

**GENDER INFLUENCE ON GROUP LENDING
REPAYMENT BEHAVIOUR AMONG THE MICRO-
FINANCE SERVICE PROVIDERS IN KIRINYAGA
DISTRICT, KENYA.**

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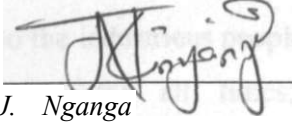


**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL
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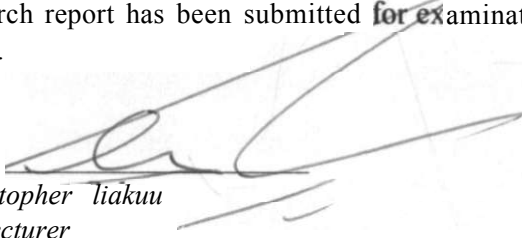
DECLARATION

I declare that this report is my original work and has not been presented in any other university or institute of higher learning for examination/academic purposes.

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DEDICATION

Dedicated to the industrious people of the great nation of Kenya that we may achieve in our time and for all times; peace on earth and goodwill to all men.

ACKNOWLEDGEMENTS

I acknowledge God's enablement to have reached thus far in my pursuit of my Master of Arts degree in project planning and management course with sincere gratitude.

Besides, I acknowledge that it has been through the generous dedication and able guidance of my committed supervisor, Dr. Christopher Gakuu, which has made this work a success. Special thanks to the lecturers in the Extra Mural Department of the University of Nairobi for their support and guidance that has helped me accomplish this work. Many thanks to my colleague classmates whom we have toiled and supported each other throughout this endeavor.

Countless thanks will always be to the honour of my parents, Francis and Martha Kinyanjui who graciously embraced the challenging responsibility of taking me to school and perpetually motivating and inspiring me to rise up to my full potential in life.

A warm recognition go to the love of my life, Mercy Nganga and the precious gifts that God has blessed us with, Ivy and Zig, who stocfd by me patiently in this noble journey.

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LIST OF ABBREVIATIONS AND ACRONYMS

BRAC-	Bangladesh Rural Advancement Committee
BRDB -	Bangladesh Rural Development Board
BRI -	Bank Rakyat Indonesia
CBK -	Central Bank of Kenya
EBL -	Equity Bank Limited
EBS -	Equity Building Society
FEP -	Fountain enterprises Program
FGD -	Focus Group Discussion
FSAs -	Financial Service Associations
IFAD -	International Fund for Agriculture and Development
MFI -	Microfinance Institute
NABARD-	National Bank for Agriculture and Rural Development
NGO -	Non Governmental Organization
NPL -	Non Performing Loans
R n -	Rural financial Institute
SME -	Small Microfinance Enterprise ”

ABSTRACT

Group lending methodology has become famous among the Micro Finance Institutions that are targeting the low income earners. These are the people who are not able to provide conventional collaterals as a way of securing loans. This approach has become successful in most MFIs despite the challenges that are associated with this.

This study was carried out to analyze the influence of gender in loan repayment in group lending approaches amongst the micro finance institutions in Kenya, a case of Faulu Kenya, Fountain Enterprises Program and Jenga Kenya Bank in Kirinyaga district of Central province. The main objective of this study was to establish whether gender influences the loan repayment behaviour amongst the MFI in Kenya by analyzing gender group management, nature of the group of the gender and loan experience as the independent variables and loan repayment as the dependent variable. Purposive sampling technique was used as the study targets group loan officers only. Questionnaires were used to collect data which was coded and analyzed and presented in percentage and frequency Tables.

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The researcher found out that there is gender influence on loan repayment behavior among the Micro Finance Institutions. Specifically, the researcher found out that the nature of gender; the gender management skills; the gender loan experience and the gender loan strategies determine the success of loan repayments in group lending approaches. The researcher thus concluded that these variables should be factored during group formation to enhance the success rate in group lending models.

The researcher recommended training for both loan lending officers and loanees in leadership and entrepreneurial courses and thorough analysis of the variables that determine loan repayment prior to loans disbursements. The researcher hoped that findings of this research will be of immense benefit to the MFIs while making prudent lending decisions or considering funding right from the initial stage of group formation.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

This chapter reviews the background to the study, the research problem statement, research questions, research objectives, significance and the scope of the research as well as the delimitations, limitations and assumptions of the study.

The discovery of group lending opened up possibilities for micro finance, it showed how unconventional contracts can work where tried and conventional banking practices failed. Today group lending is just one element that makes microfinance different from the conventional banking. By adopting microfinance as a core component in their development programs, various governmental agencies, micro-finance institutions, banks and non-governmental organizations (NGOs) are reducing poverty and raising the status of women, youth and disadvantaged communities (Hossain, 2002).

Christen et al, (2005) define microfinance as "the provision of banking services to lower-income people, especially the poor and the very poor". A central service provided under microfinance is micro-credit which involves provision of small-scale loans to the low-income and the poor. Other innovations include housing microfinance, pensions, savings and transfer services, micro-insurance and remittance management. Given their impoverished state, the beneficiaries of microfinance are often classified as 'unbankable', often falling below the poverty line. As a consequence of poor credit history, unstable employment and lack of

collateral, such individuals have limited access to traditional credit. Microfinance is also used for the purpose of financing small and micro-enterprises (SMEs) and social obligations, emergency and home improvements and acquisition of household assets (Hossain, 2002), where small and micro-enterprises (SMEs) are those businesses which produce goods and services utilizing few employees and limited capital (Hulme et al. 2006). One of the growing and innovative ways that finance institutions have adopted to finance these 'credit marginalized communities or people' is through the group lending initiative (Hossain, 2002).

Group lending programs are growing in numbers and size in transition economies. The principal objective of the programmes is to raise incomes and broaden financial markets by providing financial services, principally credit, to small-scale entrepreneurs who otherwise lack access to capital markets. Some of the programs have primarily social missions, focusing on outreach to women and youth and measuring success in terms of poverty alleviation. Others aim to promote private sector activity in the face of unemployment and under-employment. As the transition economies undergo re-structuring, group lending through microfinance institutions has been put forward as a flexible tool to help individuals exploit new opportunities (Beatriz et al, 2000).

Faulu Kenya was founded in 1992 as an alternative financial solution provider to the low income earners. Its establishment was motivated by the desire to create a financial service provider which would touch base with majority of the Kenyan population. The need to come up with the institution was out of the realization that most Kenyans lacked access to financial services or simply could not afford them. The initial focus was to offer short-term loan services from a SACCO perspective but in the late 1990's, Faulu Kenya evolved to a micro

finance services provider. Faulu Kenya grew to become a leading micro finance institution providing a wide range of products and services countrywide with the head office located at Faulu House, Ngong Road, Nairobi.

Faulu Kenya's motto is to enable people to succeed through small business loans with a nationwide vision where all people are able to work toward fulfilling their dreams and potential for the future and have their dignity of being able to provide for their own needs and the needs of others. The organization's mission is to be the leading provider of financial services to further a holistic nation and maximize shareholder value. Currently, Faulu Kenya is in 35 districts with 26,000 clients and it is the first micro finance institution in Africa to list corporate bond on the NSE through the stringent requirements of CMA as a way of raising capital with Kshs 500M bond listed in 2004. The loan categories offered by Faulu Kenya include business, consumer, asset financing, farmers, salaried people, individual-business, institutional and business training loans. Faulu Kenya has two branches in Kirinyaga district: Kerugoya and Wanguru.

Similarly, FEP - Fountain Enterprises Program, established in the year 2002, started as a small scale SACCO whose membership was exclusively small and medium scale entrepreneurs. However, just like the FAULU case, FEP has since metamorphosised into a full blown micro-finance service provider with branches countrywide and head office at Kilimani Centre, 1st floor, Nairobi. (FEP journal; March 2010). FEP's core business product is loaning entrepreneurs. As such, FEP only gives loans for business purposes to members who join in small groups of between 5 and 15 members. Prior to a member being awarded a business loan facility, the group members scrutinize the proposed enterprise and after

thorough vetting, they approve the loan. This is important to the group since it guarantees the same facility and will be held liable by the organization in the event of default repayments. Interestingly, just like FAULU Kenya, FEP has two branches in Kirinyaga district; Kerugoya and Wanguru, which will be the subject of study in this research, the former being the district headquarter and the latter a divisional headquarter.

Unlike Faulu Kenya and FEP, Jenga Kenya is a relatively young micro-finance service provider having been established in the year 2005. Of importance to note however, Jenga Kenya started exclusively as a micro-finance institution right from onset for the small and medium scale entrepreneurs within the Mt Kenya region. Its head office is in Meru town with branches in Nyeri, Nanyuki, Kerugoya, Embu, Chuka, Karatina and Muranga. Jenga Kenya's main clientele base are small sized consumer shops, matatu conductors, hawking vendors and mama mboga businesses. A key similarity with FEP is that Jenga Kenya's loans are exclusively business related. However, unlike FEP, Jenga Kenya does not fund start-ups but existing and proven businesses. Besides, loans granted by Jenga Kenya are recoverable within a maximum period of three months whereas the former two microfinance institutions can offer loan facilities of up-to one year or beyond depending on the facility solicited. In Kirinyaga district, Jenga Kenya has only one branch located at Kerugoya Township.

One of the methods all the three institutions have adopted for availing credit to individuals and SMEs is group lending. In doing so, they have become significant players in the financial sector in Kenya. Group lending has contributed to the loan portfolio in a significant way where by groups are formed with a minimum of 12 and a maximum of 30 members. Each member should be well known to the other group members and usually should not have loans

with other institutions. A member must be at least 18 years of age and a holder of a Kenyan National Identity card and most of the members are below 40 years. The members must be engaged in an income generating activity that is viable, legal and socially acceptable and should be willing to attend periodic meetings. (U.K. Department for International Development, January 2007-March 2008).

Members are required to reside within the same location or town center and should not belong to more than one group. After coming together, members are then required to formally register with the Ministry of Culture and Social Services and then open a group account where they deposit the members'¹ savings. Members meet weekly and the minimum savings per week per member is Kshs.100 in all the three institutions. Loans advanced to the members are also repayable on weekly basis although under special conditions, FEP does allow monthly repayments. The maximum one can receive for a loan is ten times of the individual savings subject to the ability to pay. A member who fails to repay her/his loan for any two weeks does not qualify for a successive bigger loan. A member who fails to remit weekly repayment is liable to a fine accumulative annually. If a member does not attend the meetings, officials must guide the guarantors to contribute for such a member then be able to follow up on the absent member. It will be the responsibility of the members to follow-up on all cases of arrears and default and ensure that every loan is recovered in full. In case of arrears/default, the club shall share the amount in arrears or default.

Microfinance House Ltd (2006) asserts that group lending methodology is used by MFIs that target the very poor who are not able to provide collateral and also for the sake of ensuring

repayment of the loans. Members of a community come together in smaller groups; these smaller groups then join to form bigger groups. The members pool their money together and save in an MFI and are also given access to loan facility. The members co - guarantee each other when they need loans. Failure by one member to pay back a loan means the rest of the members cannot be given loans. They therefore put pressure on their members to repay their loans. These groups have elected officials like chairman, secretary and treasurer to run their affairs.

1.2 Statement of the Problem

Group lending approach has attracted much attention due to the justification that it reduces transactions costs. Low income earners prefer to work in groups for financial as well as social reasons and repayment rates are more favorable in a group lending scheme. While these justifications appear in the vast majority of group lending articles, they have not been rigorously tested. Little research has been conducted on how group dynamics settings in Bangladesh may function in other countries like Kenya. While the repayment rate in many of these types of projects has been favorable, the role of group dynamics in influencing loan repayment is largely undetermined. For instance, the degree to which nature of the group, group management, loan experience exist and to what extent they influence loan repayment is not clear and as a result, few studies have been conducted which try to capture this. Although many financial institutions have continually been drawn to group lending approach, there is no sufficient study that has been done on the factors that determine success of this model. The three micro-finance institutions in this study: Faulu Kenya, FEP and Jenga Kenya have continually replicated the group lending models to their new branches and have

continued to focus on different target groups for their customers but little is known concerning the factors that determines success of loan repayment.

This has left the management of micro-finance institutions with very few options that can be adopted so as to enhance and develop this approach to a more advanced level and develop strategies that will make it more efficient and sustainable. This study seeks to analyze whether gender determines the success of loan repayment in group lending approaches and leaves the other various determinants of group loan repayment to some further research.

Kirinyaga district was specifically selected because of the presence of branch offices of the three Micro Finance Institutions under this study. Besides, these institutions are active in the district so chosen for study and thus the researcher thought the selection of Kirinyaga district would provide adequate information to make inferences about group lending approaches that can be generalized to inform the loan repayment behavior in the MFI sector in Kenya.

1.3 Purpose of the study

This study sought to establish whether gender influences group loan repayment behaviour amongst the microfinance institutions in Kenya in group lending approaches; and if so, to what extent

1.4 Objectives

The overall objective of this study was to determine to what extent gender influences loan repayment in group lending approach. The specific objectives were:

1. To establish to what extent nature of gender in a group influences loan repayment in group lending approach.
2. To establish to what extent gender management skills determine successful loan repayment in group lending approach.
3. To establish to what extent gender loan experience in micro-finance arrangements determine successful loan repayment in group lending approach.
4. To establish to what extent gender loan strategy contribute to successful loan repayment in group lending approach.

1.5 Research Questions

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The overall research question formulated for this study was: To what extent does gender determine loan repayment behaviour in group lending approaches in the micro-finance industry in Kenya?

The specific research questions were;

1. To what extent does nature of gender in a group influence loan repayment in group lending approach?
2. To what extent do gender management skills contribute to successful loan repayment in group lending approach?
3. To what extent does gender loan experience in micro-finance arrangements determine successful loan repayment in group lending approach?

- 4 To what extent does gender loan strategy contribute to successful loan repayment in group lending approach?

1.6 Significance of the study.

Besides understanding whether gender determines loan repayment in group lending approaches; the challenges faced by gender complexity under the group lending model were also established. The recommendations were hoped to generate specific and focused policy review for even more impact on beneficiaries. Ranking the challenges was also thought to help the micro-finance service providers to design more proactive strategies to address them. Recommendations arrived were expected to help the Micro Finance Institutions to mitigate any failures in the group lending methodology for further enhancement and in decision making, policy formulation and implementation. Adoption of the recommendations of this study was expected to assist the Government in planning and implementation of its support project like the Youth and Women fund.

1.7 Scope of the Study

The study was carried out in three Micro-Finance Institutions: Faulu Kenya. Fountain Enterprises Program and Jenga Kenya branches in Kirinyaga district. Specifically, the two branches of Faulu Kenya and FEP each located in Kerugoya and Wanguru townships and the Jenga Kenya branch located at Kerugoya town were the subject of this study. Over the time, the numbers of micro and small businesses have increased substantially and their share sales and employment have grown accordingly owing much to the group lending methodology.

1.8 Delimitations of the Study

This study was successful because it solely targeted group lending loan officers who are knowledgeable and experienced in group lending models. The researcher sought to explain to the respondents on the significance of the study in making contribution to what already exists by evaluating meaningful relationships that determine successful loan repayments in group lending approaches.

1.9 Limitations of the Study

The study targeted group lending loan officers leaving out regional supervisors and sector heads at head offices, who are crucial stakeholders; this is because they do not directly interact with borrowers. The study limited itself to the branches. The assumption here was that the findings of this study can later be generalized for use as a model for group lending.

1.10 Assumptions of the Study

The study made an assumption that the three selected microfinance institutions in Kirinyaga district will be a fair representation of the MFI behaviour in Kenya in group loan lending approaches. Further, by sampling out the group loan lending officers amongst the selected MFIs, the researcher assumed that significant information was realized that can be generalized for group lending approaches. To this extent, the research assumed that the data collection instrument that was used, questionnaires and interview guides, were reliable and valid measuring the desired constructs and the answers given by the respondents were correct and truthful.

jj1 Definition of **Significant Terms**

Group: An organization of people acting together towards a common goal. (Christen et al, ->QQ5). For the purposes of this study, a group will be composed of 12 - 30 members

Group Lending: This is lending by Micro Finance Institutions (MFIs) to groups of members of a community who have come together with the goal of reinforcing their creditworthiness. Group lending mechanism allows a group of individuals - often called a solidarity group - to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure - if one group member defaults, the other group members make up the payment amount. (AFRACA, 1987)

Group Dynamics: This is the interactive nature of individuals within the context of a group. It is one of the mechanisms influencing loan repayment (AFRACA, 1987).

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Microfinance: This refers to the small-scale financial services that involve mainly Credit and Savings services to low income earners (Rosengard et al 2000).

1.12 Summary

Over the time, the numbers of micro and small businesses have increased substantially and their share sales and employment have grown accordingly owing much to the group lending methodology. This study sought to establish to what extent gender influences loan repayment behaviour in group lending approaches amongst the MFIs in Kenya. The scope of the study was the branch offices of Faulu Kenya, Fountain Enterprises Program and Jenga Kenya in Kirinyaga district. Specifically, the group loan lending officers responded through questionnaires and interviews and the study results were assumed that they can be generalized to advice to what extent gender influences loan repayment behaviour amongst the MFIs in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives a brief review of some studies done focusing on the factors that determine the success of group lending approaches. The chapter also presents the conceptual framework, operational framework and the empirical review of the literature

2.2 Theoretical Review

Microfinance House Ltd (2006) defines group lending as lending by Micro Finance (MFIs) to groups of members of a community who have come together with the goal of reinforcing their creditworthiness. Group lending mechanism allows a group of individuals - often called a solidarity group - to provide collateral or loan guarantee through a group repayment pledge.

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The incentive to repay the loan is based on peer pressure - if one group member defaults, the other group members make up the payment amount.

Group lending methodology is used by those MFIs who target the very poor who are not able to provide collateral and also for the sake of ensuring repayment of the loans. Members of a community come together and form groups of 12 - 30 members. The members pool their money together and save in an MFI and are also given access to loan facility. The members co - guarantee each other when they need loans. Failure by one member to pay back a loan means the rest of the members cannot be given loans. They therefore put pressure on their members to repay their loans. These groups have elected officials like chairman,'secretary

and treasurer to run their affairs (Microfinance House Ltd, 2006). The models hereunder will be discussed in regard to group lending approaches.

2.2.1 Grameen Model

The Grameen Bank (GB) started in 1976 as the first program to use solidarity group approach. Drawing on the ROSCA experience, the Grameen methodology used an initial savings period followed by sequentially disbursed credit among a small group of self-selected borrowers. Group members mutually guarantee each other's loans and are held legally responsible in case of default by other members. No further loans will be available if all members do not repay their loans on time. No collateral is required. The self-formed peer groups of 5 unrelated members attend weekly meetings and provide weekly savings contributions. After 4-8 weeks of contributing savings, members can apply for a loan (they need to save during the loan period as well). The peer groups are incorporated into village centers of up to 8 peer groups. These centers are then grouped into Regional Branch offices. The Institution is built from the ground upwards, with clients or members assuming responsibility (Christen et al 2005).

Grameen style of lending is characterized by loans to small groups of borrowers that are jointly liable for the loans granted to each member of their group. The loans are intended for clients who do not meet the wealth requirements of the formal banking system. Since the clients have little material wealth, no collateral requirement exists. The only guarantee on the loan is the joint liability (Dondo, 1999).

Group members and center leaders perform loan appraisal. The local credit officer at the weekly meetings makes loans to individuals within a group. Branch staff verifies information and supervise clients businesses. Credit officers usually carry between 200 and 300 clients. The meetings also provide self-esteem building activities and discipline enforcement (Hospes et al, 2002).

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of EAST AFRICA* 4 c . r 10*

The Grameen model also encourages a social development agenda by urging groups to combat social injustice. The Bank focuses intensively on the poorest women, whose pursuit of survival is seen to have the greatest bearing on meaningful development at the family level. Access to said capital allows many women to secure gainful self-employment in petty trading. The program has made an impact on national poverty alleviation in Bangladesh, while duplication of the Grameen model throughout the world, especially Sub-Saharan Africa, appears promising (Microfinance House ltd, 2006).

2.2.2 ACCION Type Lending Mode^{T^9*8 r7*} O*

ACCION is generally credited with introducing the solidarity group methodology into Latin America. Since its introduction, the approach has been adopted by a large number of NGOs and programs. In ACCION, group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Loan applications are simple and reviewed quickly. Loan disbursement is made to the group leader at the branch office, who distributes it to individual members (Group members normally receive equal loan amounts). Loan amounts and terms are gradually increased overtime if clients perform well. Loan approval is the responsibility of the credit officers. Credit officers regularly work with 200 to 400 clients and thus rarely know their clients very

well Some groups encourage "intra-group emergency funds" to serve as safety net (Kashangaki, 1999).

Financial Service Associations (FSAs) have 2 sources of funds: external account and internal accounts. External account is the seed capital that the sponsoring MFI lends to the bank. The amount is, in turn, re-lent to its members (the total amount lent is the sum of all individual members' loan requests). External accounts loans to the FSAs are generally provided in a series of fixed cycles usually 10 to 12 months each with lump-sum payments at the end of each cycle.

Internal accounts are the funds from the mandatory savings and the interest earnings from lending the fund to members. The methodology anticipates that each member will save a minimum of 20% of the loan amount per cycle. Loans from the internal account set their own terms and are generally shorter with higher interest rates than those of the external account (Kitili, 2000).

2.2.3 Savings and Loans Associations

SLAs (Savings and Loan Associations) depend solely on member savings and equity contributions as a source of funds. They are financially independent from their creation. In Savings & Loan Associations, the supporting program identifies villages with strong social cohesion and clear desire to set up a village bank. The members of the village determine the organization and rules of the microfinance institution. It comprises of 30 to 100 members. They elect the management and credit committee and 2 or 3 managers. Management is highly decentralized. Central services are limited to internal control and auditing, specific

training and representation. These services are paid by the village banks, which guarantee the financial sustainability of the model. The sponsoring program does not provide lines of credit and the bank must rely on its savings mobilization. Self-reliant village banks mobilize savings and provide short-term loans to villagers on an individual basis. Loans are individual and collateral is necessary but the emphasis to ensure repayment is on village trust and social pressure. After 1 or 2 years, the bank creates an association that acts as an intermediary and negotiates lines of credit with local banks (usually on agriculture development bank). This links the village banks to the formal financial sector (Mugwanga, 1999).

2.2.4 Evaluating the impact of micro lending on the beneficiaries

Measurement problems notwithstanding, various attempts have been made to measure the impact of enhanced financing on poverty reduction. Hulmes and Moslev (1996) employ this approach in a study of 13 MFIs in seven countries, including Grameen Bank (GB) in Bangladesh and Bank Rakyat Indonesia (BRI). They found that there was a positive impact of the MFI programmes on borrowers' income (the poor), with an average increase over the control group ranging from 10%-12% in Indonesia, to around 30% in Bangladesh and India. However, their study found that for the very poor, loan impacts on income are on average, small or negative in comparison to the control group. There were some exceptions to this rule that arose due to the authors' failure to control for program placement bias i.e. some unmeasured attribute of the village in both the participant camp and the control group could affect both the demand and supply for credit (Hulme and Mosley, 1996).

2.3 Empirical review

Besley et al (1995) investigated the impact of joint liability in borrower groups on loan repayment rates. Returns are sufficient to repay with certainty in their model, but due to enforcement problems, borrowers do not repay unless the penalty for default weighs heavier than the burden of repayment. Group lending, as opposed to individual lending, has two effects on repayment rates then. On one hand, it enhances repayment when a borrower is able and willing to stand in for a member of a group who does not repay. On the other hand, however, liability for the repayment of the other members of her group potentially discourages a borrower from repaying at all when she would have repaid an individual loan. Besley and Coate's first key result is that, when payoffs are independently and uniformly distributed and penalties for default are proportional to payoffs, group lending leads to a higher repayment rate when the loan rate is sufficiently low, while the repayment rate is higher with individual lending when the loan rate is high. Their second main result is that » social sanctions imposed on group members who refrain from making their contribution to the contractual repayment reduce the drawback of group lending. If the sanctions are severe enough, group lending yields the higher repayment rate (Shipton 1992).

Rotating Savings and Credit Associations (ROSCAs) are one form of informal finance used all over the world to provide a steady form of savings, insurance, and in some cases, loans. A regular contribution is collected from members of a selected group over a period of time. Loan terms and group characteristics vary dramatically, as this type of informal finance tends to permeate different cultures and all socio-economic classes. ROSCAs and other types of informal self-help groups have been well documented in all regions of the world

(**Ramalingam** (1987), AFRACA (1987), Graham (1989), Schrieder and Cuevas (1989), Von Pischke (1992), Munshi (1992).

Usually, ROSCAs have several unique features that contribute to their stability over time. First, the organizer of the ROSCA typically is someone with social stature or a solid **reputation** that participants trust. Secondly, the mobilization of funds comes directly from the participant's savings and therefore the use of funds is under group scrutiny. The groups utilize self-selection of members so that a strong degree of promise, trust and consent exists among members (Von Pischke, 1992).

There is no structured institutional mechanism in Kenya to facilitate the flow of financial resources from the formal financial sector through Micro Finance Institutions (MFIs) to the MSEs (Mutua K, 1998). This increases the cost of credit to both the entrepreneur and financial institutions. Operations of financial institutions are tailored to offer credit services to formally registered businesses, which meet criteria such as proper maintenance of books of accounts and a verifiable asset base. Most MSEs cannot however, meet these criteria. Further, availability of collateral is limited by the difficulty of obtaining legal title to land. Even where collateral exists commercial banks have no confidence that the legal system will allow them to realize it in case of default (Rosengard, 2000).

Formal financial institutions perceive MSEs as high risk and commercially unviable. As a result, only a few MSEs access credit from formal financial institutions in the country. The problem is greater in the rural areas where bank branches are few and far apart. The present

legal and policy framework for financial services is less supportive of smaller than larger **borrowers** and needs to be addressed. The banking act prohibits **MFIs** from mobilizing savings and taking deposits for re-investment. Consequently, **MFIs** face problems in building a sustainable funding base for MSEs of their limited resource base and lack of institutional capacity to provide a wide range of financial services. At present MFI outreach is basically **through** group lending schemes, which have limited absorptive capacity for financial resources. Commercial banks however, have a strong resource base and wider outreach but lack the expertise and "best practice" for MFI lending to the MSE sector (Mutua, K. 1998).

Policies and strategies designed to boost credit and finance to the MSE sector have been formulated in the absence of reliable information on reliable methodologies, data on the magnitude of the MSE sector, characteristics of MSE operators, and factors influencing the growth and dynamics of the sector. The situation translates into high credit transaction costs, for collecting and verifying available information,,mainly on the creditworthiness of MSE borrowers (Status of rural savings and credit cooperatives in Kenya 1998).

For instance, Equity Bank business model has attracted both local and international recognition. On many occasions the Bank has been invited to various international fora and bodies to share on its success story. Equity has also become a hub of other institutions worldwide keen on learning and exchanging insights on the Equity model of extending financial services to the low income segment and the un-banked population (Republic of Kenya: 2003).

While group dynamics often are touted as the engine of high group repayment, other explanations of group loan repayment may also be important elements, such repayment seniority, economic environment, or the history of group activity (Mullei, B. 1999).

Studies by Yaron J et al (1997) depict the following three rural financial institutions (RFIs): GB in Bangladesh, Bank of Agriculture and Agricultural Co-operatives (BAAC) in Thailand and Bank Rakyat Indonesia's Unit Desas (BRI-UD) as being largely successful in achieving the primary performance objectives of outreach and self sustainability in poverty reduction. The state-owned BAAC had an average outstanding loan size of US\$ 1,285, in 1995. GB (92% members and 8% government), had an average outstanding loan size of US\$ 141. BRI-UD village banks recorded an average outstanding loan size of US\$ 514 (Hossain, 2002).

These three Rural Financial Institutions (RFIs) were formed to replace subsidized credit with on-lending rates to cover all financial and operation costs. Their target market constituted clientele in the low to medium social strata, with GB concentrating on the lowest social strata. Despite the risks in this target group, these three banks have had significant outreach in breadth and depth. All three institutions have attained high levels of market penetration. BAAC served about 76 per cent borrowers of the Thai farming households, while the BRI-UD credit reached approximately 5 per cent of all Indonesian households (1.9 million households) with as many as 14.5 million household savers. These numbers grew to 2.5 million loan accounts and a phenomenal 16.2 million deposit accounts in 1996. GB had 2.06 million clients and provided an estimated 36 per cent of the total credit to the poor Bangladesh people (Yaron J et ai. 1997).

As of July 2004, GB had 3.7 million borrowers, 96 per cent of whom were women. With 1267 branches, it provided services to 46,000 villages covering more than 68 per cent of the total villages in Bangladesh. These findings demonstrates that financial services can be extended to the low-income, rural clients at relatively lower costs with minimal subsidy dependence through the use of innovative and replicable techniques (Yaron J. et al, 1997).

The performance and success of the three RFIs has largely been attributed to the following factors: favorable macroeconomic environment, innovative and flexible loan terms and conditions, good physical and social rural infrastructure (Thailand and Indonesia), management autonomy, staff training, and some tax related incentives. The challenge for governments is to strengthen the policy environment, improve the legal and regulatory framework, adopt appropriate intervention procedures and management principles and cater for the inevitable losses of the village banks through appropriate prudential rules and regulations (Mugwanga, 1999).

The foregoing success stories have inspired many other countries that have come up with replica models of the three institutions, especially GB. In the Philippines, Felloni, Fabrizio and Seiel H. D (undated) show that rural banking started out in 1986 with the Centre for Agriculture & Rural Development (CARD), a credit NGO that provided micro-loans to the rural poor. Its success story was exemplified by the increase in active membership from 307 in 1990 to 6,844 in 1996. Besides, outreach levels reached 92,500 poor and non-poor depositors, 56,400 poor women borrowers in 1992 and repayment rate was 99.7% over the same period. In India the National Bank for Agricultural and Rural Development

(NABARD), the rural banking model pioneer, hit 1,051,906 credit outlets (196 regional rural banks and 14,536 branches in 2000/01. These rural credit institutions boosted the development of India's agriculture and allied exports. A variety of MFIs, in particular village banks (FSAs) have emerged over time, to meet the unsatisfied demand for financial services in Africa (Basu et al., 2004). The International Fund for Agricultural Development (IFAD) is credited for introducing village banks in 1994 to Benin, Congo-Brazzaville, Gabon, Guinea, Uganda, Kenya, South Africa and Mauritania.

The experience in Benin, Guinea, Ghana and Tanzania showed that the largest network of MFIs is dominated by savings and loan cooperatives and mutual, with Rural and Community Banks (RCBs) dominating the Ghanaian MFI industry. These MFIs, followed the wide approach of community-based self-reliant groups, tailored in replica of GB i.e. use of group solidarity and the linkages between saving and credit instruments. A similar model operated in Tanzania, developed by Catholic Relief Services and SNV/Netherlands Development Programme, with both share capital and savings deposits being mobilized from members. Pearce and Helms (2001) revealed that as at December 1999, Uganda FSAs had 299 shareholders with an outstanding loan portfolio of US\$71,300 and savings deposits of US\$14,100. Both the Kenya and Benin populace commonly used their loans for trading activities, agriculture, school fees, etc (Hulme et al, 2006).

The rate of growth in the number of FSAs is notable, in Benin, a total of 47 FSAs have been established since 1997 to 2000, while in Kenya the Table was 43, over the same period and only seven for Uganda. South Africa's FSAs had increased significantly to 60 from 1994 to

July 2001. The success and strengths of FSAs models was driven by its low cost and **investor**-driven approach as opposed to borrower driven. The growth and success in FSAs was dependent on demand oriented product diversification and linkage with other formal **financial** institutions, competition from other financial service providers, governance structures and the significance of donor support (Hulme et al, 2006).

Kenya has many microfinance programs ranging from non-governmental organizations (NGOs), to Informal Sector Programs (ISPs) loans to bank loans for the poor through Rotating Saving and Credit Associations (ROSCAs). The NGO that supervises smaller organizations is called the Kenyan Rural Enterprise Programme (KREP), and was set up by USAID. KREP has shown signs of dynamism by taking input on their practices in order to streamline and improve them. KREP organizes people into groups. These groups have had great success and a low default rate, due in part to the mechanism of group lending. Group lending, while providing a support system for borrowers, also enforces a social pressure to continue payments. A group lending microfinance program in Kenya found that default rates were high when women deposited their installments in a bank account, and lower when women switched to a form of public repayment, such as face-to-face meeting with collectors (Buckley in Hulme and Mosley, 1996).

The Informal Sector Programme (ISP) is another provider of micro-loans aimed at informal businesses with growth potential. Financed heavily by German GTZ funds, ISP requires a license for loans, but will lend to women without their husband's consent. The ISP is controlled by the Government of Kenya and is not operationally independent. The ISP,has a

lower repayment rate, which is generally in the 70 percent to 90 per-cent range. Only 18 percent of borrowers are female. This is because loans are targeted at the manufacturing sector, which men dominate (Washington et al 1996).

A third source of microfinance comes in the form of Rotating Savings and Credit **Associations** (ROSCA), which are formed as groups by friends and neighbors who pool their **savings** and make loans from the common pot to each member in turn. The typical ROSCA cycle lasts for about one year, during which the pot is roughly one quarter of average monthly household expenditures. The main ingredient to Kenya's system of microfinance is group lending, which adds pressure to borrowers to repay, yet at the same time creates a support system for people who are having a hard time repaying or saving. The formal lending program is very careful about defaults, extensive screening is performed on applicants, and training is provided to recipients of loans (Mutua K, 1998).

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Access to financial services by the poor can improve their incomes and therefore their welfare, especially if complementary inputs such as sufficient infrastructure are provided. Though the poorest of the poor are often risk averse, they too need financial services to boost their investment ventures. Once the poor are financially endowed, they can lift and sustain themselves out of poverty. They have the ability to mobilize and utilize savings and with a loan repayment rate of about 99 per cent, FSAs can sustain their activities with good profit margins, an important lesson for Kenya and commercial banks to emulate (GoK, 2003 - 2007).

2,4 Conceptual Framework

figure 1 below shows the relationship between the variables underscored in the literature review and that inform this study.

Independent Variables

Dependent Variable

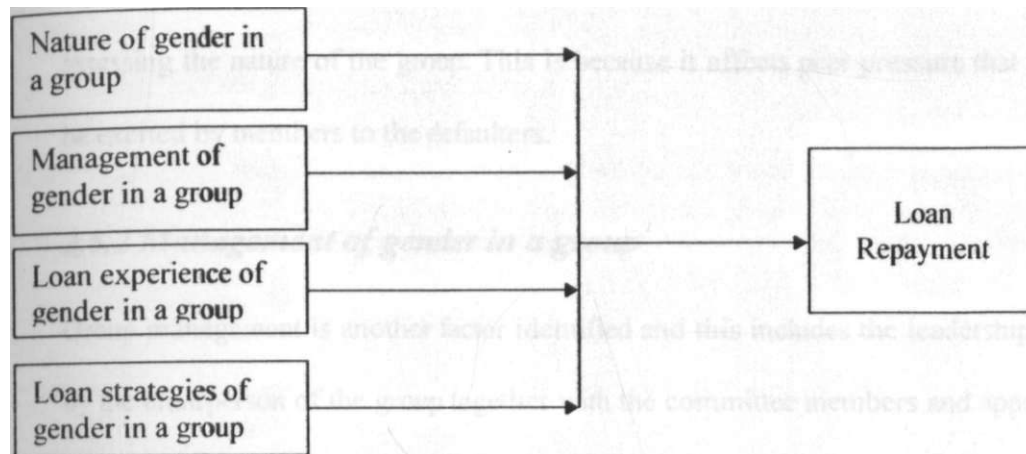


Figure 1: conceptual framework

2.5 Conceptual relationship of the variables

The conceptual relationship of the variables compared the relationship between loan repayment being the dependent variable and four independent variables which were: nature of gender in a group, management of gender in a group, loan experience of gender in a group and loan strategies of gender in a group.

2.5.1 Nature of gender in a group

Littefield, et al (2004) identified nature of the group as a factor that determines loan repayment where this could either be homogeneous or heterogeneous type of group. This is

also in terms of gender or age where the group either has male members or female members only or could also have age difference. A study by KREP showed that women are better payers than men in a group lending approaches. (KREP (2006), Annual Report and **Accounts**).

In cases where the group members are related, the effect of blood relationship on loan repayment for the groups that are dominated by close blood relatives is also key factor in assessing the nature of the group. This is because it affects peer pressure that is supposed to be exerted by members to the defaulters.

2.5.2 Management of gender in a group

Group management is another factor identified and this includes the leadership style adopted by the chairperson of the group together with the committee members and appropriate record keeping. When one member defaults the responsibility is taken on by the other group members, they may also default in their payment so as to "repay" the loan they had to take responsibility for. Limited loan sizes often do not respond to the increasing needs of borrowers and requirement for regular meetings are very time consuming. The leaders' level of education is considered in comparing who are better leaders in terms of enhancing loan repayment and policy enforcement. Training of group members on group lending and business management issues is a factor that determines performance of the group. Most members of the group have no basic formal training that can aid in the decision making in terms of loan timings, resource allocation and maintenance of financial records. (Microfinance House Ltd (2006)).

2.5.3 Loan experience of gender in a group

Loan history reflects on previous experience of the group in managing loans whereby there are members who are first time borrowers while others are repeat borrowers. Repeated loans that increase gradually according to the borrower's performance allow screening of bad risks as well as assessing the ability to pay based on the credit history (AFRACA, 1987).

2.5.4 Loan Strategies of gender in a group

In the recent past group lending has been adopted by MFIs and so there is need to lay down strategies in order to make it more effective and also to sustain this model. Institutions need to strategically position themselves to gain a competitive edge at the same time improve the welfare of its customers economically (Microfinance House Ltd 2006).

Microfinance House Ltd (2006) asserts that group lending methodology is used by MFIs that target the very poor who are not able to provide collateral and also for the sake of ensuring repayment of the loans. Members of a community come together in smaller groups of up to 15. The members pool their money together and save in an MFI and are also given access to loan facility. The members co - guarantee each other when they need loans. Failure by one member to pay back a loan means the rest of the members cannot be given loans. They therefore put pressure on their members to repay their loans.

2.6 Operational Framework

Figure 2 below represents the diagrammatical view of the variables and the parameters that define the variables discussed in this research study.

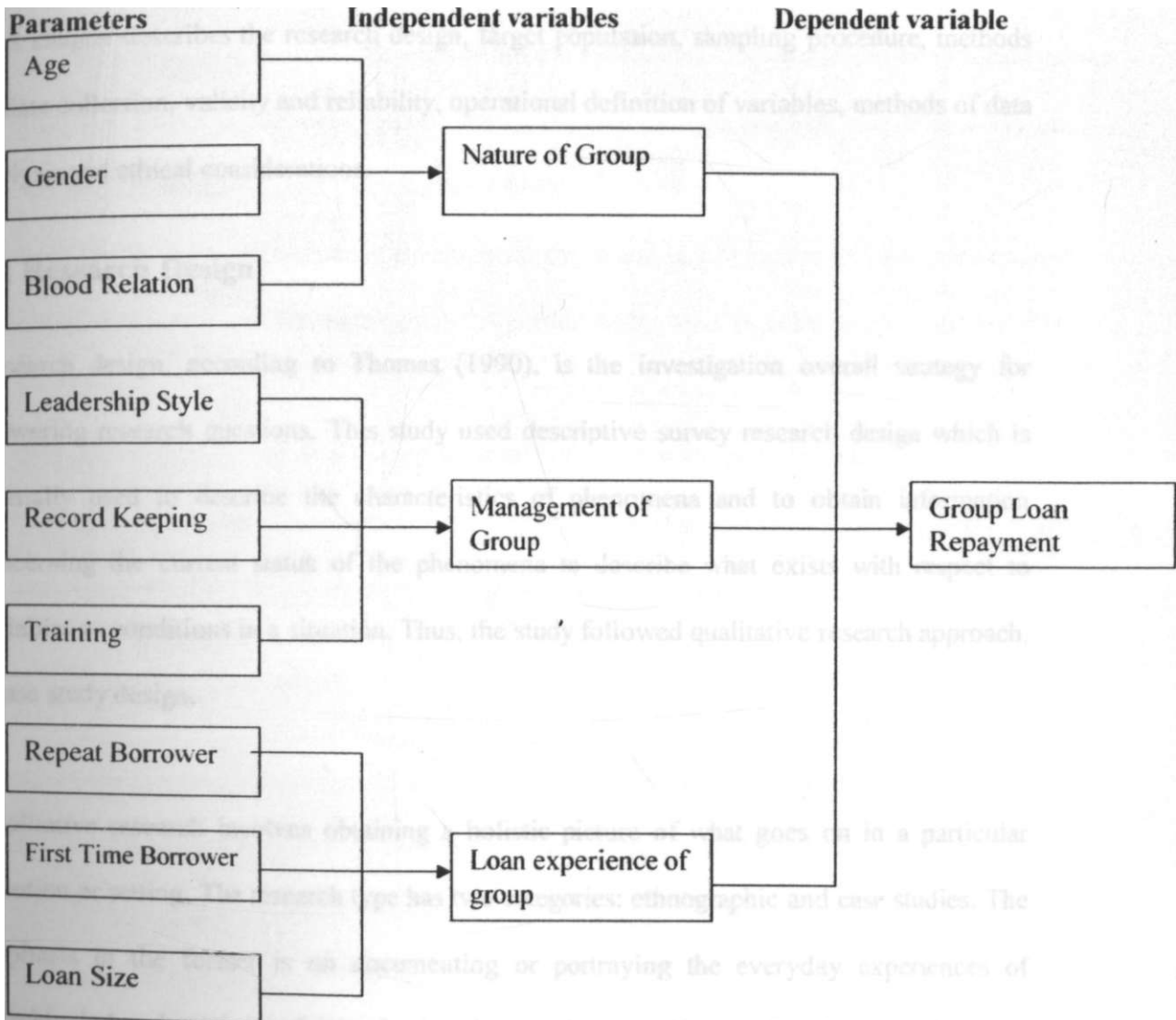


Figure 2: Operational Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, target population, sampling procedure, methods of data collection, validity and reliability, operational definition of variables, methods of data analysis and ethical considerations.

3.2 Research Design

Research design, according to Thomas (1990), is the investigation overall strategy for answering research questions. This study used descriptive survey research design which is normally used to describe the characteristics of phenomena and to obtain information concerning the current status of the phenomena to describe what exists with respect to variables or conditions in a situation. Thus, the study followed qualitative research approach, a case study design.

Qualitative research involves obtaining a holistic picture of what goes on in a particular situation or setting. The research type has two categories: ethnographic and case studies. The emphasis in the former is on documenting or portraying the everyday experiences of individuals by observing and interviewing them and relevant others. The latter on the other hand is a well detailed study of one or a few individuals or situation. In this research, the case study of the three selected MFIs was adopted.

3.3 Target Population

A population is the group to which results of the study are intended to apply. The target population constituted group loan officers in Faulu Kenya, Fountain Enterprises Program and Jenga Kenya branches found within Kirinyaga district of central province in Kenya. These branches included one branch for each of three microfinance institutions located in Kerugoya town, the district headquarter and one branch for Faulu Kenya and FEP located at Wanguru, which is the Mwea division headquarter.

Specifically, loan officers from the three microfinance institutions at the branches located within Kirinyaga district were targeted for this study. This is because as much as other employees in the micro finance institutions are significant to loan lending in group lending approaches, they do not directly and personally interact with the group members on a day to day basis. The group loan officers have detailed records of the behaviour of group set-ups and thus availed useful information that met the desire of this study.

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3.4 Sampling Procedure

A sample is a group in a research study on which information is obtained. Sampling refers to the process of selecting these groups. Researchers would prefer to study the entire population in which they are interested. However, this is difficult due to population sizes, diversity, geographical coverage and cost among other reasons. In this study, a purposive sampling technique was employed. Purposive sampling technique is a sampling method in which elements are chosen based on the purpose of the study. It is the most popular in qualitative research since subjects are selected subjectively because of some characteristics (Patton 1990).

For acquisition of useful data, in-depth structured interviews with the loan officers for the branches of the three microFinance institutions within Kirinyaga district were conducted. A total of 16 officers out of a possible 18 from the three microfinance institutions were given questionnaires and interviewed. Specifically, 8 out of 10 loan officers from Faulu Kenya, all the 6 officers from FEP and the 2 from Jenga Kenya participated in the survey. The advantage of this sampling method is that it allowed the researcher to use cases that have the required information or required characteristics with respect to the objectives of the study.

3.5 Methods of Data Collection

The term "data" refers to the kinds of information researchers obtain on the subjects of their research. The sources of information are either primary or secondary. Primary data comes from the original sources and are collected especially to answer the research questions whereas secondary data come from other studies conducted by other persons for other purposes. This study embarked on primary data.

The method of data collection is in the view of the objectives of the study. The research instrument that was used in the study for data collection was a questionnaire and an interview guide. An 'instrument' in this paper is a device that the researcher used in the process of collecting data. The instruments were open and close ended in nature so as to allow further probing in view of in-depth responses and answers.

Personal interviews were administered to the respondents. A personal interview is a two-way face-to-face) communication initiated by an interviewer to obtain information from the

respondent. This technique is deep and detailed in terms of information obtained. This is because the interviewer can control the process hence probing more by adding questions that help add a lot of information.

Once the personal interviews were conducted, the interviewer gave the interviewee time to fill out a self-administered questionnaire. A self-administered questionnaire is a technique of data collection in which a respondent completes it at his/her convenience. To improve the rate of return of the questionnaires, the researcher encouraged respondents through concurrent techniques including follow-up reminders, telephone calls, ensuring the questionnaire is not too long, promised anonymity to respondents, fixed deadlines for the survey return and a cover letter which set the stage for the interviewer to the respondents.

3.6 Validity and Reliability

The quality of instruments used in research is very important. To achieve this therefore, the researcher ensured that the instruments were valid and reliable. Validity refers to the appropriateness, meaningfulness and usefulness of the inferences a researcher makes. Reliability refers to the consistency of scores or answers from one administration of instrument to another, and from one set of items to another.

There are three types of validity that are of interest to researchers: content related, criterion related and construct validity. Content related refers to the content and format of the instrument. Criterion related refers to the relationship between scores obtained using an instrument and scores obtained using one or more instruments or measures. Construct validity refers to the nature of the psychological construct or characteristic being measured.

A measure is said to possess construct validity to the degree that it conforms to predicted **correlations with** other theoretical propositions. This study employed content-related validity of research instruments.

Reliability refers to the consistence of scores obtained and has two aspects, stability and equivalency. Reliability is said to be achieved if it gives consistent results with repeated **measurements** of the same object with the same instrument. Equivalency is the measure of how much error gets introduced by different investigators or different samples of the items being studied. There are many methods used by researchers to obtain reliability but this study limited itself to the test-retest method. This method involves administering the same test twice to the same group after a certain time interval has elapsed since the previous test.

3.7 Operational definition of variables

Operational definition is a description of a variable, term or object in terms of the specific process or set of validation tests used to determine its presence and quantity. Properties described in this manner must be publicly accessible to other persons other than the definer and can independently measure or test for them at will. A variable is an empirical property that can take two or more values. Any property that can change, either in quantity or quality can be regarded to as a variable.

Variables are categorized in several ways with the most common being the dependent and independent variables. An independent variable is a variable that cause changes in a dependent variable. A dependent variable is a variable whose outcome depends on the ^manipulation of the independent variable. The dependent variable in this study was the loan

repayment. The independent variables in this study were: group gender nature, group gender management, group gender loan experience and group gender loan strategy.

3.7.1 Loan Repayment

Loan repayment in this research was the dependent variable whose outcome was affected by nature of gender in a group, management of gender in a group, loan experience of gender in a group and loan strategies of gender in a group. The researcher studied the extent to which loans are defaulted; the influence of the size of the loan on loan repayments; cause of failure in loan repayments and the constraints that loan lending officers face when following up on loan defaulters.

3.7.2 Nature of gender in a group

Nature of gender in a group set-up was seen as a factor that determined loan repayment where this could either be homogeneous or heterogeneous type of group. This was also in terms of gender or age where the group either has male members or female members only or could also have age difference. In cases where the group members were related, the effect of blood relationship on loan repayment for the groups that were dominated by close blood relatives was also a key factor in assessing the nature of the group. This was because it affected peer pressure that was supposed to be exerted by members to the defaulters.

3.7.3 Management of gender in a group

Another variable was group management which was analyzed through various parameters viz: record keeping in a group, accuracy of records kept, the level of education of group members, the type of skills of group members and the training that group members have

undergone. When one member defaulted the responsibility was taken on by the other group members, who may also have 'defaulted'¹ in their payment so as to "repay" the loan they had to take responsibility for. Limited loan sizes often do not respond to the increasing needs of borrowers and requirement for regular meetings are very time consuming. The leaders' level of education was considered in comparing who are better leaders in terms of enhancing loan repayment and policy enforcement. Training of group members on group lending and business management issues was a factor that determined performance of the group. Most members of the group have no basic formal training that can aid in the decision making in terms of loan timings, resource allocation and maintenance of financial records.

3.7.4 Loan experience of gender in a group

The experience of members of a group where some members were first time borrowers while others were repeat borrowers could substantially affect the success of loan repayment in a group arrangement. Repeated loans that increase gradually according to the borrower's performance allow screening of bad risks as well as assessing the ability to pay based on the credit history. Thus conventionally, repeat borrowers are taken to be better payers than first time borrowers. The findings of this study however proved otherwise.

J. 7.5 Loan strategies of gender in a group

To sustain group lending models, the loan strategies cannot be overemphasized. Institutions need to strategically position themselves to gain a competitive edge at the same time improve the welfare of their customers economically. Group lending methodology is used by MFIs that target the very poor who are not able to provide collateral and also for the sake of ensuring repayment of the loans. Members of a community come together in smaller groups

of up to 15. The members pool their money together and save in an MFI and are also given access to loan facility. The members co - guarantee each other when they need loans. Failure by one member to pay back a loan means the rest of the members cannot be given loans. They therefore put pressure on their members to repay their loans. Among other strategies, the researcher evaluated a group's frequency of meetings and the participation in group meetings in relation to a group's success in loan repayment.

3.8 Methods of Data Analysis

According to (Donald, 2006), data analysis refers to examining what has been collected in a survey or experiment and making decision and inferences. Data was tabulated and classified into sub-samples for common characteristics and data coding was done. Data was analyzed and presented using percentages and frequencies Tables.

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The nature of gender was studied by analyzing the age group, whether one is male or female and blood relation. The age was determined in number of years since date of birth and as such an interval scale was used with the aid of the mean as the tool of analysis. One's gender, male or female, was done through a nominal scale and the statistical method that was used for analysis was the mode. The blood relation amongst members of a certain group is also nominal in nature and as such the mode was employed for statistical analysis.

To measure to what extent gender group management skills influence successful loan repayment in group lending approach; record keeping, accuracy of records kept, level of education of group members, skills possessed by group members and training of the

members of a group was analysed. Record keeping was analyzed through the modal types of records a group had using a nominal scale while the median of the accuracy of records was analysed by an ordinal scale. A group member's level of skills and one's education level was measured through an ordinal scale and analysed by median while the type of skills was measured through a nominal scale and analysed by mode.

The gender loan experience in this research was studied by analyzing the number of previous successful loan repayments by use of an ordinal scale and analyzed statistically through the median measure of central tendency.

The gender loan strategies were studied by analyzing the frequency and quality of conducting meetings in the group lending arrangements. The frequency of meetings was analyzed using an ordinal measuring scale which by taking the median measure while the mode quality of conducting meetings adopted by nominal scale.

3.9 Ethical Issues

Verbal communication seeking permission to carry out research was done and letters dispatched through respective branch managers in the three micro-finance institutions. The respondents then signed the letters of consent before the actual data collection commenced. The respondents were assured of confidentiality and that the information provided was to be used for the purpose of research only. The respondents were requested not to indicate their names on the questionnaires. A copy of the findings may be availed to the microfinance institutions on request.

3.10 Summary

This study used descriptive survey research design and followed qualitative research approach, a case study design. The target population constituted group loan officers in the three MFIs branches selected for study found within Kirinyaga district. Specifically, loan officers from the three microfinance institutions at the branches located within Kirinyaga district were the target for this study. Purposive sampling technique was employed in the research and the data collection methods were personal interviews and questionnaires. Content-related validity of research instruments and test-retest method were used to enhance validity and reliability respectively. The dependent variable in this study was the loan repayment. The independent variables in this study were: group gender nature, group gender management, group gender loan experience and group gender loan strategy. Various measures of central tendency were used to analyze data statistically depending on the measuring scale applicable as the case applied.

Table 3.1: Operationalization of Variables

Objective	Variables	Indicators	Measurement	Measuring Scale	Research Design	Type of Analysis	Tools of Analysis
The extent to which nature of gender influence loan repayment in group lending approach.	<ul style="list-style-type: none"> Dependent variable:- Loan Repayment 	<ul style="list-style-type: none"> (a) Size of loan (b) Frequency of loans (c) % of loan defaulters 	<ul style="list-style-type: none"> -Loan amount in Kshs -Number of loans borrowed -Number of loans defaulted 	Ordinal Ordinal Ordinal	Qualitative	Descriptive	\ Median
	<ul style="list-style-type: none"> Independent variable:- Nature of Gender 	<ul style="list-style-type: none"> (a) Age group <ul style="list-style-type: none"> i) Youths ii) Adults (b) Gender <ul style="list-style-type: none"> i) Male ii) Female (c) Blood relation <ul style="list-style-type: none"> i) Related by blood ii) Not related by blood 	<ul style="list-style-type: none"> fa) Aife in vears <ul style="list-style-type: none"> i) 18-35 ii) Above 35 fb) Gender <ul style="list-style-type: none"> i) Male (x) ii) Female (y) © Blood relation <ul style="list-style-type: none"> i) Related ® ii) Not related (q) 	Interval Nominal Nominal	Qualitative	Descriptive	Mean Mode Mode
The extent to which gender group management skills influence successful loan repayment in group lending approach.	<ul style="list-style-type: none"> Independent variable:- Gender group management skills 	<ul style="list-style-type: none"> (a) Record Keeping <ul style="list-style-type: none"> i) Records are kept ii) Records are not kept (b) Training <ul style="list-style-type: none"> i) Skills acquired ii) Quality of skills 	<ul style="list-style-type: none"> Type of records Accuracy of records Level of skills Type of skills 	Nominal Ordinal Ordinal Nominal	Qualitative	Descriptive	Mode Median Median Mode
The extent to which gender loan experience in micro-finance arrangements determine successful loan repayment in group lending approach.	<ul style="list-style-type: none"> Independent variable:- Gender loan experience 	<ul style="list-style-type: none"> Repayment behaviour of previous loans awarded 	<ul style="list-style-type: none"> Number of successful previous loans 	ordinal	Qualitative	Descriptive	Median
The extent to which gender loan strategies in micro-finance arrangements determine successful loan repayment in group lending approach.	<ul style="list-style-type: none"> Independent variable:- Gender loan strategy 	<ul style="list-style-type: none"> Meetings Leadership 	<ul style="list-style-type: none"> Frequency of meetings How meetings are conducted 	Ordinal Nominal	Qualitative	Descriptive	Median Mode

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis of the data collected from sample loan officers from the three microfinance institutions under this study: Faulu Kenya, Fountain Enterprises Program and Jenga Kenya in Kirinyaga district. The data was interpreted according to the research questions and the results presented. The analysis and findings are summarized into Tables using percentages and frequencies.

4.1.1 Results and Discussions

The findings and data analysis of the study are outlined in this section. The discussions capture the outcomes based on the questions of the study and research objectives that were focused on by the study.

4.2 Response Rate

The researcher administered questionnaires only to the group lending loan officers of the microfinance institutions under this study. This is because as much as other officers make significant contribution towards decisions guiding group loan lending; they do not directly engage with the loanees. For objective information to be obtained in relation to the study objectives, data had to be acquired from those loan officers who directly engage with the loanees in Faulu Kenya, Fountain Enterprises Program and Jenga Kenya offices in Kirinyaga district.

The survey findings showed that there were five group loan lending officer who are unit heads; one for each of the five stations under study. However, the researcher found out that working under these unit heads were other loan lending officers who had been allocated groups for which they directly engaged with the loanees. The researcher focused his study on these other officers as well since they too directly engaged with the loanees. As such, they were interviewed and questionnaires administered to them as well. In the analysis of the findings, information from all the loan officers (both the unit heads and their subordinates) was treated equally since they all were heading groups directly.

4.2.1 Overall Response Rate

The overall response rate for the group loan lending officers in each of the three microfinance institutions were as tabulated hereunder in Table 4.1

Table 4.1: Overall response rate

Microfinance Institution	Total Loan Officers	Responsive Loan Officers	% of Responsive Loan Officers
Faulu Kenya	10	8	80
Fountain Enterprises Program	6	6	100
Jenga Kenya	2	2	100
Total	18	16	88.89

A total number of 18 questionnaires were distributed to the group loan officers and 16 of them were filled up and interviews successfully conducted to the 16 loan officers who also had filled the questionnaires. These survey tools were then returned for analysis.

Thus the overall response rate was at 89% of the target population and all the questionnaires returned were useful for analysis because they were all responsive.

4.2.2 Response Rate per Gender

The response rate of the respondents in terms of gender among the responsive survey participants were as tabulated below in Table 4.2

Table 4.2: Response rate per gender

Microfinance Institution	Male Loan Officers	Female Loan Officers	% of Male : Female Loan Officers
Faulu Kenya	4	4	50 Male; 50 Female
Fountain Enterprises Program	3	3	50 Male; 50 Female
Jenga Kenya	2	0	100 Male; 0 Female
Total	9	7	56 Male; 44 Female

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Research findings as indicated in Table 4.2 above shows that 56% of the respondents were male while 44% were female. This indicates that there are generally more male loan officers than female officers in group lending. However, it was also observed that Faulu Kenya and Fountain Enterprises Program had a 50:50 sharing between male and female loan officers which could be interpreted to mean that these two microfinance institutions could be attempting to realize gender balance in their employee hiring policy. On the other hand, Jenga Kenya had two loan officers both of whom were male perhaps because the organization is relatively smaller than the other two.

4.3 Loan Repayment in group lending approaches

In this study, loan repayment was the dependent variable. The researcher wanted to find out whether there were loan defaulters in group lending approaches; the influence of the size of the loan on loan repayments in group lending approaches; the reasons that lead to failure in loan repayment and the constraints that respondents faced when following up loan repayment from group members.

4.3.1 Loan defaulting in group lending approaches

The researcher wanted to find out whether loanees defaulted loan repayments in group lending approach. The respondents were requested to indicate whether there were groups under their jurisdictions that had defaulted loan repayment. The Table below shows the responses.

Table 4.3 Loan defaulting in group lending approaches

Response	Frequencies	Percentage
Yes	16	100
No	0	0
Total	16	100

The research findings in Table 4.3 indicate that all the 16 respondents agreed that there were groups in their portfolio that had defaulted loans. This implies that 100% of the respondents agreed that loan defaulting is a common practice and all of the respondents had experiences of loans repayments being defaulted. Thus defaulting in loan repayments is a major hindrance to the success of group lending approaches that need to be addressed to optimize the success of the group lending model.

4.3.2 Influence of the size of loan in group lending approaches

The researcher wanted to know whether the size of the loan borrowed determined loan repayments behavior in group lending approaches. Thus during the interview session, the respondents were asked whether the size of the loan influences loan repayments behavior in group lending approaches. The responses were as shown in the Table below:

Table 4.4: Influence of size of loan in group lending approaches

Response	Frequencies	Percentage
Loan size determines repayment	13	19
Loan size does not determine repayment	3	81
Total	16	100

The survey findings of Table 4.4 above show that 19% of the respondents agreed that the size of the loan influences loan repayments behavior in group lending approaches. 81% of the respondents said that the size of the loan does not influence loan repayments behavior in group lending approaches. The researcher thus concluded that since defaulting of loans is a common practice, then there must be other causes that lead to failure in loan repayments in group lending approaches rather than the size of the loan borrowed.

4.3.3 Causes of failure in Loan repayment in group lending approaches

The researcher wanted to find out the causes of failure in loan repayment in group lending approaches. The respondents were requested to indicate some of the reasons that lead to failure in loan repayment. The Table below shows the responses clustered in five categories.

Table 4.5 Causes of failures in Loan Repayment in group lending approaches

Response	Frequencies	Percentage
Mismanagement	4	25.00
In-cohesive groups	2	12.50
Business failure	2	12.50
Financing other projects	3	18.75
Others	5	31.25
Total	16	100.00

The research findings in Table 4.5 indicate that reasons that lead to failure in loan repayment are: 25% mismanagement of the group; 12.5% lack of group cohesiveness; 12.5% business failure; 18.75% financing other projects apart from those for which the loan was given and various other reasons contribute to 31.25%. Mismanagement could be as a result of lack of proper record keeping, lack of frequent group meetings and lack of participation by all members equally during group meetings. Lack of cohesiveness in group set ups can be contributed by blood relations and lack of group handling skills amongst members. Business failure could be led by poor and unpredictable weather conditions among farmers as well as lack of proper entrepreneurial skills. The temptation of diverging funds to other projects (business or otherwise) apart from the core business for which the funds were allocated was very common among borrowers in group lending

approaches. Other factors that adversely affect loan repayment include untimely disbursement of funds, family ties, lack of training, the poor state of the economy, lack of information, low literacy levels, lack of exposure and necessary skills as well as communication barriers amongst members of groups.

4.3.4 Loan repayment constraints

The researcher wanted to find out the constraints respondents faced when following up loan repayment from group members. The respondents were thus requested to indicate the constraints they face when following up loan repayment from group members. Various constraints were indicated by the respondents and grouped together into five major clusters as tabulated hereunder.

Table 4.6 Loan repayment constraints

Response	Frequencies ,	Percentage
Distance	4	25
Cost	2	12.5
Communication	4	25
Illiteracy	2	12.5
Others	4	25
Total	16	100

The research findings in Table 4.6 indicate the major constraints facing loan officers in following up loan repayment from group members are distance and communication each carrying 25% of the constraints while cost and illiteracy each contribute 12.5% of the constraints. The loan officers indicated that the distance from their offices to their clients, the poor road networks and communication barriers are the major constraints.

Nonetheless, low literacy levels and the cost of reaching out to group members are also significant constraints faced in following up loan repayments. All other constraints contribute to 25% and include lack of moral and financial support from head offices, lack of four wheel drive vehicles to reach group members who are locked by very poor road networks, lack of cooperation from group members, failure by group members from understanding repayment schedules and officers being overloaded with work especially being allocated too many groups besides the clerical work in the office. The constraints equally contribute to poor loan repayment behavior.

4.4 Nature of gender influence on group loan repayment

The researcher wanted to find out to what extent that the nature of gender in a group influences loan repayment behaviour in group lending approach. To establish the extent to which the nature of gender in a group influences loan repayment behaviour in group lending approach, the researcher studied the relationship between the dependent variable and four parameters. These parameters were: influence of mixed gender on loan repayments; influence of blood relations on loan repayments and influence of age on loan repayments.

4.4.1 Mixed gender influence on group loan repayment

The researcher wanted to find out whether mixed genders as opposed to single gender are better in group lending initiatives; and if so, to what extent. The respondents were thus requested to indicate whether mixed genders as opposed to single gender are better in group lending initiatives. The Table next page shows the responses.

Table 4.7 Mixed gender influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	0	0
Agree	0	0
Not Sure	0	0
Disagree	5	31.25
Strongly Disagree	11	68.75
Total	16	100

The research findings in Table 4.7 indicates that 31.25 of the respondents disagreed and 68.75% of the respondents strongly disagreed that mixed gender are better off in group lending initiatives as opposed to single gender. The findings could be because many groups comprising of female borrowers only performed better than those with both gender. During the interviews with the group loan lending officers, the researcher learnt that groups comprising of male gender alone hardly stood the test of time while those with mixed gender were more challenged than those comprising women only. The respondents attributed this trend to the social nature of women which keep groups intact.

4.4.2 Blood relations influence on group loan repayment

The researcher wanted to know whether the group members who were related by blood performed better in loan repayments than those whose members did not have blood relations. The respondents were requested to indicate whether the group members who were related by blood performed better than those whose members did not have blood relations. The Table next page shows the responses.

Table 4.8 Blood relations influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	0	0
Agree	0	0
Not Sure	0	0
Disagree	6	37.5
Strongly Disagree	10	62.5
Total	16	100

The research findings in Table 4.8 indicates that 37.5% disagreed and 62.5% strongly disagreed that group members who were related by blood performed better than those who are not related by blood. Respondents felt that this could be because group members who are related by blood could have too much familiarity leading to contempt and informal engagements unlike the members who have no blood relations and are strictly operating under the guidance of laid down group procedures and principles.

4.4.3 Age influence on group loan repayment

The researcher wanted to find out whether the age of group members contribute to better loan repayment. The respondents were requested to indicate whether the age of group members contribute to better loan repayment. The Table below shows the responses.

Table 4.9 Age of influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	0	0
Agree	2	12.5
Not Sure	3	18.75
Disagree	9	56.25
Strongly Disagree	2	12.5
Total	16	100

The research findings in Table 4.9 indicates that 12.5% agreed, 18.75% were not sure, 56.25% disagreed and 12.5 strongly disagreed that the age of group members contribute

to better loan repayment. This implies that a higher percentage of respondents 68.75% at least disagreed that age is an important determinant in loan repayment. The respondents thought that this could be because younger inexperienced people in group lending may end up being more serious with the loans than the more experienced borrowers who may be reluctant perhaps because of a previous loan default experience that they could have walked away with scot free. The experience with the group lending officers contradicts conventional beliefs that older people are likely to be more honest in loan repayments.

4.5 Gender management skills influence on group loan repayment

The researcher wanted to find out the extent to which gender management skills determine the success of loan repayment in group lending approach. To establish the extent to which gender management skills determine the success of loan repayment in group lending approach, the researcher studied the relationships between five parameters and the dependent variable. The parameters under this item of study were: the level of education of members of a group; the type of skills found within a group; the training that loan officers and group leaders have undergone; record keeping in a group and the accuracy of records kept by group members.

4.5.1 Level of education influence on group loan repayment

The researcher wanted to find out whether the level of education of group members determined a group's success. The respondents were requested to indicate whether the level of education of group members determine group success. The Table below shows the responses.

Table 4.10 Level of education influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	5	31.25
Agree	6	37.5
Not Sure	2	12.5
Disagree	3	18.75
Strongly Disagree	0	0
Total	16	100

The research findings in Table 4.10 indicate that 31.25% strongly agreed, 37.5% agreed, 12.5 were not sure and 18.75% disagreed that the level of education determines loan success in a group lending approach. This means at least 68.75% agreed that the level of education of group members determine the success of loan repayment. The researchers attributed this to the fact that people who are more educated could be better off in record keeping as well as are easier to undergo training in group management skills and business and finance principles.

4.5.2 Type of skills influence on group loan repayment

The researcher wanted to know whether the type of skills possessed group members determine a group's success in loan repayments in group lending models. The respondents were requested to indicate whether the type of skills (managerial, record keeping, accounting etc) of group members determine group success. The Table below shows the responses.

Table 4.11 Type of skills influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	2	12.5
Agree	12	75
Not Sure	1	6.25
Disagree	1	6.25
Strongly Disagree	0	0
Total	16	100

The research findings in Table 4.11 indicate that 12.5% strongly agreed and 75% agreed that the type of skills possessed by group members determine group success in group lending approaches. This indicates that 87.5% of the respondents agreed that the type of

skills in a group determine the success of loan repayment in a group model. A negligible number, 6.25% disagreed with the relationship between the types of skills a loanee has with success in loan repayment while another 6.25% were not sure about the relationship. This means that there is a strong correlation between the type of skills acquired by group members and success in loan repayment. The skills that respondents identified as very crucial in group lending approaches were: managerial, basic accounting, record keeping, team building and group dynamics.

4.5.3 Training influence on group loan repayment

The researcher wanted to find out whether groups trained by their organizations were better loan payers. The respondents were requested to indicate whether groups trained by their organizations were better loan payers. The Table below shows the responses.

Table 4.12 Training influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	9	56.25
Agree	6	37.5
Not Sure	0	0
Disagree	1	6.25
Strongly Disagree	0	0
Total	16	100

The research findings in Table 4.12 indicate that 56.25% strongly agreed that groups that have been trained by their organization are better loan payers than those that are not while 37.5% agreed on the same. This indicates most respondents, 93.75%, agreed that training determines the level of success in loan repayment behaviours. The type of training that respondents identified as important for the success of the group lending

models were based on the acquisition of skills in: record keeping skills, group accountability, basic accounting, group cohesiveness and entrepreneurial skills.

4.5.4 Record keeping influence on group loan repayment

The researcher wanted to know whether groups that keep records perform better than those that do not keep records in loan repayment in group lending approaches. The respondents were requested to indicate whether groups that keep records perform better than those that do not keep records in loan repayment. The Table below shows the responses.

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Table 4.13 Record keeping influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	7	43.75
Agree	6	37.5
Not Sure	2	12.5
Disagree	0	0
Strongly Disagree	1	6.25
Total	16	100

The research findings in Table 4.13 indicate that 43.75% and 37.5% of the respondents strong agreed and agreed respectively that groups that keep records perform better than those that do not keep records in loan repayment. That means a combined total of 81.25% of the respondents attributed record keeping as a very important variable in the success of group set ups with respect to loan repayment. Indeed only 18.75% (12.5% plus 6.25%) were not sure and strongly disagreed with the close relationship between record keeping and loan repayment in a group set up. Respondents said that record keeping assist track

the performance of individual members in a group and necessary actions taken before reaching defaulted payments. Thus record keeping enhances loan repayment behavior.

4.5.5 Accuracy of records influence on group loan repayment

The researcher wanted to find out whether the accuracy of records kept by a group determine loan repayment success. The respondents were requested to indicate whether the accuracy of records kept by a group determine loan repayment success. The Table below shows the responses.

Table 4.14 Accuracy of records influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	3	18.75
I Agree	9	56.25
Not Sure	0	0
Disagree	3	18.75
Strongly Disagree	1	6.25
[Total	16	100

The research findings in Table 4.15 indicate that 18.75% strongly agreed that the accuracy of the records kept by a group determine loan repayment success and 56.25% of the respondents agreed on the same. Clearly, more respondents, 75% either agreed or strongly agreed that the accuracy of records contribute to success loan repayment. Only 25% disagreed that the accuracy of records contributes to the success of loan repayment. The respondents interpreted the accuracy of as having correct data entries in regard to members contributions, dates of contributions made, interests and penalties accrued as well as disciplinary measures taken and for what and to whom.

4.6 Gender loan experience influence on group loan repayment

The researcher wanted to find out the extent to which loan experience in microfinance arrangements determine successful loan repayment in group lending approach. To establish the extent to which loan experience in microfinance arrangements determine successful loan repayment in group lending approach, the researcher desired to find out whether first time loan borrowers were better performers than repeat borrowers.

4.6.1 Loan experience influence on group loan repayment

The respondents were requested to indicate whether groups that have experience with loans perform better than those that have taken loans for the first time. The Table below shows the responses.

Table 4.15 Loan experience influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	1	6.25
Agree	1	6.25
Not Sure	2	12.5
Disagree	4	25
Strongly Disagree	8	50
Total	16	100

The research findings in Table 4.15 indicate that 6.25% strongly agreed and still another 6.25% agreed that a group's loan experience improves the performance of the group in group lending approaches. However, 12.5% were not sure, 25% disagreed and 50% strongly disagreed that the more experienced a group is in loan experience; the better it is in loan repayments. Thus 75% of the respondents did not think that being experienced in

taking loans is advantaged over first time borrowers of loans. The respondents argued that this was so because first time borrowers were more committed to their business and fear consequences of defaulting payments much more. Besides, the respondents also said that this could also be seen from the fact that the more experienced a person is in taking loans, the more familiar with the process leading to a degree of contempt or laxity sometimes because of penalties that have not been strictly imposed on in-disciplined loan repayment behavior.

4.7 Gender loan strategy influence on group loan repayment

The researcher wanted to find out whether the strategies adopted by group management influence the success of such groups in group lending approaches. To make conclusions under this item of study, the researcher investigated the relationships between various parameters and the dependent variable. The parameters investigated were: frequency of meetings, participation in meetings and group loan models improvement strategies.

4.7.1 Frequency of meetings influence on group loan repayment

The researcher wanted to find out whether the frequency of meetings by a group in a group loan lending approach contributes to better loan repayment. The respondents were requested to indicate whether the frequency of meetings by a group in a group loan lending approach contribute to better loan repayment. The Table next page shows the responses.

Table 4.16 Frequency of meetings influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	8	50
Agree	7	43.75
Not Sure	0	0
Disagree	1	6.25
Strongly Disagree	0	0
Total	16	100

The research findings in Table 4.16 indicate that 50% strongly agreed while 43.75% agreed that the frequency of group meetings determine the success of loan repayment. Nonetheless, 6.25% disagreed that the more the meetings, the higher the possibilities of a group's success in a group loan lending approach. Intuitively, the more frequent the group's meetings, the better the chances that the group will succeed in a group loan lending model. Frequent meetings were seen by respondents as important in strategizing and enhancing group cohesiveness that could lead to better repayment behavior.

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4.7.2 Participation in meetings influence on group loan repayment

The researcher wanted to find out whether the participation of group members during a group meeting contribute to better loan repayment. Participation was understood by respondents as the ability to accommodate divergent views from group members in a participatory decision making process as opposed to a dictatorial approach in group meetings by the leadership. The respondents were requested to indicate whether the participation of group members during a group meeting contribute to better loan repayment. The Table next page shows the responses.

Table 4.17 Participation in meetings influence on group loan repayment

Response	Frequencies	Percentage
Strongly Agree	7	43.75
Agree	9	56.25
Not Sure	0	0
Disagree	0	0
Strongly Disagree	0	0
Total	16	100

The research findings in Table 4.17 indicate that 43.75% strongly agreed and 56.25% agreed that the more participatory the group is in their meetings, the higher the success of loan repayment. This indicates that 100% of the respondents agreed that the more participatory a group is in their decision making processes, the higher the likelihood of the group's success. The respondents argued that people perform better in group set-ups that are all inclusive in decision making democratically with transparency and accountability than in groups where members feel bull dozed by an autocratic style of leadership. Thus participation of all member^ should be enhanced in group loan lending models to increase the probability of a group's success.

4.7.3 Improvement Strategies on group loan repayment

Appreciating how resourceful the group loan lending officers were, the surveyor wanted to find out the strategies that the respondents would recommend to Micro Finance Institutions in order to improve the success rate of the group lending approaches. The respondents were requested to indicate the strategies they would recommend to Micro Finance Institutions in order to improve the group lending approaches. The Table below shows the responses.

Table 4.18 Improvement Strategies on group loan repayment

Response	Frequencies	Percentage
Enhance Training	5	31.25
Improve Communication	3	18.75
Information Exchange	2	12.5
Business follow up	3	18.75
Others	3	18.75
Total	16	100

The research findings in Table 4.18 indicate training for both the credit officers and the group leaders is the single most important strategy in improving loan repayment in group lending contributing to 31.25% of all strategies recommended. Continuous training is crucial for the credit officer for upgrading, leadership seminars and conferences should be emphasized, training in conflict management and counseling. Exchange programs stood at 12.5% where the respondent suggested that exchange will offer a chance for exposure to different group settings in terms of culture. The respondents believe that transport and communication contribute to 18.75% of the improvement strategies that would make the group lending approaches more efficient. Business follow up from the formation stage through the implementation phase being rated at 18.75% was perceived as being very instrumental to improving loan repayment behavior. Other strategies that were raised contributed to 18.75% and included more group awareness, more campaigns on group lending methodology, adequate resource-support of loan officers from their respective head offices, pre-funding due diligence and having the secondary and third party contacts for the loanees.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the summary of the major findings; discussions; conclusions reached and recommendations given by the researcher.

5.2 Summary of major findings

The findings of the research were in accordance to the objectives of the study and were summarized in the Table below:

Table 5.1: Summary of major findings

Objective	Findings	Remarks
To establish to what extent nature of gender in a group influences loan repayment in group lending approach.	<ul style="list-style-type: none">• Mixed genders are not better than single gender in loan repayment in group lending models.• Group members who are related by blood are not better payers than those that are not in group lending models.• Age of group members	<p>The nature of gender in a group influences loan repayment in group lending approach.</p> <p>The nature of gender is determined by the group members' gender, blood relations and age. For a group to realize success, it should factor these findings</p>

	<p>does not contribute to a group's success in group lending models.</p>	<p>during group formation in group lending models since it is harder to reconstitute the group once formed.</p>
<p>To establish to what extent gender management skills determine successful loan repayment in group lending approach</p>	<ul style="list-style-type: none"> • The level of education of group members determines a group's success in group lending models. • The types of skills of group members determine a group's success in group lending models. • The training that group members have undergone determines a group's success in group lending models. • Record keeping by group members determine a group's success in group lending models. • The accuracy of records kept by group members determines a group's success in group lending models. 	<p>The gender management skills determine the success of loan repayment in group lending approach.</p> <p>A group thus ought to enhance the education, type of skills, training, record keeping and accuracy of records to realize its success in group lending models.</p>
<p>To establish to what extent gender loan experience in micro-finance arrangements</p>	<ul style="list-style-type: none"> • Experienced borrowers are not better loan pavers than first time borrowers 	<p>Gender loan experience in micro-finance arrangements does not determine' the</p>

<p>determine success of loan repayment in group lending approach</p>	<p>in group loan lending approaches</p>	<p>success of loan repayment in group lending approach.</p> <p>Lenders thus should give opportunities to first time borrowers rather than shying away from them.</p> <p>Besides, familiarity with loan borrowing was found out to be detrimental to a group's standing. Thus continuous motivational programs on a loan's integrity should be incorporated in group lending approaches.</p>
<p>To establish to what extent gender loan strategy contribute to successful loan repayment in group lending approach</p>	<ul style="list-style-type: none"> • Frequency of meetings of group members determines a group's success in group lending models. • Participation in meetings by group members determines a group's success in group lending models. • The strategies adopted by group members determine a group's success in group lending models. 	<p>Gender loan strategies contribute to the success of loan repayment in group lending approach.</p> <p>Thus, groups' frequency of meetings should be enhanced. Moreover, groups should embrace a participatory approach in decision making and incorporate divergent views from group members. Further, groups should adopt creative loan follow-ups strategies to minimize defaulting of repayments.</p>

5.3 Discussions

The discussions in this research work were done in accordance to the study objectives. The relationships between the independent variables and the dependent variable were discussed. The dependent variable in the study was: loan repayment in a group approach. The independent variables in this study were: Nature of gender in a group; Management skills of gender in a group; Loan experience of gender in a group and Loan strategies of gender in a group.

5.3.1 Loan Repayment

Group lending approaches have been some of the best strategies to pool synergies amongst the small income earners that can immensely boost productivity and livelihoods. However, this is faced with a serious predicament in inability to service acquired loans. From the research Findings, 100% of all participants agreed that they have at some point experienced loan defaulters in their course of duty as indicated in Table 4.3. This implies that defaulting in paying loans is a major handle for money lenders to jump and solutions to the same ought to be studied. The participants attributed defaulting to pay loans to mismanagement 25%, in-cohesiveness of groups 12.5%, business failure 12.5%, diverging funds given for a given project to other projects 18.75% and all other classified reasons attributed to 31.25% according to the findings recorded in Table 4.5.

Mismanagement could be as a result of lack of proper record keeping, lack of frequent group meetings and lack of participation by all members equally during group meetings.

Lack of cohesiveness in group set ups can be contributed by blood relations and lack of group handling skills amongst members. Business failure could be led by poor and unpredictable weather conditions among farmers as well as lack of proper entrepreneurial skills. The temptation of diverging funds to other projects (business or otherwise) apart from the core business for which the funds were allocated was very common among borrowers in group lending approaches. Other factors that adversely affect loan repayment include untimely disbursement of funds, family ties, lack of training, the poor state of the economy, lack of information, low literacy levels, lack of exposure and necessary skills as well as communication barriers amongst members of groups.

The respondents were also requested to indicate the constraints they face when following up loan repayment from group members. The research findings in Table 4.14 indicate the major constraints facing loan officers in following up loan repayment from group members are distance and communication each /Carrying 25% of the constraints while cost and illiteracy each contribute 12.5% of the constraints. The loan officers indicated that the distance from their offices to their clients, the poor road networks and communication barriers are the major constraints. Nonetheless, low literacy levels and the cost of reaching out to group members are also significant constraints faced in following up loan repayments.

All other constraints contribute to 25% and include lack of moral and financial support from head offices, lack of four wheel drive vehicles to reach group members who are locked by very poor road networks, lack of cooperation from group members, failure by

group members from understanding repayment schedules and officers being overloaded with work especially being allocated too many groups besides the clerical work in the office. The constraints equally contribute to poor loan repayment behavior.

Group lending approach is faced with some challenges in its practice. Conflict among members, literacy level, High set up costs, poor records and lack of contract enforcement (sometimes covering other member's debts in case of default might be difficult to enforce) are some of the challenges. Control by elites of the flow of services to their benefit or control by one powerful leader, weakening of the group if the leader departs repayment problems could cause a domino effect i.e. all borrowers will default if one member defaults. When one member defaults the responsibility is taken on by the other group members, they may also default in their payment so as to compensate for the loan they had to take responsibility for. Group methodology might not fit heterogeneous groups and limited loan sizes often do not respond to the increasing needs of borrowers and requirement for regular meetings which are time consuming.

5.3.2 Nature of gender in a group

From the literature review, Litterfield, et al (2004) identified nature of the group as a factor that determines loan repayment where this could either be homogeneous or heterogeneous type of group. This is also in terms of gender or age where the group either has male members or female members only or could also have age difference. In cases where the group members are related, the effect of blood relationship on loan repayment for the groups that are dominated by close blood relatives is also key factor in

assessing the nature of the group. This is because it affects peer pressure that is supposed to be exerted by members to the defaulters.

The study revealed that group dynamics have a great impact in loan repayment. Incohesive groups are 12.5% likely to fail in loan repayment as demonstrated in Table 4.5. This implies that a group's solidarity determines its success. This happens mostly because they are able to know the genuine cases as they are familiar with each other's economic activities, business performance and family related challenges. The group members are also in a better position to exert pressure to those who are not repaying their loans.

The gender of individuals in a group was also a great determinant because the analysis showed that homogenous groups performed better than heterogeneous groups. From the explanations given, women groups were doing better than other groups. As indicated in Table 4.7, the participants disagreed that mixed gender perform better than single gender in a group setting. Indeed, interviewing the participants revealed that groups comprising men only hardly stand the test of time while those with mixed gender have a tendency of retardation. Most participants attributed the success of female groups to the social nature of women and relationship orientation to life unlike most men who prefer operating single handedly and put their business interests before group relations. Blood relationship was also another factor that featured prominently. Table 4.8 above shows that groups whose majority members are blood relatives are poor performers and this could be due to the fact that members are not able to exert pressure on each other especially where there

is an age difference. This is also happening where some members of the family are considered senior through cultural beliefs and are therefore taken to be the family elders who are not pressurized to pay.

The age of group members is also closely related to loan repayment trends. Unlike conventionally held beliefs that groups comprised of elderly people are do better than the ones with more youthful members, the study showed that younger group members are better loan payers than elderly members as demonstrated in Table 4.9. Perhaps this is because the more youthful members are taking loans for the first time and are keen to make up their name with the microfinance institutions. One would expect that more elderly people who are already established in businesses and also have other income generating activities to find it easier for them to repay loans as opposed to younger people who are in most cases doing businesses for the first time. Unfortunately so, younger people seem to be keener in building Xheir business relationship with the microfinance institutions and older people seem to care less on defaulting consequences.

5.3.3 Management skills of gender in a group

Group management is another factor identified and this includes appropriate record keeping and the accuracy of records kept. When one member defaults the responsibility is taken on by the other group members who may also default' in their payment so as to •'repay" the loan they have to take responsibility for. Limited loan sizes often do not respond to the increasing needs of borrowers and requirement for regular meetings are very time consuming.

The leaders' level of education is considered in comparing who are better leaders in terms of enhancing loan repayment and policy enforcement. Training of group members on group lending and business management issues is a factor that determines performance of the group. Most members of the group have no basic formal training that can aid in the decision making in terms of loan timings, resource allocation and maintenance of financial records. (Microfinance House Ltd (2006).

From Table 4.10, education was rated highly as a determinant of success in loan repayment with at least 68.75% agreeing on its significance. This can be used to guide in taking education to those who may have missed earlier on life through a pedagogical methodology which focuses on adult education geared towards real life experiences acquired by the learners themselves. Moreover, microfinance practitioners ought to enhance the skills in a group in respect to basic record keeping, accounting, management, group dynamics, entrepreneurial, financial and business growth and development since the need for essential skills ranked at 87.5% of the respondents as per Table 4.11.

Training was perceived as the single most important element in enhancing managerial skills amongst the groups with at least 93.75% seeing the necessity for continuous training and not only for the group members but also for the group loan lending officers. Thus training ought to be an ongoing process for a group to optimize its potential in group lending models. This training however ought to incorporate proper record keeping that are accurate in regard to the entries made, date loans were acquired, interest rates, payment terms, penalties accrued etc for them to be of any use.

At least 81.25 of the participants agreed that keeping records is vital for a group's success and at least 75% of the respondents agreed that the accuracy of the records can determine a group's success in loan repayment as indicated in Tables 4.13 and 4.14 respectively. To this end, financiers must emphasize the need for proper record keeping and train group members on keeping accurate records that any one auditing their work independently is able to follow with ease. Records help members to track progress and identify their 'peak' seasons and 'low' seasons in respect to loan repayments which can be used on contingency planning during emergencies like droughts to mitigate defaulting risks.

5.3.4 Loan experience of gender in a group

Loan history reflects on previous experience of the group in managing loans in the sense that there are members who are first time borrowers while others are repeat borrowers. Repeated loans that increase gradually according to the borrower's performance allow screening of bad risks as well as assessing the ability to pay based on the credit history (AFRACA, 1987).

However, unlike the theory above, groups that have a past experience with loans and whose members were repeat borrowers were not necessarily better in repaying subsequent loans as shown in Table 4.15. This was attributed to the fact that experienced members can get used and too familiar with the officers and borrowing until they do not prioritize re-payments. Indeed, only 6.25% of the respondents strongly agreed and another 6.25% agreed that repeat borrowers perform better with 25% disagreeing and 50% strongly disagreeing that experienced borrowers perform better. The respondents

who disagreed argued that first time borrowers are often more carefully not to get into trouble with the money lenders and as such are more prompt in loan repayments.

Thus, the researcher recommends financiers not to shy away from investing with first time borrowers. First because in life there will always be first time borrowers and unless given a chance one cannot prove them defaulters. The study moreover reveals that guided properly, first time borrowers take loan facilities more serious than the veterans. The reasons that the lenders ought to learn is being stringent in groups' rules during the formative stages and to maintain those standards throughout the life of that specific group. Besides, the lenders may be interested to find out how a group could behave if first time borrowers are mixed with repeat borrowers to avoid familiarity-congested group of too loan familiar members. Perhaps this could keep the older members on their toes in upholding financial integrity. This however must be put in place during a group's formation since it's harder to reconstitute a group, once already formed.

The 12.5% who felt that experienced borrowers are better loan payers attributed this to the training they have undergone before qualifying for the loans and are well conversant with the procedures. This also made it easier for the loan officers to make decisions based on the past experience with members. Requirements for regular group meetings which are time consuming are also reduced as the customers know much of what is required in group lending than the case of newer members. This on its own becomes the undoing of more experienced members who may ignore meetings arguing that there is nothing new to learn.

5.3.5 Loan strategies of gender in a group

As elucidated in the literature review, group lending has been adopted by MFIs and so there is need to lay down strategies in order to make it more effective and also to sustain this model. Institutions need to strategically position themselves to gain a competitive edge at the same time improve the welfare of its customers economically (Microfinance House Ltd 2006).

Microfinance House Ltd (2006) asserts that group lending methodology is used by MFIs that target the very poor who are not able to provide collateral and also for the sake of ensuring repayment of the loans. Members of a community come together in smaller groups of up to 15. The members pool their money together and save in an MFI and are also given access to loan facility. The members co - guarantee each other when they need loans. Failure by one member to pay back a loan means the rest of the members cannot be given loans. They therefore put pressure on their members to repay their loans.

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From Table 4.16, 50% strongly agreed and 43.75% agreed that the more frequent the meetings the better the chances of a group's success. Thus meeting regularly ranks high up as an important strategy in loan repayment group models. Another important strategy that guides the success of group lending models is the quality of group meetings since 56.25% agreed and 43.75 strongly agreed the more participatory the members in a group the more likely the success of a specific group as per data tabulated in 4.17. Thus group members ought to enhance that a democratic and participatory approach is in place in all group's decision making processes. The loan officers may also need to make impromptu visits to group meetings to ensure that participation s done by all group members.

Participation keeps a group live and people are more likely to perform optimally where they make their own decisions and measures of ensuring that their laid down rules and procedures are adhered to perpetually. On the same note, for a group to realize success in group lending models, democratic elections ought to be regular and in accordance to a written constitution.

Other improvement strategies identified in Table 4.18 indicate training for both the credit officers and the group leaders as the single most important strategy in improving loan repayment in group lending contributing to 31.25% of all strategies recommended. Continuous training was also seen as crucial for the credit officers for upgrading their skills in handling groups. The training through leadership seminars and conferences addressing conflict management, performance management, change management and team building should be emphasized. Exchange programs stood at 12.5% where the respondents suggested that information exchange will offer a chance for exposure to different group settings in terms of culture. The respondents believe that transport and communication contribute to 18.75% of the improvement strategies that would make the group lending approaches more efficient. Business follow up from the formation stage through the implementation phase being rated at 18.75% was perceived as being very instrumental to improving loan repayment behavior. Other strategies that were raised contributed to 18.75% and included more group awareness, more campaigns on group lending methodology, adequate resource-support of loan officers from their respective head offices, pre-funding due diligence and having the secondary and third party contacts for the loanees.

5.4 Conclusion

The conclusion derived from the research is that there is gender influence on group lending repayment behavior among the microfinance institutions in Kirinyaga district in respect to Faulu Kenya, Fountain Enterprises Program and Jenga Kenya micro finance institutions. This information can be generalized to indicate a trend among other micro-finance institutions in Kirinyaga district and can also be used to advise the trend of micro finance institutions in Kenya. Specifically, the nature of gender in a group model determines the success of the group in respect to loan repayment. To this end, the homogeneity, age, blood relations and type of gender affect a group's performance. This was established since all those are primary factors to a group's cohesiveness which ultimately determines a group's success in loan repayment.

Other key determinants of success in loan repayments are management skills possessed
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by a group which include the level of education of members in a group, the type of skills that individual members have, the training that members in a group have undergone, record keeping by members of a group as well as the accuracy of the records kept by the group(s). Thus, from the survey, regular trainings ought to be done on a group capturing key skills like record keeping and management of groups as well as basic accounting.

The study also revealed that more experienced loanees get too familiar with lending officials consequently becoming reluctant in repayments. Thus continuous work ought to be encouraged throughout the life of a group without laxing on basic values of commitment, trust and character. On the same note, lenders should not shy away from

funding starters since the study showed that often than not; beginners tend to be more serious in loan repayments in their quest for building a lasting healthy business relationship both with the microfinance institution and with one another within their groups. Nevertheless, this should be coupled with rigorous training to counter the green horn teething challenges of new entrants as they endeavor to understand the market dynamics.

Without any controversy is the overwhelming consensus by all participants that loan defaulting is almost inevitable. This was attributed to many factors among them mismanagement, in-cohesiveness of groups, business failure especially due to unpredictable weather and economics and financing of other projects. Diverting funds given for entrepreneurial purposes for other domestic uses can be minimized through periodic entrepreneurial training. Thus money borrowed should not be deviated to finance other projects and should stick to the primary cause for which the facility was acquired.

Group lending is an opportunity for MFIs to distribute information about productivity and social messages through the groups of community members. For Group lending methodology to be successful, it is important to note that performance is likely to improve by exerting pressure on the members to ensure repayments are consistent by imposing group penalties or incentives. Additionally, repeated loans that increase gradually according to the borrower's performance allow screening of bad risks based on the history of the previous loans. Members with previous training with loans perform better in repayment. This is because they understand the procedures and the consequences of defaulting. Training has also made them better business managers. _

The success of group lending methodology mainly depends on groups that have common characteristics or inclination so that they can be in agreement. Small and homogeneous self - selected groups tend to be more effective. Groups composed of self selected members are more cohesive because the criteria used for selecting is based on how well they know each other. It makes it easy for them to co - guarantee each other based on the history of ones' character. However groups comprising of close relatives perform poorly in loan repayment. This is because family members have a problem exerting pressure on each other. Therefore while groups are being formed the above factors should be considered as a prequalification for loan application, this is because it would be hard to reconstitute a group after it has been in existence for a long time.

Finally, the constraints addressed by the loan lending officers like the distance between the office and the residence of their clients, communication barriers, inadequate resources and illiteracy among group members must be factored while considering lending money. Constraints ought to be minimized as much as practically possible especially by the head offices of the microfinance institutions giving both moral and adequate resources (human and capital) to their foot soldiers who are in daily contact with the loanees. Communication for instance is a major instrument in following up on group members and can easily facilitate in loan repayment commitments. The MFI's should embark on continuous improvement strategies that include more group awareness, more campaigns on group lending methodology, adequate resource-support of loan officers from their respective head offices, pre-funding due diligence and having the secondary and third party contacts for the loanees.

5.5 Recommendations

Based on the research findings, the following recommendations were made:

1. Thorough analysis should be performed before approval of the group registration or loan disbursement so as to look at the group dynamics that may affect loan repayment at the very initial stage of group formation.
2. Both groups that have succeeded and those that are having difficulties should meet and share their experiences to build best practice. Groups doing the same kind of business should also meet and exchange ideas as well as network for future business opportunities. Possibilities of having a group literacy day through partnership with the Ministry of gender and social services should be explored.
3. The MFIs' head offices should develop more creative transport and communication strategy to bridge the existing detrimental gap.
4. Rigorous periodic refresher trainings on leadership and other social issues that affect groups like conflict resolution, risk management and other group dynamics ought to be carried out for the group loan lending officers.
5. Group members should undergo training on entrepreneurship. This will enable members to desist from utilizing funds meant for business to other projects as well as improve their business and accountability skills. With this approach, members in a group will use funds accrued from business for loan repayment rather than their personal contributions. This will decrease the incidents of loans being defaulted and enhance the overall success of the group lending model.

5.6 Areas for further research

Following the study herein, the researcher recommends further research to be done on ways of enhancing the success determinants in group lending. This will help the MFIs that deal with groups to give more emphasis on the success determinants especially while constituting groups in new areas.

The researcher further recommends a research on the impact of group lending methodology'. The study should focus on the borrowers in groups so as to analyze the impact of group lending at individual levels.

Moreover, research on challenges of group lending is also recommended. This is an important study because it can give recommendations on ways of mitigating against the risks involved in group lending. <

A research should be done on different financial institutions in Kenya and other countries so as to test whether the success determinants will do the same in a different setting.

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APPENDICES

Appendix 1: LETTER OF TRANSMITTAL OF DATA COLLECTION INSTRUMENTS

Date

To the Loan Officer,

Name of Micro Finance Institute.

Branch

Dear Sir/Madam,

REF: REQUEST FOR DATA COLLECTION

Above refer.

i

I am currently undertaking a research at the University of Nairobi. The research topic is gender influence on group lending repayment behaviour among the micro-finance service providers in Kirinyaga district and your micro finance has selected among the micro finance Institute of study.

Kindly fill in the questionnaire attached and feel free to contact me for any more queries.

Your's Faithfully,

KINYANJUI NGANGA

L50/72805/08

University of Nairobi, Department of Extra Mural Studies

Appendix 2: QUESTIONNAIRE FOR LOAN OFFICER

Demographic Information

1. Name of your organization
2. Name of your branch
3. Gender {Please tick one (V)}
 - a) Male
 - b) Female
4. On a scale of 1 - 5 "where 1 is Strongly Agree, 2 Agree, 3 No idea, 4 Disagree, 5 Strongly Disagree" Rate the following Factors/ statements in determining loan repayment by groups.

Parameters	1.Strongly Agree	2.Agree	3.Not Sure	4. Disagree	5.Strongly Disagree
a) Age of group members contribute to better loan repayment.					
b) Mixed gender as opposed to single gender are better in group lending initiatives.					
c) Group members who are blood relatives perform better than those that are not in loan repayment.					
d) The frequency of group meetings determine the success of loan repayment.					
e) The more participatory the group is in their meetings, the higher the success of loan repayment					..

0	Groups that keep records perform better than those that do not in loan repayment.					
g)	The accuracy of records kept by a group determine loan repayment success.					
h)	The level of education of group members determine group success.					
i)	The type of skills (managerial, record keeping, accounting etc) of group members determine group success.					
j)	Groups that have been trained by your organization are better loan payers					
k)	Groups that have experience with loan(s) perform better than those that have taken for the first time.		<i>t</i>			

5) Are there groups in your portfolio that have defaulted loan repayment? {Please tick one (V) }

Yes () No ()

6) What are some of the major reasons that lead to failure in loan repayment? List 3 reasons

7) Are there other factors that you think affect loan repayment in group lending approaches? List 3 factors

a)

b)

8) What constraints do you face when following up loan repayment from group members?

Give at least 3 constraints

a)

9) As a loan officer, what strategies would you recommend to Micro Finance Institutions in order to improve the group lending approaches.

c)

Appendix 3: INTERVIEW GUIDE FOR LOAN LENDING

OFFICER

1. What are your major roles in your organization?
2. What challenges do you face while performing your duties?
3. How can these challenges be addressed?
4. What is your view regarding group loan repayment in relation to borrowers' age?
5. What is the general view about the gender of the group and their behaviour in loan repayment?
6. What is your observation about group members related by blood and their effectiveness in loan repayments in a group set up?

7. What is the general view about group gender and their behaviour in loan repayment?

8. To what extent does the frequency of group meetings determine the success of loan repayments?

9. How is loan repayment affected by the manner in which meetings are conducted?

10. How has skills development been conducted in your organization?

11. Are you experiencing problems in record keeping among groups in group lending initiatives?

12. Please give any other comments(s) related to group lending initiatives among the micro finance institutions?