impact of MFIs products on the needs of the clients?

   a) Effective ( ) b) Fairly effective ( ) c) Not effective

   Explain your answer

   ……....

7) What MFIs products are your clients consuming the most?

   ……

Section D: Credit policy

8. Do you find the policy friendly to your clients? a) Yes ( ) b) No ( )

   Give reason for your answer

   ……

9. Does the credit policy safeguard the interests of both the client and its own interest?

   a) Yes ( ) b) No ( ) Give a reason……

10. Are the MFIs working together to ensure community development? Explain your answer.

    ……

Section E: Monitoring and Evaluation

11. Are the MFIs involved in researches related to the impact of their services to their clients that you are aware about? a) Yes ( ) b) No ( ) if yes which ones……

12. Are there forums to share feedback between clients and the micro finance institutions?

    Yes ( ) No ( )

    If yes how often are the meetings?

    .....

Thank you for the feedback and time

APPENDIX IV

DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

Author Daryle W. Morgan and Robert V. Krejcie