

**THE EFFECT OF MICROFINANCE LOANS ON THE ASSET  
GROWTH OF CLIENTS' ENTERPRISES THROUGH GROUP  
LENDING: EVIDENCE FROM KADET LTD- KENYA**

**BY**

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## DECLARATION

This project research is my original work and has not been submitted to any other university for academic purposes.

Signed.....Date.....

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

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## **DEDICATION**

I dedicate this project to my dad Joachim Ndiku and brother-in-law Timothy Mutua for their unwavering support over the research period.

## **ABSTRACT**

The main objective of the research sought to establish the effect of microfinance loans on the asset growth of clients' enterprises through group lending for the case of Kenya Agency for the Development of Enterprise and Technology (KADET Ltd)-microfinance arm of World Vision Kenya. Specifically the research was to find and analyze the effect of microfinance loans on asset growth. Existing studies have focused little on the effect of micro loans on clients enterprises' asset growth hence the findings of this report will add to the body of the existing knowledge .The research was a case study of Kenya Agency for the Development of Enterprise and Technology limited and used a casual research design to come up with findings and conclusions. The population of the research consisted of 15,614 enterprises from which a sample of 80 approved loans was randomly selected across ten out of thirteen branches of KADET Ltd. The research utilized secondary data from KADET Ltd database for the analysis. The study used a regression model to analyze asset growth between years 2010 and 2013 in reference to loans acquired within the same period, where 2010 acted as the base year. Coefficient of determination was used to determine how much of the variations in assets were explained by changes in microfinance loans acquired by the clients. The findings indicated that microfinance loans explained a small percentage of the asset growth of the clients' enterprises. Further, F test was used to interpret the significance level of the microfinance loans to enterprise asset growth. The findings indicated that the microfinance loans had an effect on the clients' enterprise asset growth; however, the effect depicted a significant negative relationship between microfinance loans and the enterprise's asset growth-this meant that as the loans grew the assets diminished. From the research findings, it was concluded that KADET Ltd microfinance loans do not contribute to asset growth of their clients' businesses. If the main purpose of lending to clients for Kadet is to grow their business assets, then the study recommended a revision of purpose since it doesn't meet the objective. This was because the Microfinance loans were found to have a significant negative effect on the growth of clients' assets. This being a case study, the findings may not be inferred to the entire industry of microfinance as a result it was recommended that a similar study to be undertaken using a bigger population of companies in the industry. Further it should incorporate other variables like skill on business management and capacity building and training, for comprehensive results.

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## **ABBREVIATIONS AND ACRONYMS**

AMFI	Association of Microfinance Institutions
ANOVA	Analysis Of Variance
CFA	Co-Financing Agency
EU	European Union
KWFT	Kenya Women Finance Trust
KADET	Kenya Agency for the Development of Enterprise and Technology
MFI	Microfinance Institution
MIS	Management Information system
MIX	Microfinance Information Exchange
NGO	Non- Governmental organization
SME	Small and Medium enterprise
SPSS	Statistical Package for Social Sciences
UN	United Nations
UNCDF	United Nations Capital Development Fund
US	United States of America
USD	United States Dollar

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Most developing countries have a large informal sector, constituted of small unregistered businesses. In such economies more people are becoming micro-entrepreneurs, selling goods on the streets, adding to their income through home production, or farming on small scale due to increasing formal unemployment. Their enterprises rely mostly on money lenders or microfinance loans as sources of capital (Rhyne, 2001).

Ledgerwood (2002) defines microfinance as the provision of financial services to low income clients including the self employed. She describes six activities associated with microfinance; small loans that are typically working capital, informal appraisals of borrowers and investments, collateral substitutes such as group guarantees or compelled savings, access to repeat and larger loans based on repayment performance, streamlined loan disbursements and monitoring and secure savings products (Ledgerwood, 2002).

Micro enterprise is a type of small business, with five or fewer employees and requiring seed capital of not more than \$35,000 (EU). Micro enterprises have three characteristics: they are generally owned and managed by same individual or group of individuals, they lack market power, are legally independent in the sense that they are not owned by larger group of firms.

The theory of financial intermediation from which microfinance roots was first coined by Fischer (1970) in his article 'Banking and interest rates in a world without money.' The current development of the theory has extended to the economic role of financial intermediation building on the economics of imperfect information that began to emerge

during the 1970s with seminal contribution of Akerlof (1970), Spence (1973), Rothschild and Stiglitz (1975). Financial intermediaries exist to reduce information and transaction costs that arise from information asymmetry between borrowers and lenders (Claus and Grimes, 2003). The concept of microfinance began in 1976 when Yunus Muhamad lent \$27 to 42 stool makers in Bangladesh (Federal Reserve Bank of St. Louis Review 2008). Yunus pioneering efforts have brought renewed attention to the field of microfinance as a tool to eliminate poverty. From the gesture of the \$ 27 lent out to stool makers, the Grameen Bank was founded and has grown to include more than 5.5 million members with greater than \$ 5.2 billion in disbursed loans (Federal Reserve Bank of St. Louis Review 2008).

Hamze (2000) discusses Grameen bank model as characterized by a strict focus on low income groups, compulsory savings and strong emphasis on training for members and bank staff, homogeneous group formation and integration of socio-economic development agenda with banking for the poor, it operates exclusively for the poor on the premise that rural people, who own too little land to support themselves as farmers, can never the less make productive use of small loans and repay them on time. The Grameen model tackles the problem of information asymmetry and imperfect enforcement that plague the credit markets through group based lending where the individual's continued access to credit is linked to group's repayment behavior, strict observance of the norms of group behavior forces the members to be socially and economically responsible to each other creating pressure for members' self monitoring and contract enforcement. Mobilization of members' savings forms another integral part of Grameen lending in which microfinance is embedded. This requires borrowers to save to promote financial

discipline and provides an alternative source of finance for consumption-smoothing. It also acts as deterrent against group collusion since part of the savings is forfeited if the group disbands and insures both the borrowers and the lenders against disaster (Khandker et al, 1995).

Grameen model exercise lending without traditional collateral since most microfinance customers belong to poor echelon in the society hence may not manage to raise collateral but rather use social collateral via group lending. Group lending encompasses the principle of joint liability where the group takes over the underwriting, monitoring and enforcement of loan contracts from the lending institution (Wenner, 2005). The microfinance focus on the micro entrepreneur is to provide capital on the small scale entrepreneurs who do not have access to the formal banking sector (Wenner 2005). Mobilization of member savings forms another integral part of the Grameen bank lending (Khandker et al, 1995).

The development of microfinance in Kenya started with Kenya Women Finance Trust (KWFT), heavily borrowing from the Grameen bank model, in 1981 with a specific focus on women. There are currently 59 microfinance institutions in Kenya under the umbrella of the Association of Microfinance institutions of Kenya (AMFI) serving 6.5 million, poor and middle class families (Mix Market report, 2013).

The microfinance institutions under the umbrella of AMFI in August 2010 made decisions to focus on improvement of service delivery and participate in mainstream national development. In August, 2010 AMFI members met and agreed on; Whole sale MFIs should ensure their operations are within their mission: poverty alleviation reflected

on interest rates, operations and capacity building of clients. Focus on three pillars; Social responsibility, financial sustainability and environmental management. These are aimed at removing industry stereotypes on focus on financial sustainability and poverty alleviation (Bennet, 2010).

Kenya's microfinance date back to early 1980s and has transformed to become one of the most developed in the region through innovation and government policy. Leading contributors to this dynamism are M-Pesa's success in mobile banking, the passing of the Finance Act of 2010 allowing for agent banking and the development of effective credit bureaus throughout the country (Mix market report, 2012). The microfinance Act of 2006 and the supportive Deposit taking Microfinance Act of 2008 have together paved way for institutional transformation in Kenya. As a result of this we have 9 deposit taking microfinance in Kenya (Omino, 2005).

## **1.2 Research Problem**

The Grameen model on which microfinance lending roots is based on group lending. The group members exercise joint liability and consecutive loans are awarded based on previous repayment. Despite the apparent success and popularity of microfinance, there was no clear evidence that microfinance development have positive effects on clients' enterprise (De Aghion and Morduch, 2010). There have been arguments examining effects of microfinance which are inconclusive (MicroBanking Bulletin, 1997). One group argued that microfinance provides a basis to help the poor due to the lower interest rates and improved access to loan. The costs of these small loans are very high hence the poor need help to cover these costs otherwise they will have to pay unacceptably high

interest rates. The other argument according to the microfinance bulleting of 1997 was that, the microfinance can provide long term services only if it operated on a sustainable basis. At the heart of the discussion lie the question, how much clients actually benefit from microfinance loans and whether or not the poorer households benefit more than others. As long as the majority of the microfinance institutions use subsidies in one form or another, one has to compare costs and benefits of supporting microfinance programs to alternative ways of development aid. As long as the effect has not been assessed, the discussion about the use of subsidies has to remain inconclusive.

The effect can be measured through microfinance offering comparatively lower interest rates; hence the direct effect can be measured by reduction in borrowing costs which may lead to increase in income levels. In view of this argument the research was aimed at evaluating whether MFI's loans have an effect on the asset growth of the beneficiaries' enterprises.

Microfinance institutions in Kenya aimed to support self help groups with micro loans, where as there are 59 MFIs operating in the country, little documentation and thus little proof and evidence exists to point out the role played by microfinance in asset growth of the clients who subscribe to them. To fill this gap, this study sought to analyze and document the effect of the microfinance loans on clients' enterprise asset growth, a case study of Kadet ltd-Kenya

The specific questions that guided the research in this report were: Does the microfinance loans have an effect on the clients' enterprise assets? What's the effect of microfinance loans to clients' enterprise assets?

### **1.3 Objectives of the Study**

- i) To find the effect of microfinance loans on the clients' business assets
- ii) To analyze microfinance loans' contribution to asset growth of the clients' micro enterprises.

### **1.4 Value of the Study**

The findings of this study will be useful to various stakeholders such as government, researchers, academicians, MFIs and NGOs. The study will advise the government on the contribution of microfinance in the growth of the economy.

Researchers will benefit from the research in that it will provide a platform for extensive research on microfinance loans in developing countries. The findings will add to the body of knowledge in existence about the microfinance loans' effect on asset growth of beneficiaries. It will pave a way forward for potential NGOs looking forward to help in sustainable development of SMEs to understand the difficulties they may come across and how they can succeed in their endeavors.

Microfinance institutions will specifically benefit from this study by making use of the findings to improve on the identified gaps with a view of ensuring their clients derive the most from the loans they advance to them.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter examined both theoretical and empirical literature on microfinance loans, and their effect on asset growth of beneficiaries among self help groups. In this section, a discussion on the theories supporting microfinance activities, findings from earlier studies on effects of microfinance loans on asset growth is done. The sections ends with a summary.

### **2.2 Theoretical Review**

This section provided a discussion on the different theories that support the link between microfinance loans and development of small business. The theories discussed are the Social capital theory, jointly Liability theory, Quasy-hyperbolic theory and the business constraint model.

#### **2.2.1 Social Capital Theory**

The theory of the social capital in its present form and associated meaning was developed by (Bourdieu, 1977). Social capital refers to the institution, relationships and norms that shape the quality and quantity of the society's social interactions (Bourdieu, 1977). The impact of high social capital is heightened information flow that enables borrowers self selection process as a means to mitigate adverse selection in credit markets, this mitigates risk through information availability of other group members' projects. They sort themselves into homogeneous groups, through an assortative matching process.

Broadly, social capital can be seen in terms of five dimensions: first, networks-literal associations that vary in density and size, and occur in both individuals and groups; second, reciprocity-expectation that in short or long term, kindness and services will be returned; third, trust-willingness to take initiatives(or risk) in a social context based on assumption that others will respond as expected; fourth, social norms-the unwritten shared values that direct behavior and interactions; and fifth, personal and collective efficacy-the active and wiling engagement of the citizens within participative community (Bourdieu, 1977). These five dimensions manifest themselves in various combinations and shape the interaction amongst the members of a group, organization, community, society or simply network and can be studied through various perspectives.

Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which comprise a society: it is the glue that holds them together. This theory will be used in this study to explain the recent expanded role of microfinance to small business development. In this regard, the recent flourish of microfinance as a development agency is directly linked to the developments in application of social capital theory (Morduch, 2000). While the idea of rotating credit groups is old as commerce itself, its rise to mainstream prominence as a development strategy, like social capital, coincides with the recent resurgence of neo-liberal economic ideology.

The all inclusivity of the development entailed in microfinance is now commonly justified through efficiency and empowerment arguments that draw on the principles of social capital theory. Small entrepreneurs in many rural agrarian societies typically lack the collateral, literacy, numeracy and freedom to compete for credit from conventional

institutional sources. Thus extending credit for small-scale enterprises will likely have a beneficial outcome for all household members, poor communities, and lenders themselves (Morduch, 2000). The dominant model of microfinance-group lending model pioneered by Prof. Yunus of Bangladesh through Grameen bank-socializes the costs of lending to the poor by providing them with access to credit on the basis of ‘Social collateral’ obtained through membership in borrower’s groups. Here social capital helps correct the imperfect information about borrowers lacking in formal credit and employment histories and substitutes for collateral by ensuring against default through social sanction and peer enforcement.

For small and Micro enterprises (SMEs), the theory goes, participation yields not only an economic pay off in increased access to financial services, but also an empowerment payoff in new forms of bridging and linking social capital that emerge from participation in networks of borrowers’ groups (Servon, 1998). Hamze (2000) describes in his study of the Grameen bank in Bangladesh, borrowers’ interaction at ‘centre meetings’ (during which borrowers’ groups convene to repay their loans) facilitates their ability to establish and strengthen networks outside their kinship groups and living quarters. Donors thus consider microfinance to be ‘win-win’ approach to the development because investors can mobilize bonding social capital to enhance the financial viability of the banking with SMEs and the poor.

### **2.2.2 Joint Liability Theory**

This theory was coined by (Ghatak and Guinnane, 1999). The first theoretical wave on microfinance focused exclusively on joint liability. The term joint liability can be interpreted in several ways, which can be lumped under two categories. First, under

explicit joint liability, when one borrower cannot repay his/her loan, group members are contractually required to repay in his/her stead. Such repayments can be forced through the threat of common punishment, typically the denial of future credit to all members of the defaulting group or by drawing on a group savings fund that serves as collateral. Second, the perception of joint liability can be implicit, that is, borrowers believe that if a group member defaults, the whole group will become ineligible for future loans even if the lending contract does not specify this punishment. As a result of this, the group creates an incentive for individual members to screen and monitor each other and enforce repayment in order to reduce the risk of having to contribute to the repayment of the loans of others and to ensure access to future loans. One form in which this can happen is, if the microfinance organization chooses to fold its operations when faced with delinquency. Ghatah and Guinnane (1999) review the key mechanisms proposed by various theories through which joint liability could improve repayment rates and the welfare of credit – constrained borrowers. These all have – screening, monitoring, auditing and enforcement – by utilizing the local information and social capital that exist among borrowers.

According to Wydick (2001), sanctions in form of group expulsions are endogenous in that, they represent a credible threat that comprises part of a perfect Bayesian equilibrium punishment strategy. An institution that gives SMEs and the poor people the proper incentives to utilize information about their neighbors and to apply non financial sanctions to delinquent borrowers can do better than a conventional bank. Joint liability theory is best exhibited in the current microfinance practice through co-guaranteeing mechanism which has enabled the industry practitioners post exemplary results.

### **2.2.3 Quasi-Hyperbolic Preference Theory**

Fischer and Ghatak (2009) proposed an alternative theory based on present-biased, quasi-hyperbolic preferences in order to capture the belief of many microfinance practitioners that clients benefit from the fiscal discipline required by a frequent repayment schedule. Their work is motivated by a pervasive sense among practitioners that frequent repayment is critical to achieving high repayment rates. This belief is captured well in the following observation by Muhamad Yunus. Yunus (2007) observed that it is hard to take a huge wad of bills out of one's pocket and pay the lender. There is enormous temptation from one's family business to use that money to meet immediate consumption needs. Borrowers find this incremental process easier than having to accumulate money to pay a lump sum because their lives are always under strain, always difficult.

The model that captures this is stark in order to highlight one particular effect. If borrowers are present-biased, frequent repayment can increase the maximum loan size for which repayment is incentive-compatible. Intuitively, when borrowers are present-biased, the immediate gain to defaulting on any large repayment is subject to significant temptation. When these payments are spread out, the instantaneous repayment burden at any time is smaller and thus less subject to temptation (Fischer and Ghatak, 2009). When borrowers are subject to frequent repayment, they cultivate discipline which they can apply in business with positive benefits. Microfinance beneficiaries are largely borrowing to repay on frequent installment basis compared to lump sum hence the theory is in the biggest extend practiced in the microfinance lending.

#### **2.2.4 Business Constraint Model**

The study also adapted Ansoff's (1965) framework for classifying the types of decision needed to start and maintain a successful business and analyzing common problems faced by small business owners. This framework categorizes small business constraints as administrative, operating, strategic and exogenous. Administrative constraints focus on the organizational structure and its capability to obtain and develop necessary resources. These problems include personnel, finance, and management issues. Operating constraints deal with issues of allocating resources in an efficient manner and are more common in the functional areas of a business. Examples include marketing, operations, and inventory management. Strategic constraints involve the ability of small business owners to match their product or service with the demands of the external environment (Harris and Gibson, 2006). This requires that business owners understand the nature of their business and the needs of their customers. Business owners with strategic issues will need assistance with general management and marketing issues. Exogenous constraints include financial issues, infrastructure issues, technology and demand conditions.

MFIs use technology in loans disbursements, monitoring and evaluation. They have elaborate systems of administration to offer best service to their customers. The products developed must meet the customer needs otherwise the MFI will lose its niche and face extinction as a consequence.

### **2.3 Empirical Review**

The Government of Kenya, many international donor agencies and a large number of Kenyan NGOs consider microfinance as a key instrument for micro-enterprise growth

and poverty alleviation (Hospes, Musinga, & Ong'ayo, 2002). Previous studies showed that a number of factors hamper the growth of small businesses, including lack of financial resources; however, the degree to which limited financial resources alone are a major obstacle to business growth is still unclear. Earlier studies show that additional capital is often not required to carry out a successful business activity and that lack of capital can be compensated through creativity and initiative (Diagne, 2001). Kallon (1990) found that, the amount of capital needed to start a business is significantly negative when related to the rate of growth for the business. He also found that access to commercial credit did not contribute to entrepreneurial success in any significant way, and if it did, the relationship would be negative. This section discussed the various studies carried out in Kenya regarding microfinance loans and micro enterprises and how they are linked.

A study by Amanda et al, (2007) on access to financial services by women owned businesses in Kenya established that access to financial services ranked as the biggest hindrance to microenterprise growth. The study by Amanda et al further indicated that microfinance sector is highly segmented and disconnected. MFIs target different market niches and operate under different methodologies and organizational missions. Kenyan MFIs, especially the non-bank ones, often lack the financial and institutional capacity to diversify their lending products and offer business support programs to their clients. The study further noted that even though well-delivered microfinance is a great poverty reduction tool, it is not well established how much it contributes to women who wish to grow their enterprises beyond the micro level. Women business owners who have

outgrown the maximum loan limits from microfinance institutions have great difficulties obtaining as small as Ksh.1 million from commercial banks.

The study by Amanda et al, (2007) further indicated that commercial banks provided the widest range of services, but until recently, they were not interested in serving Small and Medium enterprises (SMEs) because of the perception of the higher credit risk and the high transaction costs. With an improved macroeconomic frame work and lower interest rates, more banks have recognized the potential of lending to SMEs and have developed products targeting this growing sector. It is observed that despite some positive trends by the banks and microfinance institutions in reaching out to the SMEs, Small and Micro Entrepreneurs reported that they continued to encounter ‘challenges of smallness’ when they approached a traditional financial institution. However, this study went a step further to seek to establish how microfinance loans affect the growth of assets of the beneficiaries’ enterprises.

Another study carried out on effect of MFIs service on businesses in Kenya was carried out by Hospes, Musinga and Ongoayo (2000). This study was an evaluation of micro-finance programs in Kenya as was supported through the Dutch co-financing programme. The study focused on KWFT and established that its clients were empowered by microfinance services to undertake a variety of enterprises. These range from small trade through hawking and different shops of service provision including running of private clinics, schools, hairs salons and sale of bathrooms and toilets services in slum areas. Some clients according to this study were involved in agro-based production and marketing while a few undertook manufacturing of clothing item and food processing. A few of the businesses were operated in formal commercial place with businesses building

and facilities, majority of them took place in informal sites including the homestead or just under a tree, while many were mobile with no fixed abode.

Hospes, Musinga and Ongoayo (2002) through a sample survey undertaken as part of the assessment also established that a large proportion of clients did not have business structures. According to this study, on average, enterprises run by KWFT clients had been in existence for 8.2 years. About half (49.2%) of the enterprises were, however, fairly young having been in operation for no more than five years by the time of the study with a significant percentage (17.2%) being only two years old or less. The study did not relate use of microfinance loans to asset growth but rather gave a descriptive analysis of clients of microfinance services; this study went a step further and related use of microfinance loans and the enterprise asset growth.

Another study which was carried out on microfinance impact on businesses was by United Nations Capital Development Fund (2003). This was a case study of Nigeria, Kenya, Malawi and Haiti. It aimed at establishing the impact that MFI services had on individuals, communities and enterprises. In terms of enterprises' assets- some impact was found in Nigeria, for Malawi and Haiti no impact on enterprises assets could be observed. For Kenya, where the findings relied on qualitative research, there was deficiency in data to make a conclusion. Further, the study concluded that the programmes in Nigeria and Kenya, which operated in diversified economies, which additionally experienced sharp declines in the general macroeconomic environment over the past two years before the study, showed no impact in levels of enterprises income as a result of participation in the UNCDF-supported MFI. The study by UNCDF (2003) was a case of only those enterprises that had benefited from UNCDF-supported MFIs. The

current study was aimed at finding the effect of microfinance loans on beneficiary's enterprises for the case of KADET ltd.

A study by Muganga (2010) was aimed at estimating the impacts of microfinance programs on business performance and individual well being in Kenya and South Africa. It was a comparative study of the situation in the two countries. It established that as the overall amount and number of loans to the poor increase, there was a direct positive relationship with the recipient's income over time. Presumably, the intent behind this form of lending was to provide the very poor with the same opportunities afforded to the other economic classes. Thus, if utilized effectively, microfinance is a tool that the poor can use to pull themselves out of poverty. Muganga's study also aimed at testing if that was the case in developing economics. This was to evaluate if microfinance was indeed achieving its goals. Since the small loans provided were designed to increase entrepreneurship activity in the region studied. The study however was not inclusive in the aspect of business asset growth hence did not show any correlation to use of microfinance loans. This study therefore was aimed at finding out the effect of KADET ltd loans to asset growth of its clients' businesses.

Coleman (1999, 2001) analyzed a microfinance program in Northeast Thailand; he found the impact of microfinance institutions on wealth was either non-significant or negative. He attributed the negative impact to the small size of the loans. Being too small for investment, the loans were used for consumption; households went to money lenders to finance the repayments, leading to vicious circle of borrowing. When he distinguished between wealthy and poor clients, he found that, only the wealthy clients benefited from the loans.

## **2.4 Summary of Literature Review**

After an extensive review of literature on microfinance, it was clear that most studies focused on microcredit and the impact on the communities served. Existing reviews were deficient on the intrinsic values that microfinance brought to the community. Emphasis had been laid mainly on credit access rather than the role it plays in asset growth of the clients' enterprise. Besides the success stories in Bangladesh and KWFT studies, there was little or no study on the proposed approach in Kenya. This research report intended to bridge the existing gap by assessing the effect of microfinance loans in asset growth of the consumers' businesses among self help groups for the case of KADET ltd.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter gave the study approach and methodology. It describes the research design, target population, study area, sampling and sampling technique, data collection technique and data analysis techniques which was be used in the study.

### **3.2 Research Design**

The causal research design was used to carry out the research. Cooper and Schindler (2006) indicate a causal study as designed to establish the influence of one variable(s) on another, which depicts causation. Causal research is typically structured with a clearly stated objective of discovering associations and causal relationships among different variables. The causal study was necessary to generate detailed information regarding the key aspects in order to develop profiles of those aspects: how microfinance loans cause enterprises to grow in asset.

### **3.3 Population of Study**

The target population for this study was all micro enterprises served by Kadet ltd- Kenya. These were the enterprises that are licensed and have physical business structures.

### **3.4 Sampling Design**

A simple random sampling method was used to select a sample of ten of the thirteen KADET branches and 80 approved loan applications. Simple random sampling was applied since the population consisted of subjects who had similar properties (Yin, 2003).

### **3.5 Data Collection**

The study used secondary data which was provided by KADET Ltd (MFI affiliate to World Vision Kenya). It consisted of information on 80 clients and covered the time April 2010 to June 2013. KADET Ltd is a registered Microfinance since 2000 and is in the process of acquiring deposit taking license. It offers credit facilities to small and microenterprises in rural and urban areas. In June 2013 it was serving 15,614 clients with an outstanding loans amounting to USD 5, 294,117. 54% of these loans were extended to women. The high concentration of micro-enterprises in commerce sector is mirrored in the distribution of the outstanding loans, 70% went to commerce, 15% to agriculture, 10% to production, 5% to service industry.

### **3.6 Data Analysis**

Data was analyzed using Statistical Package for Social Sciences (SPSS) program and presented using tables that gave clear picture at a glance. A regression analysis was performed on the variables to determine whether microfinance loans predicted asset growth of SMEs served by KADET ltd.

To measure the effect of the loans on asset growth the study used a logarithmic regression model below, that was used by Evans (1987b).

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Where K are assets and A contains additional variables, among which are the number and log average size of prior loans and income. T' represents year 2013 and T represents

2010 and  $L$  represents the average loan amount acquired within the period  $T'$  and  $T$  arrived at summing all the loans then divide by time lapse in years.  $\epsilon$  is error term.

### **3.6.1 Measurement of Variables**

The variables in the model were measured as per the criteria discussed here under: The depended variable measured the average change in assets per year for the period. The independent variable is measured by taking the natural logarithm of the sum of the loans within period  $T$  and  $T'$

The effect of the loans was measured using the 'client's use of their loans'. When a client obtains a loan, he/she faces inter temporal optimization problem for decision, how much of this loan to invest in his/her business and how much to consume directly. If clients were not capital constrained, the optimal levels of assets would solely be driven by prices, expected returns and interest rates. Since most KADET ltd clients face constrains on the size of their loans, the levels of prior assets and income (from their business) play a crucial role for their decision on how much to invest. Analysis of the asset growth of the clients in years 2010 to 2013 was to help measure the effect. If clients invested the additional fund and used them productively, assets should have been higher than before the loan was taken hence if KADET loans contributed to an increase in assets, higher loans should have led to higher growth rates as long as the level of assets is sub-optimal.

### **3.6.2 Model Interpretation**

Coefficient of correlation ( $r$ ) is statistical measurement of the relationship between two variables was used to measure the strength of relationship between microfinance loans and clients' asset growth. It ranges in the interval of  $-1 \leq r \leq 1$ , the closer  $r$  is to the ends the stronger the relationship. Coefficient of determination ( $R$  squared) indicates how

much of the dependent variable 'asset' can be explained by the independent variable-loans. It ranges in the interval, .

The researcher utilized the Z-test at 5% level of significance to test the hypothesis as it is recommended for data above 30 variables. When a predictor variable has a low P value ( $< 0.05$ ) it's likely to have a meaningful addition to the model because changes in the predictors' value are related to the changes in the response variable. Conversely, a larger P value suggests that changes in the predictor are not associated with changes in the response.

# CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

## 4.1 Introduction

This chapter discussed the data analysis, findings, interpretations and presentation. The objectives of the study were to find out the effect of microfinance loans on clients' enterprise asset growth and to analyze the effect of Microfinance loans on clients' enterprise assets. Data for each variable was analyzed using correlation and thereafter, a regression analysis was tabulated and the findings discussed.

## 4.2 Descriptive Statistics

**Table 4.1: Descriptive statistics**

<b>Statistics</b>			
		Assets	Loans
N	Valid	80	80
	Missing	0	0
Mean		.0920	10.9785
Median		.1067	11.0800
Mode		.00 <sup>a</sup>	11.00 <sup>a</sup>
Std. Deviation		.63260	1.04244
Variance		.400	1.087
Skewness		-2.983	-.363
Std. Error of Skewness		.269	.269
Kurtosis		21.848	.743
Std. Error of Kurtosis		.532	.532
Range		6.01	5.99
Sum		7.36	878.28
Percentiles	25	-.1225	10.3100
	50	.1067	11.0800
	75	.3317	11.5850

Source: SPSS out Put

### 4.3 Correlation Matrix

**Table 4.2: Correlations of Assets and Loans**

		Y	LnL
Pearson	Y	1.000	-.368
Correlation	LnL	-.368	1.000
Sig. (1-tailed)	Y	.	.000
	LnL	.000	.
N	Y	80	80
	LnL	80	80

Source: SPSS out put

Correlation is the measure of relationship between two variables. From table 2 above the correlation coefficient (r) was -0.368 meaning that there existed a weak negative relationship between microfinance loans and the growth of clients' assets. That meant that an increase in microfinance loans led to a decrease in assets in the clients' enterprise.

### 4.4 Regression Analysis

**Table 4.3: Coefficients of the regression model**

Coefficients											
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	2.544	.705		3.611	.001	1.142	3.947			
	LnL	-.223	.064	-.368	-3.496	.001	-.351	-.096	-.368	-.368	-.368

Source: SPSS out put

The result of regression equation for the model based on the outcome in table 3 was expressed as below;

$$Y = 2.544 - 0.223InL$$

From the above equation, it meant that the clients' enterprise asset grows by 2.544 when the acquired loan is zero. It also meant that when the loan size increased by one unit, the clients' enterprise assets decreased by 0.223 units.

#### 4.5 Test of Significance of the Model

**Table 4.4: ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.283	1	4.283	12.223	.001 <sup>a</sup>
	Residual	27.332	78	.350		
	Total	31.615	79			

Source: SPSS out put

A predictor variable is said to be significantly related with the response variable if its P-Value is less than 0.05 (at 5% significance level). From table 4 above the p-value of the predictor variable (microfinance loans) was found to be 0.001 which was less than 0.05. This implied that there exists a significant negative relationship between the microfinance loans and clients' asset growth. This finding was interpreted to mean that, an increase in microfinance loans led to a decrease in enterprise assets.

## 4.6 Test of Reliability of the Model

**Table 4.5: Statistics Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.368 <sup>a</sup>	.135	.124	.592	.135	12.223	1	78	.001

Source: SPSS out put

The coefficient of determination ( $R^2$ ) measures the degree of variations in the response variable that can be explained by the changes in the predictor variable in a regression equation. From table 5 above,  $R^2$  was found to be 0.135 meaning that 13.5% variations in asset growth of clients' businesses can be explained by changes in loan size. This meant that 86.5% variations in asset growth were explained by other variables outside the model.

A t-test was finally conducted to ascertain whether the predictor variable significantly predicted the depended variable at the 5% significance level. Testing whether the coefficient of loans is equal to zero at 5% level of significance yields a P-value of 0.001, which is significant. This meant that the predictor variable is significantly reliable in explaining the asset variations in the clients' enterprises.

## 4.7 Interpretation of Results

The Pearson correlation coefficient of microfinance loans was found to be -0.368 which meant that there was a weak negative relationship between loans and asset growth. That meant that an increase in microfinance loans led to a decrease in assets in the clients'

enterprise. F-test was carried out and the P-value of the predictor variable (microfinance loans) was found to be 0.001 which is less than 0.05. This implied that there exists a significant negative relationship between the microfinance loans and clients' asset growth. This finding was interpreted to mean that, an increase in microfinance loans led to a decrease in assets. The result of regression equation for the model was expressed as;

$$Y = 2.544 - 0.223InL$$

From the above equation, it meant that the clients' enterprise asset grows by 2.544 when the acquired loan is zero. It also meant that when the loan size increases by one unit, the asset base decreases by 0.223 units. Coefficient of determination ( $R^2$ ) was found to be 0.135 interpreted to mean that 13.5% variations in asset growth of clients' businesses can be explained by changes in loan size. This meant that 86.5% variations in asset growth are explained by other variables outside the model.

A t-test was finally conducted to ascertain whether the predictor variable significantly predicted the depended variable at the 5% significance level. Testing whether the coefficient of loans at 5% level of significance yielded a P-value of 0.001, which is significant. This meant that the predictor variable is suitable in explaining the asset variations in the clients' enterprises.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The chapter gave the summary of findings, conclusions of the research based on the findings in chapter four, recommendations, limitations of the study and recommendations for further research.

### **5.2 Summary of Findings**

The study used regression analysis to establish the relationship between microfinance loans and client enterprise asset growth for the case of Kadet ltd-Microfinance firm in Kenya. The findings of the research were discussed in line with the objectives that led the study as follows:

#### **5.2.1 Measurement of the effect of microfinance loans on the clients' business assets**

Analysis of the effect of microfinance loans to asset growth of the enterprise of KADET ltd clients was carried out by use of the F test. Drawing reference on table 5 in chapter four, The F test was found to have a P-value of 0.001 which is less than 0.05. These findings indicated that the model was significantly suitable in explaining the dependent variable (asset growth). The findings showed that Microfinance loans have significant effect on clients businesses' assets. This meant that, a change in microfinance loans affected the level of assets in the client's enterprises. This finding helped to realize the objective of finding out whether microfinance loans had an effect on client's enterprises.

### **5.2.2 Microfinance loans' contribution to asset growth of the clients' micro enterprise**

An analysis was carried out to determine the contribution of microfinance loans to asset growth of Kadet clients' enterprises through a regression equation. Referring to table 3 in chapter four, the coefficient of microfinance loans was found to be -0.223 which meant that an increase in microfinance loans by one digit resulted to a decrease in asset by 0.223. The finding indicated that there was a significant negative relationship between microfinance loans and asset growth of clients' business assets. The findings of the analysis helped to realize the contribution of microfinance loans have on client's enterprise asset growth as an objective of the study.

### **5.3 Conclusion**

Based on the findings in chapter four, it was found that microfinance loans affect clients' enterprise asset growth. The research concluded that there exists a significant negative relationship between the micro- finance loans and asset growth of clients' enterprises. The negative correlation coefficient meant that there existed a weak negative relationship between microfinance loans and the growth of clients' assets. The findings on coefficient of determination indicated that the model explained a smaller part of the asset variations while bigger parts of the asset variations were explained by other factors.

The overall conclusion was that, Kadet ltd microfinance loans do have an effect to its client's enterprises however a further analysis of the effect pointed out that, there was a negative relationship between the amount of loans a client acquired within a period of time and the level of assets within the same time. As the amount of loans increase, the level of assets diminishes.

## **5.4 Recommendations**

The study recommended that if the sole motive of KADET ltd microfinance loans was to grow customers' enterprise assets, then the motive needs a revision. This was because the Microfinance loans were found to shrink the clients' assets.

## **5.5 Limitations of the Study**

The study was hampered by several limitations including the accessibility of information; it was an uphill task convincing the management of KADET ltd to approve for the provision of the data. Due to the restriction to access of information, the study encountered the limitation of time in data analysis. The findings of the study also indicated that the independent variable chosen for the study were not exhaustive hence the study encountered a limitation in the explanatory power of the independent variable.

## **5.6 Suggestions for Further Research**

This being a case study, the findings may not be inferred to the whole industry of microfinance as a result it is recommended that a similar study may be undertaken using a bigger population of companies within the sector which have not been covered by earlier studies. The study should however identify the relevant control variables in the industry for comprehensive results.

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## APPENDICES

### List of sampled clients for the study

customer_id	customer_name	Loan amount 2010	Approved amount 2013	Assets 2010	Assets 2013	In K(2010)	InK1(2013)	T 1-T	Y	InL
100834	ANNASTARSIA NGUHI NDUNI	200,000.00	250,000.00	100,000.00	150,000.00	11.51	11.91	3	0.13333	12.32
101561	MARGARET WANJIRU MWANGI	125,000.00	150,000.00	500,000.00	170,000.00	13.12	12.04	3	-0.36	11.83
102358	PETER KABETA MUTUNE	40,000.00	60,000.00	60,000.00	60,000.00	11	11	3	0	10.82
102554	JOSEPH KIOKO SOTA	20,000.00	20,000.00	60,000.00	200,000.00	11	12.21	3	0.40333	9.90
103304	DAVID KAGIRI NYAGUTHII	95,000.00	50,000.00	100,000.00	120,000.00	11.51	11.7	3	0.06333	11.19
103497	MORNICA ALUOCH NGODE	300,000.00	300,000.00	150,000.00	45,500.00	11.92	10.73	3	-0.39667	12.61
104101	NANCY WATETU KAMAU	84,000.00	60,000.00	220,000.00	120,000.00	12.3	11.7	3	-0.2	11.18
104548	DAMA KIPONDA MWAMBEGU	10,000.00	30,000.00	11,500.00	30,000.00	9.35	10.3	3	0.31666	9.90
105323	CECILIA WAIRIMU	40,000.00	70,000.00	50,000.00	39,000.00	10.82	10.57	3	0.08333	10.92
105890	JOB GICHIMU GATHERU	100,000.00	190,000.00	250,000.00	400,000.00	12.43	12.9	3	0.15666	11.88
106119	PAUL WAMBUA KIVUVA	64,000.00	120,000.00	70,000.00	80,000.00	11.16	11.29	3	0.04333	11.43
106373	MARGARET NJERI KIRERU	80,000.00	50,000.00	12,000.00	80,000.00	9.39	11.29	3	0.63333	11.08
106921	ELIJA KIRERU MWANIKI	40,000.00	75,000.00	60,000.00	100,000.00	11.00	11.51	3	0.17	10.96

10798 0	HELLEN ADHIAMBO NGESA	15,00 0.00	20,000. 00	2,000. 00	5,000. 00	7.60	8.52	3	0.30 666 7	9.7 7
10926 4	PHILIP NGANATHA WAGARA	52,00 0.00	85,000. 00	70,00 0.00	100,00 0.00	11.1 6	11.5 1	3	0.11 666 7	11. 13
10958 8	JOHN KIBE KAMANDE	60,00 0.00	120,00 0.00	45,00 0.00	45,000 .00	10.7 1	10.7 1	3		11. 41
11012 3	SUSAN WANJIRU MUIYURO	60,00 0.00	180,00 0.00	70,00 0.00	300,00 0.00	11.1 6	12.6 1	3	0.48 333 3	11. 70
11115 0	SUSAN WAMBUI NDINGURI	50,00 0.00	70,000. 00	30,00 0.00	60,000 .00	10.3 1	11	3	0.23	11. 00
11138 9	HILDERH AKINYI OKWARO	80,00 0.00	60,000. 00	15,00 0.00	20,000 .00	9.62	9.9	3	0.09 333 3	11. 16
11190 0	CHARO MNGWARI MAGAHA	20,00 0.00	30,000. 00	15,00 0.00	150,00 0.00	9.62	11.9 2	3	0.76 666 7	10. 13
11191 4	ATHUMANI CHIMVATSI KOMBO	15,00 0.00	42,000. 00	15,00 0.00	13,000 .00	9.62	9.47	3	- 0.05	10. 26
11203 4	JOSEPH KARUCINI MWAURA	295,0 00.00	200,00 0.00	200,0 00.00	170,00 0.00	12.2 1	12.0 4	3	- 0.05 667	12. 42
11249 6	BEATRICE WANJIKU MUCHIRI	78,00 0.00	40,000. 00	82,00 0.00	70,000 .00	11.3 1	11.1 6	3	- 0.05	10. 99
11258 5	CHRISTINE MWEI	70,00 0.00	100,00 0.00	85,00 0.00	35,000 .00	11.3 5	10.4 6	3	0.29 667	11. 35
11299 2	SALINE CHEPKEMBOI RUTTO	27,90 0.00	30,000. 00	20,00 0.00	150,00 0.00	9.90	11.9 2	3	0.67 333 3	10. 27
11494 6	CHEPKOK ISACK	20,00 0.00	70,000. 00	8,500. 00	50,000 .00	9.05	10.8 2	3	0.59	10. 71
11508 6	SAMSON ONYANGO MIYUK	50,00 0.00	100,00 0.00	60,00 0.00	100,00 0.00	11.0 0	11.5 1	3	0.17	11. 23
11563 2	JOYCE MUHONJA	50,00 0.00	100,00 0.00	170,0 00.00	90,000 .00	12.0 4	11.4 1	3	- 0.21	11. 23
11707 3	ANNAH CHEPNGETICH	40,00	200,00	120,0	280,00	11.7	12.5 4	3	0.28	11.

		0.00	0.00	00.00	0.00	0				70
11841 9	GRACE WANJIKU WAHUNGU	84,00 0.00	16,000. 00	110,0 00.00	100,00 0.00	11.6 1	11.5 1	3	- 0.03 333	10. 82
11947 2	LINAH SOKOME RUTTO	20,00 0.00	30,000. 00	30,00 0.00	70,000 .00	10.3 1	11.1 6	3	0.28 333 3	10. 13
11972 6	DOMNIC ONYANGO OOKO	100,0 00.00	200,00 0.00	115,0 00.00	80,000 .00	11.6 5	11.2 9	3	- 0.12	11. 92
11984 6	DANIEL MUNGUI MUTETI	90,00 0.00	250,00 0.00	80,00 0.00	220,00 0.00	11.2 9	12.3	3	0.33 666 7	12. 04
11996 9	BARANABAS SIMBO WERE	60,00 0.00	80,000. 00	35,00 0.00	500,00 0.00	10.4 6	13.1 2	3	0.88 666 7	11. 16
12030 3	STEPHEN KIPKOSGEI MAIYO	40,00 0.00	70,000. 00	35,00 0.00	100,00 0.00	10.4 6	11.5 1	3	0.35	10. 92
12187 7	ABRAHAM KIPRUTO KOKWON	100,0 00.00	105,00 0.00	160,0 00.00	30,000 .00	11.9 8	10.3 1	3	- 0.55 667	11. 54
12189 6	RAHAB WAITHIRA KAMUNGURA	10,00 0.00	30,000. 00	80,00 0.00	30,000 .00	11.2 9	10.3 1	3	- 0.32 667	9.9 0
12219 1	SYUKI KIMANZI	70,00 0.00	80,000. 00	150,0 00.00	120,00 0.00	11.9 2	11.7	3	- 0.07 333	11. 23
12291 0	SELINAH OMENYA MASIRE	90,00 0.00	96,000. 00	150,0 00.00	-	11.9 2	0	3	- 3.97 333	11. 44
12377 2	HIRAMU NJUGUNA MACHARIA	70,00 0.00	100,00 0.00	30,00 0.00	20,000 .00	10.3 1	9.9	3	- 0.13 667	11. 35
12380 5	ISABELLA WANJIKU CHEGE	70,00 0.00	30,000. 00	100,0 00.00	100,00 0.00	11.5 1	11.5 1	3	0	10. 82
12435 2	PURITY WAMBUI SIMON	40,00 0.00	100,00 0.00	28,00 0.00	80,000 .00	10.2 4	11.2 9	3	0.35	11. 16
12481 2	JOSEPH JOMO LANDO	10,00 0.00	35,000. 00	20,00 0.00	40,000 .00	9.90	10.6	3	0.23 333 3	10. 02
12533 4	JULIUS WAWERU KINYANJUI	150,0 00.00	500,00 0.00	100,0 00.00	2,000, 000.00	11.5 1	14.5 1	3	1	12. 69
12600	AGNES NJERI						9.21	3	0.07	

8	NGATIA	40,00 0.00	60,000. 00	8,000. 00	10,000 .00	8.99			333 3	10. 82
12658 2	ROSEMARY ANYANGO MUHANDO	60,00 0.00	40,000. 00	100,0 00.00	10,000 .00	11.5 1	9.21	3	- 0.76 667	10. 82
12848 8	SELLY TARUS	250,0 00.00	400,00 0.00	300,0 00.00	610,00 0.00	12.6 1	13.3 2	3	0.23 666 7	12. 69
12852 9	MARY WAIRIMU KARIUKI	40,00 0.00	100,00 0.00	20,00 0.00	9,000, 000.00	9.90	16.0 1	3	2.03 666 7	11. 16
12859 0	GEORGE RIITHO MAHIRA	120,0 00.00	180,00 0.00	200,0 00.00	1,200, 000.00	12.2 1	14	3	0.59 666 7	11. 92
12942 7	HELLEN KOBILO CHEPCHIENG	20,00 0.00	50,000. 00	30,00 0.00	40,000 .00	10.3 1	10.6	3	0.09 666 7	10. 46
12968 1	ELIZABETH NDUNGE MUASYA	15,00 0.00	25,000. 00	8,000. 00	80,000 .00	8.99	11.2 9	3	0.76 666 7	9.9 0
13106 5	DAVID NJUGUNA	260,0 00.00	365,00 0.00	800,0 00.00	1,200, 000.00	13.5 9	14	3	0.13 666 7	12. 65
13167 5	ANNASTASIA NDILE MUSYOKI	15,00 0.00	50,000. 00	15,00 0.00	180,00 0.00	9.62	12.1	3	0.82 666 7	10. 39
13216 0	PETER KURIA NGETHE	40,00 0.00	50,000. 00	80,00 0.00	120,00 0.00	11.2 9	11.7	3	0.13 666 7	10. 71
13301 7	JOYCE CHAO MWANDAIRO	50,00 0.00	75,000. 00	40,00 0.00	23,000 .00	10.6 0	10.0 4	3	- 0.18 667	11. 04
13536 5	CHRISTOPHER KAHINDO NJAGU	125,0 00.00	275,00 0.00	120,0 00.00	50,000 .00	11.7 0	10.8 1	3	- 0.29 667	12. 21
13565 3	DEBORAH MUTHONI MBUGUA	173,2 50.00	250,00 0.00	70,00 0.00	130,00 0.00	11.1 6	11.7 8	3	0.20 666 7	12. 26
13695 0	GIBSON MUASA MUOKI	80,00 0.00	120,00 0.00	36,00 0.00	170,00 0.00	10.4 9	12.0 4	3	0.51 666 7	11. 51
13722 2	JUSTINE MKALA MWANDEMBE	10,00 0.00	101,50 0.00	20,00 0.00	35,000 .00	9.90	10.4 6	3	0.18 666 7	10. 93
13767 1	JACKSON WAMUTU MAINA	40,00 0.00	80,000. 00	60,00 0.00	80,000 .00	11.0 0	11.2 9	3	0.09 666 7	11. 00

13805 6	JULIUS GITAU KAMAU	250,0 00.00	50,000. 00	400,0 00.00	30,000 .00	12.9 0	10.3 1	3	- 0.86 333	11. 92
13933 7	MARY ATIENO NKRUMAH	55,00 0.00	130,00 0.00	75,00 0.00	150,00 0.00	11.2 3	11.9 2	3	0.23	11. 43
13971 1	PETER WAITHIRU WOKABI	60,00 0.00	180,00 0.00	150,0 00.00	120,00 0.00	11.9 2	11.7 3	3	- 0.07 333	11. 70
14110 3	JOHN NDUNGU MBUI	200,0 00.00	200,00 0.00	100,0 00.00	300,00 0.00	11.5 1	12.6 1	3	0.36 666 7	12. 21
14129 7	DEBORAH WAKIO PORO	30,00 0.00	25,000. 00	10,00 0.00	15,000 .00	9.21	9.62	3	0.13 666 7	10. 22
14202 5	GLADYS NJERI KAMAU	130,0 00.00	170,00 0.00	290,0 00.00	120,00 0.00	12.5 8	11.7 3	3	- 0.29 333	11. 92
14393 7	ELIAP MUKABANE INDULACHI	60,00 0.00	80,000. 00	70,00 0.00	80,000 .00	11.1 6	11.2 9	3	0.04 333 3	11. 16
14618 0	JAMES KIPTOO KEINO	70,00 0.00	14,000. 00	65,00 0.00	45,000 .00	11.0 8	10.7 1	3	- 0.12 333	10. 65
14654 0	TRUPHOSA KAMAISA MACHEHU	40,00 0.00	85,000. 00	50,00 0.00	30,000 .00	10.8 2	10.3 1	3	- 0.17	11. 04
14682 1	EMILY JEPKOECH BIWOTT	70,00 0.00	11,000. 00	65,00 0.00	18,000 .00	11.0 8	9.8	3	- 0.42 667	10. 61
14752 3	EMILY CHEPNGETICH SANG	30,00 0.00	42,000. 00	40,00 0.00	80,000 .00	10.6 0	11.2 9	3	0.23	10. 49
14771 9	BONIFACE MAWIYOO MUEMA	10,00 0.00	25,000. 00	150,0 00.00	70,000 .00	11.9 2	11.1 5	3	- 0.25 667	9.7 7
14952 7	BERNADUS OCHIENG OBUOLA	120,0 00.00	200,00 0.00	41,00 0.00	11,000 .00	10.6 2	9.3	3	- 0.44	11. 98
15039 8	JOSPHAT SHIJOSO SHIMANJAL	35,00 0.00	10,000. 00	55,00 0.00	925,00 0.00	10.9 2	13.7 4	3	0.94	10. 02
15070 7	MICHAEL MUNGA WAWERU	50,00 0.00	100,00 0.00	30,00 0.00	50,000 .00	10.3 1	10.8 2	3	0.17	11. 23
15072 5	JEMIMAH PRISCILLA	150,0	70,000.	60,00	200,00	11.0	12.2 1	3	0.40 333	11.

	WAKIO	00.00	00	0.00	0.00	0			3	61
15074 2	MARY ARONYA	40,00 0.00	30,000. 00	55,00 0.00	1,000, 000.00	10.9 2	13.8 2	3	0.96 666 7	10. 46
15138 6	LUCY ATIENO OYOYO	39,00 0.00	40,000. 00	80,00 0.00	30,000 .00	11.2 9	10.3 1	3	- 0.32 667	10. 58
15145 8	KARISA SAHA KOMBE	40,00 0.00	12,600. 00	80,00 0.00	100,00 0.00	11.2 9	11.5 1	3	0.07 333 3	10. 18
20313 1	GIKERA MIRIGI	30,00 0.00	100,00 0.00	50,00 0.00	45,000 .00	10.8 2	10.7 1	3	- 0.03 667	11. 08

Source: KADET Ltd Database

## **Letter of Introduction**

To: Operations Director

KADET LTD

P.O. Box 1676-00200

From: Ronald Ndiku

School Of Business

Mombasa Campus

Date: 19/09/ 2013

Dear Sir

### **RE; REQUEST FOR RESEARCH DATA**

I am a Master In Business Administration (Finance) student in University of Nairobi (UON) undertaking a Research Project on '**The Effect of microfinance loans on clients' enterprise asset growth**'. The research is being carried out as part of the requirements of obtaining the degree. I have chosen KADET ltd as a case study for my topic. I kindly request for the assistance in data collection by helping me access relevant information in loan applications.

My sample size is of 80 approved and 30 non approved loan applications. I will draw information of the sample as of 2010 and similar information as of 2013 for effective analysis. The information provided will exclusively be used for academic purposes only and will be treated with utmost confidence. I will share with KADET ltd the findings of the analysis for your information.

Your assistance will be highly appreciated.

Yours faithfully,

Ronald Ndiku – D61/61077/2011

(MBA.Student)

Dr. Fredrick Ogilo

Supervisor

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