IMPACT OF MICROFINANCE INTERVENTIONS ON HOUSEHOLDS OF A COMMUNITY BASED PRE- SCHOOL PROGRAM IN KWALE COUNTY, KENYA

BY

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A RESEARCH PROJECT REPORT PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE AWARD OF MASTER OF ARTS DEGREE IN PROJECT PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI

2014

DECLARATION

This research project report is my original work and has not been submitted for examination in any other university.

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DEDICATION

This project is dedicated to my father for his undying love and support, encouragement to seeking knowledge and growth in every aspect of life

ACKNOWLEDGEMENT

I thank almighty God for choosing me to amongst those to attain this worldly knowledge. I also extend my greatest appreciation to my supervisor for walking me tirelessly through this project. I thank him for his patience and guidance throughout the way. My appreciation also goes to the respondents who took their precious time to willingly take part to give their private information for the sole purpose of this research study. Finally I thank all others, friends and family who supported me in one way or another in accomplishing this task.

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LIST OF ABBREVIATION AND ACRONYMS

AIMS	Assessing the Impact of Microenterprise Services
AMFI	Association of Microfinance Institutions
ASCAs	Accumulating Savings & Credit Associations
CBK	Central Bank of Kenya
CBPP	Community Based Preschool Program
CGAP	Consultative Group to Assist the Poor
DTM	Deposit Taking Microfinance
EIU	Economist Intelligence Unit
FSD	Financial Sector Deepening
ILO	International Labour Organization
KREP	Kenya Rural Enterprise Programme
M&E	Monitoring and Evaluation
MDGs	Millennium development goals
MFI	Microfinance Intervention
NGO	Non-Governmental Organization
RCT	Randomized Controlled Trials
ROSCAS	Rotating Savings and Credit Associations
SACCOS	Savings and Credit Cooperative Societies
SEEP	Small Enterprise Education and Promotion (network)
SMEP	Small Micro enterprise Program
SPA	Social Performance Assessment
SPSS	Statistical Package for social Sciences
USAID	United States Agency for International Development
WEDCO	Women's Enterprise Development Project
WOCCU	World Council of Credit Unions

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ABSTRACT

Various studies have concluded both positive and negative impacts with many results being highly contested on grounds of methodology. While other studies have concluded improvements in women empowerment and increased status in the household others have concluded vicious cycles of debt. The objective of this research study was to show evidence of financial and social impact of microfinance at household in a community preschool project in Kwale County. The study was based on quantitative tools adapted from AIMS/SEEP network. Random, purposive and stratified sampling was used to identify both impact survey and exited clients in the study area. A total of 120 respondents participated in the survey. Data was collected through face to face interviews. Data analysis used descriptive and inferential statistics on SPSS program. From the analysis this study found positive impact on both social and financial indicators on clients' household .The study findings revealed positive correlations of microfinance and households variables. Clients were able to increase their incomes, savings and assets and also able to educate their children to higher academic levels. Longer term clients seemed to benefit a little more than the short term clients. A regression analysis conducted revealed unreliable for the prediction of household impact. Challenges experienced included loan program inflexibilities that forces client to manipulate the program to meet their needs. The study asserts therefore the need for microfinance institutions flexibility in products especially ability for the clients to access their savings instead of just relying on loans when one is in need of cash in between loans since the only way one could get their savings is after withdrawal of membership. The study also recommends strengthened capacity building for clients to improve MFI impact.

CHAPTER ONE

INTRODUCTION

1.1 Background of study

Traditionally, project plans follow a logical thinking through the logical frame work that flows from the project idea into objectives (purpose), then into outcomes or results, outputs and inputs. In project monitoring and evaluation, monitoring relates to the activities and the outputs, evaluation relates to outcomes while impact relates to change in people's lives that relates to the results (O'Flynn, 2010)

Impact assessment, a component of project evaluation is a management mechanism aimed at measuring the effects of projects focusing on the outcomes of interventions rather than inputs and outputs (REME, 1999). Its objective being to figure out the effects of intervention in changing the conditions facing the target population (Oketch et al., 1991), when the effects occurred and the efficiency of the investment in relation to resources used and benefits derived (Linchfield et al., 1974) whether or not a project has achieved its goals as well as contribution to the mission of the organization that makes the investments. The results of the assessment can include assumptions of expected, unintended, both positive and negative all of which are important to understand the reasoning behind the change and may also determine future project designs (Afrane, 1997). Impact therefore assesses the 'So what?' question: of how has a project actually affected the lives of the people it aimed to support as defined by Roche (1999) as the systematic analysis of significant changes either positive or negative, intended or not brought about in people's lives by a given action (O'Flynn, 2010). Evidence to support project impact is largely supported agencies' own Monitoring and Evaluation (M&E) systems and monitoring reports that mostly focus on measuring the process of project implementation and service delivery, with the emphasis being on upward financial accountability. Important as it is for management function and usefulness in attributing impact to a given intervention, such M&E data rarely tells us much about the real impact of a project on the lives of project clients or participating communities (Catley, Burns, Abebe & Suji, 2008)

Consequently, impact assessment as a management process has been gaining significance to all stakeholders as opposed to previous project management when it was mainly associated with and

driven by donor agencies when they inquired more details about program effectiveness aside from routine monitoring systems (Afrane, 1997) aimed to meet the accountability to justify continued support (Hulme,1997).The impact assessment process is currently promoted by both the sponsors and implementers of programs and findings are often used as the basis to Learn and understand how projects efforts impact on local communities in order to improve the effectiveness of interventions and people's lives. It also demonstrates success (O'Flynn, 2010) resulting to projects expansion, scaling up or validation of an intervention as it provides and enhances stakeholder confidence and participation. Impact evaluation also exposes internal problems and constraints: and provides benchmark information for comparing, ranking and selecting sets of appropriate methods (REME, 1997).

Finance is a branch of economics that deals with money matters including resource allocation, management, acquisition, investment and markets. Microfinance is a branch of finance that targets the poor or low income earners with little or no access to the traditional banking system to give them an opportunity to access financial services. Majority of the poor were excluded from financial services due to the fact that dealing with the poor encompassed a lot of risks and uncertainties, high costs involved in small loan transactions, inability of this clientele to provide collateral for the loans and policies that limited the practicability of conducting business with the poor.

The International Labour Organization (ILO) views microfinance as an economic development approach that involves providing financial services through institutions to low income clients. It refers to the small scale provision of financial services to low income earners who had no access to be served by commercial banks. The Consultative Group to Assist the Poor (CGAP) defines microfinance as a service which offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. Microcredit and microfinance therefore benefits the poor who do not have credit history or collateral, steady employments and other requirements to qualify for services in banks. The financial needs of the poor include investment opportunities e.g. business expansion, buying land or equipment, improving housing, securing employment; Lifecycle needs: such as weddings, funerals, childbirth, education, homebuilding, widowhood, old age; Personal emergencies: such as sickness, injury,

unemployment, theft, harassment or death; Disasters: such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings. To address these needs microfinance has been seen as the solution.

However before the microfinance industry, people across the globe saved and borrowed money from various sources in informal sectors. The sectors ranged from individuals, friends and family members, moneylenders, community members, rotating savings associations or keep their savings at home. One of the earlier micro credit that provided loans for the poor was the Irish loan fund system in the early 1700s by author Jonathan Swift with the idea to serve those not being reached by commercial banks. In 1800s larger and more formal savings and credit institutions emerged in Europe going by the names of people's banks, savings and credit cooperatives *(*World Council of Credit Unions - *WOCCU, 2003).* One Grameen Bank Nobel Prize winner Professor Muhammad Yunus in Bangladesh is credited to have found the first microfinance institution in the world that he first initiated as credit program action based research in the 1970s that issued and recovered small loans in villages. The program targeted women who borrowed loans for business investments.

These early programs showed that poor people, especially women, had excellent repayment rates among the programs, rates that were better than the formal financial sectors of most developing countries. Second, high repayment and cost-recovery interest rates - permitted some microfinance Institutions (MFIs) to achieve long-term sustainability and reach large numbers of clients" (*2003).* Microfinance was therefore found on the basis that the poor were capable of raising income, saving and repaying their loans. This view influenced the world to regard microfinance as a tool for poverty alleviation. A tool that would be used to raise income levels by initiating and expanding small enterprises and in turn raise the standards of living of the poor and all that was needed was a finance intervention that suited their circumstances as proved by the micro credit pioneers.

Robinson (2001) describes that the 1980s demonstrated that microfinance could provide large-scale outreach profitably, and in the 1990s microfinance began to develop as an industry .This led countries and agencies to provide the low income businesses and households with financial

services. In the 2000s, the microfinance industry's objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty. Most MFIs cite poverty alleviation as their main development goal (mix market report) to assist the poor people uplift their standards of living

The Economist Intelligence Unit (EIU) rates Kenya as having the second best business environment for MFIs in all of Africa and one of the top ten in the world (EIU,2010) according to the annual microfinance sector report. The sector reaches out to nearly 1.5 million borrowers with the value of the outstanding loan book standing at KES 138.4bn as of Dec 2011(Association of Microfinance Institutions (AMFI) & Microfinanza, 2013) making it the second largest borrower base in the continent (MIX and CGAP, 2010). The sector displays positive growth, strategic developments, and appears to be driven by product innovation. Despite strong evidence of progress in the fight against financial exclusion, about one-third (33%) of Kenya's population is still unable to access finance in its various forms (Financial Sector Deepening –FSD- Kenya, 2009).

The Kenyan microfinance activities started to be regulated in 2006 necessitated by a shift of focus from donor driven poverty eradicating movements to independent profit making institutions to regulate their money operation. As a result the Microfinance Act was enacted in 2006 and the supportive Deposit Taking Microfinance (DTM) regulations that took effect in 2008 to bring to transparency and accountability standards of MFIs and also to protect depositors. Several MFIs entered the finance market through institutional transformation Equity Bank and Family Bank have transformed from building societies and Kenya Rural Enterprise Programme (K-REP) Bank from an MFI Non Governmental Organizations (NGO's). Other players in the market are NGO MFIs that still rely on funding sources, subsidies and grants having been eliminated from deposit taking category. Also found in the market are Informal microfinance operators like money lenders, Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings & Credit Associations (ASCAs), and village banks. By 2011 there were varied forms of registrations for institutions operating in the microfinance industry in Kenya.

Kwale is a county served by various microfinance institutions that include among others KWFT, Yehu, SMEP, Juhudi and the Kenya Rural Enterprise Programme (KREP) which aim to provide access to financial services to their members' especially to women entrepreneurs for farming activities, animal husbandry and retail enterprises. The institutions offer group loans with a small portion of individual lending Group loans using two main approaches: the group based consists of groups of from 5 to 30 members. In both loan schemes, women are required to save as a requirement for accessing credit. Loans are disbursed to individual members directly, with repayment and collections being the primary responsibility of the group. The majority of the microfinance loans are business loans. A small percentage is given for education as well as credit intended to improve the health and living conditions of clients. Also in offer are non-financial services, in terms of training, education and advocating for women rights. In addition most of the loans include an insurance cover that beneficiaries have to contribute to. The institutions vary in membership fees charges, amounts of loans issued, products and repayment modes and even interests rates. The most significant non economic impact of microfinance institutions highly regarded is creating awareness and developing of business- like attitude and reducing the fear of the finance sectors and loans among microfinance clients. Bringing women in groups also creates long lasting relationships that assist members to solve some social problems in the society (World Bank, Kiiru & Pederson, 1996).

The Community Based Preschool Program was initiated in the year 2000 in Kwale to facilitate the establishment of quality, affordable, culturally appropriate and sustainable early education centres among the low social economic areas of coast province. The idea was to increase access to quality early childhood development and education to facilitate education achievement to promote community progress in development. The long term goal of the program is *"To create equal opportunity for children to realize their full potential through the provision of holistic early childhood development services that includes health and nutrition, education and livelihood"*. The introduction of pre- schools is seen as a way of improving educational equity, and when in parallel with other measures is a way of combating poverty and societal exclusion, promoting health care and advancing societal inclusion. Community empowerment through community sensitization, mobilization and training is at the heart of the program and participatory approaches geared at awakening the developmental consciousness and action are

used to develop capacity for self reliance and program sustainability. As a strategy to improve individual and socio economic capacity of the community at large community members in the program areas also get linked to various microfinance institutions in the belief that microfinance is a tool used to uplift the standards of living of beneficiaries. The programme is currently supporting 30 pre-schools in two districts of Kwale County namely Matuga and Msambweni.

Kwale County is situated in the coastal part of Kenya bordering each other and also border Mombasa and Taita Taveta County**.** It also borders the Indian Ocean. The main economic activities include agriculture, tourism, manufacturing and fishing. Formal employment, casual wage labour, small businesses can also be found mostly in the county's urban centers. 74.9% of the populations live below the poverty line in Kwale but to a lesser extent for the two target districts of Matuga and Msambweni (Kenya mpya, 2012)

1.2 Statement of the problem

Microfinance has been embraced by many countries in the developing world as strategy of alleviating poverty evidenced by donor agencies supporting MFI funding to Governments enacting laws to promote their institutionalization. In spite of the perceived popularity of the microfinance there has been a general lack of rigorous scientific research to check impact not to mention that empirical evidence has also been inconclusive and controversial. Hulme (2000) states that knowledge about microfinance achievement remains partial and contested. There are those that argue beneficial economic social impacts e.g. Schuler et al., 1997; those that caution against too much optimism by alluding to the negative impacts associated with Rogaly (1996), Adams and Von Pischke (1992) ; and those that acknowledge beneficial impacts, but state that microfinance does not assist the poorest associated with Hulme Mosley (1996, 1998).

Many projects fail to thoroughly evaluate their interventions on how they change project beneficiaries' lives as is the case for the Community Based Preschool Program. The program promotes and integrates microfinance in its development strategy in belief that it assists to raise living standards in the households without evidence of impact but from reports anecdotes. Discussing the 'state of the art' in impact assessment, Hulme (1997) recommends that approaches to impact assessment should range from 'proving impact' to 'improving practice' and

as a forward-looking instrument that can help design and implement better policies, plans, programs and projects (Partidario, 2003).

Several studies on microfinance have been conducted in Kenya. The studies include Omwange (2012) on the relationship between microfinance loans and household welfare; Wambugu (2007) on the financial and social impact of microfinance lending: A case study of K-Rep bank's Juhudi credit scheme in Kawangware region; Mjomba (2011) on microfinance and women empowerment in Kenya: the case study of KWFT; Waiganjo(2010) on microfinance services on poverty alleviation at the household level in Kisumu; others include Hospes, Musinga, Ongwayo (2002) with an evaluation of micro-finance programmes in Kenya as supported through the Dutch co-financing programme with a focus on KWFT; Ondoro, Omena(2012) on effect of microfinance services on the financial empowerment of youth in Migori county, Kenya: REME (1999) on impact assessment of the WEDCO enterprise development project. No study has been cited for Kwale County and it is on this basis that this study wishes to establish where some localities in the county stand on the issue of microfinance at the household level.

1.3 Purpose of the study

The purpose of the study was to assess the social and economic impact of group based microfinance loans to clients' households for beneficiaries of a community based preschool program in two districts of Kwale County.

1.4 Objectives of the study

The study was guided by the following objectives:

1. To determine the impact of microfinance loans on education levels of children in clients household
2. To assess how microfinance loans impact on clients decision making in the household
3. To establish the impact of microfinance loans on quality of housing
4. To assess the impact of microfinance loans on household healthcare
5. To establish the impact of microfinance loans on the income of clients households
6. To examine the impact of microfinance loans on accumulation of household assets

1.5 Research questions

The study was aimed at answering the following research questions:

1. To what extent does microfinance loans influence education levels achievement
2. To what extent do microfinance loans influence household decision making
3. What is the impact of microfinance loans on the quality of household housing
4. To what level does microfinance loans influence household healthcare
5. What is the impact of microfinance loans on household incomes
6. To what extent does microfinance influence accumulation of household assets

1.6 Research Hypothesis

The research tested the following hypothesis:

1. H1: There is impact of microfinance loans on education level attainment
2. H1: Microfinance loans have influence on household decision making
3. H1: There is impact of microfinance loans on quality of household housing
4. H1: Microfinance loans have influence on quality of household healthcare
5. H1: Microfinance loans have an impact on accumulation of household assets
6. H1: Microfinance loans have influence on household income

1.7 Significance of the study

The study will be of value to the preschool program that will get to evaluate the impact of microfinance services to their target communities as a development strategy to enable the program advice their audience accordingly to achieve program goals. The study will give an opportunity to microfinance clients to reflect on their participation in microfinance programs and assist them in making informed choices

The study will also provide information to microfinance institutions that will get to know of the impact of their services to clients at the households' level, strengths and weaknesses of the programs, information that will enable them the chance to improve and enhance services

In addition the study will bring into light more evidence and add to existing knowledge of impact of microfinance to other researchers, academicians, donor agencies and other microfinance stakeholders for use in decision making and for utilization of microfinance as a

tool for poverty eradication. The study will also be a source of reference and literature to future studies on impact assessment of microfinance services

1.8 Assumptions of the study.

The study was based on the following assumptions:

i. Willingness of respondents to spare time for the interviews
ii. Honest responses from the respondents to questions presented to them regarding both their positive and negative experiences as clients of microfinance services.

1.9 Delimitation of the study

MFI clients were mobilized through the community preschools. However when the actual data commenced schools had closed for the December holidays whereby some clients had left the areas to visit relatives elsewhere. This necessitated the mobilization of replacements that consumed the project time. Some respondents also expected to be paid for their time while others expected free loans after the exercise. Despite these challenges considerable efforts were taken to ensure the right people were interviewed to ensure quality data was obtained to reflect the true picture on the ground

1.10 Limitations of the study

The study was conducted in Kwale County and focused on clients of microfinance in 2 district beneficiaries of the community based preschool programs as sources of its data. The study may not be generalized to across all members of MFI as only population sampled was that of the preschool program there being some contextualized factors and differences due to awareness. The impact assessment study focused on the household level alone however there are other inter-woven impact levels including the individual and enterprise level impact that is critical in understanding the overall impact of MFI.

1.11 Definition of significant terms used in the study

Client A member of microfinance program either in control or comparison group, short term, long term or withdrawn from program

Control clients these are new microfinance members who have not benefitted from loans herein also referred to as zero loan clients

Exit clients these are persons who benefitted from microfinance program and loans but later withdrew from such programs

Household members who live together and share the same food at least once in a day

Impact These are outcomes attributed to microfinance program intervention including loans, savings and training and other services offered

Long term clients there are microfinance members who have benefited from five loans and above

Microfinance this is a branch of finance that targets the poor or low income earners with little or no access to the traditional banking system to give them an opportunity to access financial services

Short term clients these are microfinance members who have taken up to four program loans

1.12 Organization of the study

The study report contains five (5) chapters. Chapter one outlines the background of the study, the problem statement, purpose and objectives of the study, research questions and hypothesis. Also entailed in this chapter are the assumptions and significance of the study, limitations and delimitations, and definitions of significant terms used in the study. Chapter two contains the empirical evidence of microfinance impact assessments that have been conducted mostly around Africa and Kenya, and a conceptual framework depicting the variables of the study. Chapter 3 details the research methodology while chapter 4 presents data analysis and interpretation. Chapter five presents the summary of findings, discussions, conclusions, recommendation and suggestions for future further research

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents literature on impact studies and methodology, impact assessments of microfinance programs, an empirical review of studies conducted on impact of microfinance intervention at the household level across the world, Africa and in Kenya

2.2 Impact assessments of microfinance

Assessment studies are a significant aspect of interventions for donors and program implementers to prove outcomes of interventions rather than inputs and outputs. An impact assessment is a study that helps find out the end results as a consequence of a programme intervention by using methods to establish a connection to the changes as regard to programme participation (Hulme, 1997). Impact therefore is not so much on what will be achieved, but rather what will change". The theory of change outlined by a program or intervention majorly informs the impact assessment (O'Flynn, 2010). This Change is normally a complex, multidimensional, continuous and happens differently given different circumstances and may be short term or long term. The interconnected proportions of various contributions to change form the backbone of impact assessment process for change never follows a linear approach. Impact therefore goes beyond project logic and focus on changes in relation to beneficiaries (2010).

Because of its complexity determining change is not easy hence appropriate research methodologies that can bring out and differentiate actual effects from a sea of other causes and related factors to determine the concrete and the abstract impacts is very significant. For impact assessment to be considered rigorous some approach must be taken to approximate the counterfactual. This requires the designating of a treatment and a control group identical to treatment group in every way except for the program otherwise selection bias sets in" (Odell, 2011).The evaluation of microfinance programs attempts to determine how some outcome measurement i.e. economic and non economic are affected by microfinance (2011). The non economic dimension measures benefits beyond income gains to beneficiaries of microfinance projects and financial rates of return to microfinance institutions and enterprises. To capture

these two dimensions necessitates the use of a broader framework for impact assessment (Gaiha, 2006)

Assessment techniques of microfinance services have been progressively developing. The scientific improvements majorly relate to improving standards of measurement, sampling and analytical technique" (Hulme 1997).One key developments is the use of RCT methodology with the first studies employing RCT methodology having been released in 2005.The benefit of the RCT is that it eliminates the problem of selection bias which is a known challenge in all social science research including mf impact assessment however for RCT to be put to practice an evaluation structure must be put in place before a program is initiated (1997) which most of the existing MFIs did not factor in their initiations. Karlan, Dean, Goldberg and Copestake (2009) asserts that RCT is the best way to measure impact of microfinance programs and improve microfinance product designs'. Current RCT-research on the impact of microfinance is characterized by a short time span since the number of known impact studies that were initiated at the time a microfinance intervention was launched is limited (Hummels, nd). In addition Impact assessments are also utilizing multi method approaches including participatory approaches as opposed to the use of purely qualitative or quantitative techniques that experience various limitations to understanding impact.

In 2005, the Ford Foundation to promote social returns for mf beneficiaries and not just institutions developed a Social Performance Assessment (SPA) tool that compares 6 different components of microfinance to gauge effectiveness. They include Breadth measured by the number of borrowers, depth which is measured by the average loan size, length of loan and length of repayment, scope which is the amount of financial services their institution offers aside from lending, cost of their operations and outreach to clients and the community (Lindsay, 2010). Chen and Dunn (1996) developed a dynamic conceptual; model of the Household Economic Portfolio Model (HHEP) that defined the household broadly in terms of its human, physical, and financial resources; the household consumption, production, investment activities; and the circular flows between resources and activities. The model recognizes that loan funds, like any of the household resources, can be allocated to any activity in the household economic portfolio. The most widely known are the five SEEP/AIMS (Assessing the Impact of

Microenterprise Services) tools developed by USAID(United States Agency for International Development) in collaboration with SEEP (a United States network of enterprise oriented NGOs).The AIMS tools include the impact survey tool and a standard tool for assessing the relative poverty of microfinance clients by CGAP (Copestake, Johnson & Wright, 2002).Other tools include the Microsave-Africa tools, and the livelihood security analysis for wider impact by DFID among others. Each of the tools has different strengths and weaknesses, requires different skills, and suited to different information requirements (Simanowitz 2004).

Methodological failures documented include the lack of proper identification of valid control groups, biased sampling, inaccurate valuation of program benefits and costs, lack of true cost-benefit analyses of programs (Brau & Woller 2004). For example Karlan (2001) criticizes the common practice of only using the current microfinance client and omitting ex-clients from treatment groups. Such a practice he argues creates selection bias resulting to inaccurate estimation of positive program impacts. The Imp-Act Programme in line with developments in impact assessments recommends that if the objective is to prove impacts to both an external audience and staff and management, the use of rigorous scientific methods that give statistically valid results is advised. On the other hand, if the objective is to improve impact, a qualitative participatory process is recommended. . When impact assessment is a long-term process whose objective is to provide management information to improve practice, it becomes a longitudinal study where clients, staff and other stakeholders are all involved (Hulme, 1997).

Three paradigms for conducting impact assessment are documented. They include: the scientific method (principally control-group surveys), the humanities tradition (ethnography and other qualitative methods), and participatory learning and action (participatory qualitative tools that include, for example, participatory rural appraisal, rapid rural appraisal, and farming systems research (Hulme, 1997).

The goal of the scientific method is mainly to ensure that effects can be attributed to causes through experimentation (Mosley, 1997). Microfinance literature cites the RCT and quasi experiments. The quasi experiment that is a modified form of experimental approach to accommodate social sciences is mostly used in microfinance studies to show evidence of change

on the lives of clients. Quasi-experiments seek to compare the outcomes of "with" and "without" mf intervention in a controlled experimental environment to ensure attribution. However it is hard to find completely similar group for comparison thereby challenging the results of quasi studies (Espinosa, 2012). On the other hand the RCT gives evidence of causality of an intervention on the lives of clients as compared to a control group; however it does not always provide a good understanding of the contextual and process factors.

On the opposite side of the scientific approach is the humanities tradition which does not try to demonstrate impact using statistically methods (Gaiha & Thapa, 2006). It focuses on processes, behavior and conditions thereby focusing on respondent's inputs which can be used to complement and informs quantitative research. Hulme (2000) recommends the understanding of the social aspect of program and beneficiaries in order to obtain useful insights of microfinance effectiveness. The advantage of the humanities approach is that it does not have to deal with biases associated with the scientific approach though it has a great limitation with attribution.

On the other hand the Participatory Learning and Action (PLA) involve all stakeholders taking part in the study for empowerment. The Stakeholders get to voice their opinion, concerns and experiences heard and included in findings. This involvement in research enables a good understanding of all stakeholder perceptions as regards to an intervention. With the entry of PLA in the field of impact assessment studies a shift is nowadays on suitable combinations of all the three mentioned approaches to bring out a holistic understanding of microfinance and other development projects. Hulme (2000) recommends a healthy mix of the various methods to cater for the specific assessment objectives, context of the program, human resources, and timing of any given study.

At the heart of social sciences impact assessment is the attribution of specific effects (impacts) to causes (interventions) estimating the counterfactual situation in order to compare with factual conditions of the target group is not easy simply because other social and economic projects targeting development do happen concurrently in societies. Another challenge is fungibility of resources between the microenterprise and the household. In the context of microfinance Impact assessment, fungibility is the possibility that the money from a microcredit aimed to be spent in

setting up a new enterprise would be used in other expenses. The other challenge as stated by Gaile and Foster (1996) is the problem of endogeneity that refers reverse causality where changes in the independent variables are caused in part by the dependent variable.

The control group method that compares before and after receipt of an intervention through a "with/without" framework is mostly used to ensure attribution. However this method is still challenged by self-selection biases as Brau and Woller (2004) states. The use of baseline studies help in assessing the counter factual situation and reducing errors associated with recalling past information by clients as asserted by Moser and Kalton (1971). Another way is the use of case study research materials for cross checking factual information (Mosley, 1997).Widening the unit of analysis from a single enterprise to an entire economic portfolio where capital can potentially be diverted to helps to deal with fungibility (Brau & Woller,2004) while the challenge of endogeneity can be addressed by use of models that conceptualize causation as a two way process, tracing of dropouts from both the treated and control groups, conducting impact assessment's on relatively mature programs, continuous monitoring and use of qualitative information to capture causation and use of appropriate in depth interviews with clients (Hulme, 2000).

2.3 Influence of microfinance on education

The year 2005 was declared the international year of microcredit by the United Nations that recognized microfinance as a strategy for the alleviation of poverty amongst the millennium development goals (MDGs). This was an important milestone for the microfinance industry and as result microfinance drew a large interest in the world and developmental programs focused on growth of microfinance as an economic tool to improve quality of lives (UN, 2005). Littlefield, Murdoch and Hashemi (2003) puts affront evidence that microfinance is a base factor with strong impact on the achievement of the MDGs, that can make a substantial positive difference in poor people's lives The poor use financial services not only for business investment in their microenterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter (CGAP & World Bank Group, 2010).

Nirdhan Utthan Bank Limited (NUBL) clients in Nepal were reported to send both male and female children indiscriminately to school and that they had decreased food consumption and increased educational expenses. An impact study conducted in Uganda by USAID-AIMS project, found that microfinance client households invested more in education than non-client households by over half the households. Clients also were significantly more likely than non-clients to pay school charges for a non-household member.

Following a great interest in donors and stakeholders on social impact of development approaches many studies have been conducted and documented in Bangladesh, the origin of microfinance and other countries. Most microfinance studies conducted focus on microcredit even though microfinance institutions provide microcredit plus services that include and not limited to savings, insurance and capacity building. There are studies that indicate positive outcomes in the increase of income and reduction of poverty and various others that report negative impact and refute claims of microfinance effectiveness as a strategy to empower and reduce poverty situation in clients. The Proponents of microfinance claim impact beyond the effect of income of the poor to a strategy for improving measures of health, education and women empowerment aside from helping the poor mitigate the unreliability of their income (Odell, 2011).

2.4 Influence of microfinance on household decision making

The financial services also helped clients to increase decision making on their savings and use of loan and profit, participation in community development program, accessed general health services and use of family planning devices (Centre for Micro-Finance Limited, 2006). Decisions that were traditionally were made by husbands or male household members. Increased empowerment of women was reported by a Khula Enterprise Finance impact study in South Africa (Makina & Malobola, 2004). Another study reported a boost to self-confidence of women

The impact assessment on Women's Enterprise Development Project (WEDCO) clients showed significant spending by men on education and more spending on the household but no direct significant impact of participation in WEDCO on individual income or business employment growth. However statistical significant results were recorded to only decision making on

household savings (REME, 1999). In addition an oral testimony conducted by the Goldin Institute Chicago on microfinance in Bangladesh recipients found out that rather than empowering women in household decision making women were often used by male relatives to take loans and turn over the money while they remained financially responsible for the loans. Use of microloans for dowries was also reported (Rosenberg, 2010).

2.5 Effects of microfinance on housing

An evaluation study both quantitative and qualitative on microfinance programmes in Kenya concludes that the impact of the financial service provision of KWFT is positive in many respects that included enterprise size and employment generation to women and families and loans issued helped women to keep them going even in the most difficult times. Improved living conditions for the household was pointed as the key positive change experienced (Hospes, Musinga & Ongayo, 2002). Mjomba (2011) on impact of KWFT reported positive change to women financial and social situation including taking active part in making decisions thus concluded that microfinance institutions build up social and economic empowerment. Waiganjo (2010) survey in Kisumu shows found a positive relationship between poverty alleviation and profit/business expansion, healthcare, housing and shelter, better clothing, income/resource/savings. Some microfinance programs also provide credit products for water, sanitation, and housing, products that previously could only be accessed from commercial banks. A study of SHARE clients in India documented that three-fourths of clients who participated in the program for longer periods saw significant improvements in their economic well-being and housing conditions (CGAP, 2010).

2.6 Impact of Microfinance on health

Randomized studies "the miracle of microfinance? Evidence from a randomized evaluation" (Barnerjee et al., 2009) and "saving constraints and microenterprise development evidence from field experience in Bumala village Kenya" (Dupas & Robinson, 2009) reported evidence of a number of positive impacts of microfinance on the lives of the poor clients (Odell, 2011). As more businesses were created, some households increased nondurable consumption; others reprioritized their expenditures and smoothed consumption. Dupas and Jonathan evidenced that

savings accounts seemed to make women somewhat less vulnerable to health shocks. As Bauchet et al. (2011) asserts that putting money into formal accounts seemed to reduce the risk of misappropriation by relatives, friends, and neighbors because households used whatever funds available to meet their pressing needs (Neill, Davalos, Kiiru, Manundu & Sebstad, 1994) at any one given time.

Karlan and Zinman (2011) randomized impact study to evaluate access to individual microcredit loans in the Philippines showed that even though microfinance participants borrowed more, those given access to credit did not increase investment in their business and even reduced their overall number of business activities and employees. However subjective wellbeing slightly declined and access to credit helped borrowers cope with risk, strengthened community ties, and also increased their access to informal credit. The access to credit lowered the demand for other kinds of risk mitigation tools similar to results in a study by Karlan and Zinman (2010) conducted in South Africa, with a consumer finance company where wage earners with access to consumer credit were more able to absorb shocks, and therefore more likely to retain their jobs.
In Mable Uganda Clients of the FOCCAS microfinance programme clients tried a practice related to improved health or nutrition of their children after receiving instruction on the same (2003). Challenges on loan repayments are common. According to a government agency for elimination of rural poverty in India more than 70 people were reported to have committed suicide in the period of March 1 and November 19, 2012 due (Anzestewereon, 2012) and 160,000 farmer suicides reported since 1997 to microfinance related debt burden (Shiva, 2004). In Kenya a mother of three was reported to have committed suicide in Awendo Kenya over failure to repay a 40 000 loan from KWFT taken for her husband medical treatment an indication of the level of project failure and abject despair that has resulted (Deny, 2012),

2.7 Effects of Microfinance on income generation

A qualitative study 'the portfolios of the poor' (Collins, Murdoch, Rutherford & Orlando Ruthven, 2009) that present the results of year long financial diaries kept by poor households in India, Bangladesh and south Africa report how poor households rely on financial instruments. Besides using the finances for investment and entrepreneurship purposes they also use it for consumption smoothing and easing unpredictability of daily life (Golbergs, 2005). Afrane (2002)

study in Ghana and south Africa showed improvement in clients economic, social welfares, access to facilities, and spiritual impact indicators including enhanced public respect and acceptance, self-esteem, participation in community activities, monetary contributions to social projects, and empowerment of women. On the negative side, pressure of time resulting from increased business activities, worsening family relations, poor attendance and participation in church activities were observed. Meanwhile a study in on households impact in Eastern region of Ghana also reported that time impacted negatively on client's profit (Nanor, 2008). In another study of Freedom from Hunger clients in Ghana, MkNelly and Dunford found that clients had increased their incomes by $36 compared to $18 for non-clients.6 Clients had also significantly diversified their income sources. Eighty percent of clients had secondary sources of income versus 50 percent of non-clients

In Kenya a number of impact studies have also been conducted. A rapid impact assessment of 34 microfinance members of the FSD Kenya demonstrated a limited and mixed range of impact on improved incomes - either through savings accumulation or loan investment (Stone, Johnson & Hayes, 2010). Coleman (2001) in a Northeast Thailand microfinance study attributes non significant and negative impact to the small size of the loans being too small for investment. The clients used funds for consumption and households turn to moneylenders to finance repayments, leading vicious loan circles for beneficiaries.

Duvendack, Jones, Copestake, Hooper, Loke and Rao (2011) found and replicated nine pipeline studies reported in ten papers. The replications failed to confirm the evidence in these studies to either support or contradict the main claims of beneficence of microfinance. They attributed this partly to their weak research design (Duvendack et al., 2011). Bateman & Chang (nd) also disagrees with arguments presented in support of microfinance citing issues such as lack of rigorous research evidence that microfinance creates short term reprieve for clients which are not sustainable over time. This is echoed by Barnajee et al., (2010) who did not find impacts positive or negative on broader measures of poverty and wellbeing. Neil et al.(1994) stresses that sustaining income gains at the household level happens to be a common challenge that emerges in studying the impact of microenterprise credit. While opponents of microfinance interpreted the lack of positive results along measurable dimensions of health, women's empowerment, and

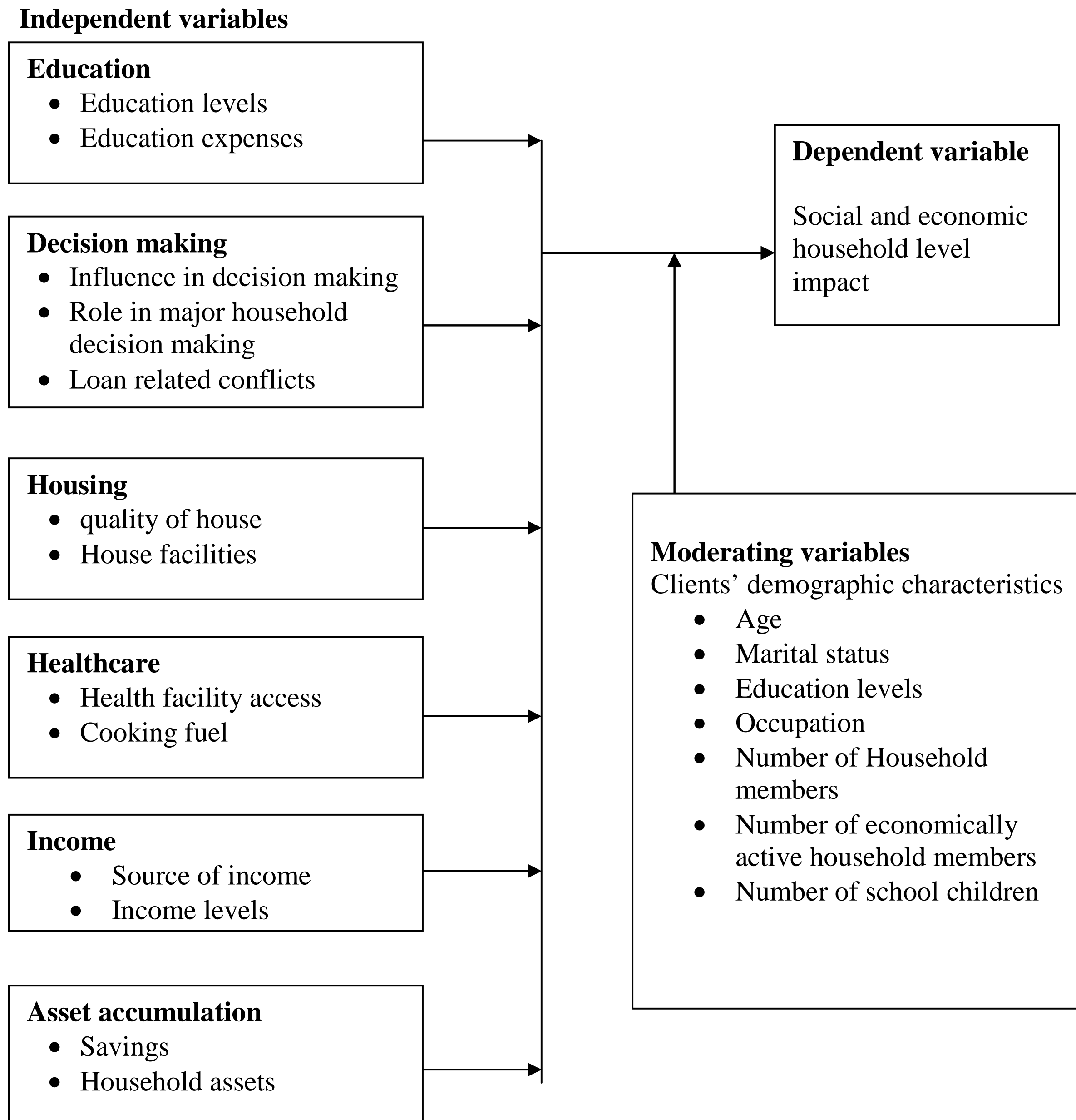
education as signs that microcredit was a failure, Banerjee and Duflo (2011) asserts that microcredit was working along the dimension it was supposed to i.e. it enabled households to make choices to reprioritize expenditures and created new businesses and investment.

2.8 Influence of microfinance on accumulation of household assets

A qualitative assessment as part of a case study of K-REP (Pederson and Kiiru 1997) showed positive results echoed by an assessment of the Family Finance Building Society that concluded that many of the clients, more often single mothers and divorced, were in a better position to meet family expenses, to pay school fees, to improve their houses/business premises, or even to buy land from income generated by businesses. Moreover women invested less in the business, splitting pieces funds for household purchases or other expenses. Many loan recipients were also reported to setting aside part of the loan from the beginning to ensure they can make the first two or more payments. Clients therefore did not investing the full bulk of the funds, and may be avoiding investments that require a longer period to yield returns (Rosenburg, 2010). A few clients reported burden of indebtedness and loss of property through auctioning after loan defaulting (Hospes et al., 2002)**.**On the other hand a research by CGAP argues that positive impact intensified the longer clients stayed with a given program (Littlefield et al., 2003).

2.9 Conceptual framework

Figure 1: Conceptual framework



The conceptual framework above depicts the relationship of the study variables. It indicates the independent variables (microfinance interventions) influencing the dependent variables (social and economic impact). The moderating variables were tackled to justify attribution of impact to the microfinance interventions.

2.10 Summary of Literature review

Various literature have been cited on impact assessment on microfinance and an agreement in all is the fact that impact assessment of any project was key to determining their long term effects not only to prove impact but also to improve practice. The literature provides useful insights to successes and weaknesses of assessments conducted and therefore best practices to be followed to ensure effectiveness and reliability. For effectiveness of impact assessments challenges associated with endogeneity and fungibilty are of concern and care is mostly to be exercised

Studies conducted include in areas of individual, enterprise and household level .The literature cites varied impact levels of impact on microfinance. There are those that argue beneficial economic social impacts e.g. Schuler et al., 1997; those that caution against too much optimism by alluding to the negative impacts associated with Rogaly (1996), Adams and Von Pischke (1992) ; and those that acknowledge beneficial impacts, but state that microfinance does not assist the poorest associated with Hulme Mosley (1996, 1998).

The Evidence presented in literature of micro-finance point at differences in terms of impact between different categories and characteristics of households and enterprises. Differences include lower-income communities in rural areas versus their not-so poor counterparts in the urban areas (Afrane,2002), individual loans versus group loans, extreme poverty and moderate poverty(Murdoch, Pitt & Khandker, 1998), the middle poor and poor clients and very poor clients, men and female entrepreneurs (Bauchet et al., 2011). The findings also vary considerably from study to study, suggesting that impacts are highly contextually specific defined by the types of clients on different microfinance services, products and the environment. Hence the exercise of caution is advised when interpreting empirical results from these contextualized studies (Odell, 2011)

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology of the study; it describes the research design, the variables, the population and sampling procedure. It also presents the research instruments, data collection techniques and analysis procedure.

3.2 Research Design

The research study used quasi-experimental i.e. non equivalent post test only control group design (Russ-eft & Preskill 2001) enabling the comparison of impact variables e.g. income, employment, and decision making, welfare at household level among those that have received credit and those that have not received credit from microfinance institutions. The evaluation design consisted of the identification of a comparison group using matching comparisons. To avoid self-selection bias new incoming clients to microfinance institutions who have not benefitted from any loans formed the comparison group. This selection was based on the assumption that the incoming clients share similar characteristics to existing clients including their demography and motivation that draws them to join the program as opposed to the selection of a completely uninterested group. This approach also offered a readily available comparison group who were motivated to offer responses in expectation of benefits from the programs. Those that had not yet obtained loans presented an experimental kind of "baseline situation" before an intervention occurred, while those who had obtained loans presented an "after situation" thus bringing out the changes/differences after credit intervention when the two were compared in order to isolate treatment that influenced outcome.

Quasi-experiments seek to compare the outcomes of an intervention with a simulation of what the outcomes would have prevailed had there been no intervention by holding constant all causes of variation in a variable except that of the intervention(Mosley, 1997). This means that the differences obtained between the two groups in the study were considered as the impact of the microfinance services to client's households. Assessing the impact of a development lies on finding what the situation was like had there been no intervention. Counterfactuals were

therefore obtained by the simulation of comparing program participants (treatment group) with the comparison group as illustrated below:

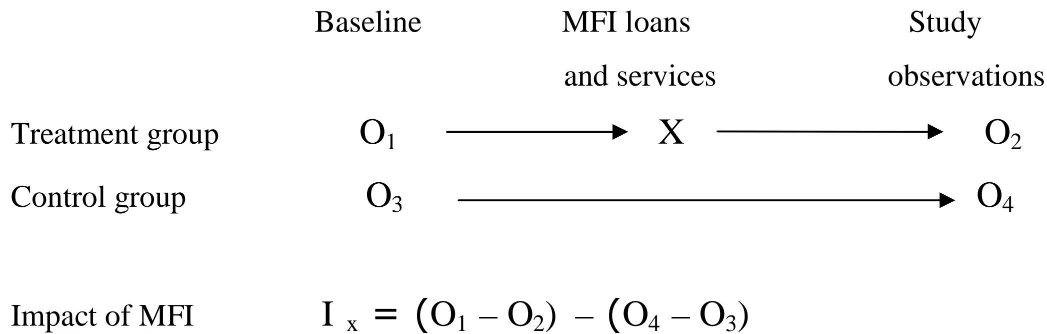


Figure 3. 1: Illustration of treatments and comparison group of intervention

3.3 Target Population

The target population were clients' and ex clients of microfinance institutions in the Community based Preschool Program areas spread over in Msambweni and Matuga districts in Kwale County. This study area was informed by the mobilization efforts of the preschool program to increase the capacity of program members to participate in development activities through the utilization of microfinance services in order to improve their beneficiaries' standards of living,

3.4 Sample size and sampling procedure

The term sample according to the Collins Gem English dictionary refers to a "part taken as representative of a whole" while sampling refers to the process of selecting the "part" to represent the "whole" undertaken when it is not feasible to involve the entire population in a study.

Sampling in this study entailed purposive sampling to select microfinance clients' (population) in the community Preschool program centers. Purposive sampling is used when studying a specified group. Using stratified sampling individual clients at various loan levels were identified from each center. for the identified loan level strata categories of zero loans(comparison group), 1-4 loans(short term clients), 5 loans and above(longer term clients) and ex clients in equal

numbers. Stratified sampling ensures each stratum is sampled and equally represented by controlling random oversampling or under sampling of some strata to reflect the "true proportion of individuals with certain characteristics of the population according to Fowler (1998) and enable comparability of the sampled groups. The study population comprised of 30 preschool centers in Kwale County. According to the research advisors (2006) the sample size required at 95 % confidence level is 28 however all that centers were included to enable account for non responses, not – applicable responses and missing data. Respondents were purposively selected for each of the 4 client categories making a total of 120 respondents.

3.5 Data collection instruments

Quantitative techniques were utilized by use of questionnaires that consisted of close ended questions administered by use of face to face interviews. The researcher used 2 sets of instruments, the impact survey and client exit survey for clients and ex clients of microfinance institutions respectively. These tools were adapted from AIMS tools to suit the researcher's needs, interests and local circumstances. These tools were developed to assist researchers evaluate microfinance programs and permission provided for use by interested parties. Respondent's answers were expressed in terms of numbers corresponding to pre-coded responses in both tools

The Impact survey tool contained twenty four (24) questions administered to three groups i.e. the 2 treatment groups (the short term and long term clients) and comparison group(new clients) as appropriate. The tool had background information of respondents and their households in addition to questionnaire items that sought to determine the economic performance in terms of income growth, accumulation of savings and assets and household welfare. The impact Survey took an average of 30-40 minutes with each client. On the other hand the Client Exit Survey quantitative tool was administered to former clients of microfinance to document the experiences of ex-clients. The information included why clients exited, their views and opinion on the program and the impact experienced in their household as a result of their participation in microfinance programs. This tool contained twelve (12) question items and took about 10-15 minutes to administer.

3.6 Data collection procedure

The data for the study was collected by use of face to face interviews. Respondents were mobilized through the pr school centres. After initial contacts appointments were made and the interviews conducted. Any missing respondent was replaced. 4 respondents were recruited from each centre to fit the categories of control (zero loans), short term (1- 4loan clients)and long term (above five loans) and exited clients. Predetermined questionnaire responses were recorded. Translation of the questions in Kiswahili was necessitated to explain the questions to facilitate understanding and appropriate record of responses.

3.7 Validity and reliability of data collection instruments

Validity measures the accuracy of the research instrument methods according to the purpose of the study. It indicates the degree to which the instrument measures the constructs under investigation Mugenda and Mugenda, (1999). The tools used in this study have been tested and used by various researchers before, however localization of the tools to suit research context was needed. The researcher therefore consulted with the supervisor and later piloted the tools to establish content validity. Field responses obtained were then used to improve questions, their responses and format of the instrument to facilitate accuracy and appropriate responses from respondents.

3.8 Data analysis techniques

The researcher sought the answers to the research questions and make conclusions on the items which are associated with respective variables. Data collected from the field was analyzed using statistics, presented and interpreted to draw relevant conclusions to the variables of the research for use by the various stakeholders. The researcher used both descriptive and inferential tools to analyze the data. Descriptive statistics such as percentages and frequencies and means were used to collate and summarize the data in their respective themes. Variations, relationships, trends and significant differences between the sampled groups were sought between microfinance services and household welfare. The data was therefore cleaned, coded and tabulated by loan cycles. The analysis of data was done with the aid of computer software analysis tool, Statistical Package for social Sciences (SPSS) that provide almost all quantitative analysis and statistics. Regression model was used to test the independent variable against the various impact variables to establish

the relationship and magnitude between micro finance services (independent variables) and the socio economic impact indicators on the household (dependent variable) specified as follows:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \ldots\ldots \beta_n X_n + \varepsilon$$

A higher percentage obtained showed that improved household conditions was due to the microfinance services e.g. saving and acquiring loans while lower coefficients meant the opposite. Statistical tests to indicate Significance of trends and variations were also computed. Data was presented using percentages, frequency tables, charts, and graphs in figures and tables. The Data was mostly cross tabulated by loan categories of control clients (zero loans), short term clients (1-4 loans) and long term clients (above 5 loans).

3.9 Ethical considerations

Client's willingness to participate in the study was sought before any appointments were made. The researcher explained clearly the purpose of the study, that it was academically oriented. Privacy during interviews was highly observed and confidentiality of the information was highly emphasized during interviews with respondents. It was clearly stated too that the respondents were under no obligation to answer any question they did not feel comfortable to share with the researcher. To ensure comfort of the respondents and motivation to offer responses their names were not recorded anywhere, only numbers were used for questionnaire identification. The researcher also approached the respondents with respect and did not judge them on any information shared. Also sought was permission from the preschool program to conduct the study

3.10 operational definitions of variables

Research objective	Type of variable	Indicator	Measurement	Scale	Data collection	Tool of analysis
1. To determine the impact of microfinance loans on education levels of children in clients household	**Dependent Variable** Education level attained	Highest grade level attained	Number of children	Nominal	interview	Quantitative
		Education expenses	Number of respondents reporting a change in education expense	Ordinal	interview	Quantitative
2. To assess how microfinance loans impact on clients decision making in the household	**Dependent Variable** Household decision making	Influence in decision making	Number of respondents reporting change in influence	Ordinal	interview	Quantitative
		Role in major household decisions	Number of respondents making decisions	Ordinal	Interview	Quantitative
		Loan related conflicts	Number of clients reporting to conflicts	nominal	interview	Quantitative
3. To establish the impact of microfinance loans and services on quality of housing	**Dependent Variable** Quality of housing	Type of house	Number of respondents living in type of house	Ordinal	interview	Quantitative
		House amenities	Number of respondents with access to amenity	Ordinal	interview	Quantitative
4. To assess the impact of microfinance loans on household healthcare	**Dependent variable** quality of healthcare	Health care facility	Number of respondents accessing type of facility	Nominal	interview	Quantitative
		Household diet	Number of respondents reporting diet change	Ordinal	interview	Quantitative
		Cooking fuel	respondents reporting change in fuel used	Nominal		

Research objective	Type of variable	Indicator	Measurement	Scale	Data collection	Tool of analysis
5. To establish the impact of microfinance loans on the income of clients households	**Dependent Variable** household income	Source of Household income	Number of respondents reporting an income source	Nominal	interview	Quantitative
		Change in income	Number of respondents reporting changes in income	Ordinal	interview	Quantitative
6. To examine the impact of microfinance loans on accumulation of household assets	**Dependent Variable** accumulation of assets	Clients Savings	Number of respondents reporting saving changes	ordinal	interview	Quantitative
		Household assets	Number of respondents with assets	Nominal	interview	Quantitative

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter tackles the process of analyzing the requirements and how the data was interpreted. The objectives of this study was namely to evaluate the positive and negative impact of Microfinance loans and services at the household level of clients.

4.2 Response rate

The study targeted 90 current and 30 exited microfinance clients in 2 districts of Kwale county namely Msambweni and Matuga and where the community preschool program operates. A response rate of 100% was achieved. This was basically due to the fact that the researcher employed a face to face interview. Any missing respondent was replaced. However a few respondents did not answer all the questions in the questionnaires which necessitated the removal of the non responses from analysis

4.3 Respondents characteristics

The respondents characteristics considered in the study included gender, age, marital status, education, training and occupation. A comparison of control clients, short and long term client's characteristics indicated adequate similarities to justify using the control clients as the comparison group in assessing the impact of microfinance on client's households. The analysis was as follows:

Table 4.1: Gender of respondents by loan categories

Gender	Control clients		Short term clients		Long term client		total	
	N	%	N	%	N	%	N	%
Female	26	86.7	30	100	28	93.3	84	93.3
male	4	13.7	0	0	2	6.7	6	6.7
Total	30		30		30		90	100

The studies found that majority of the respondents were women (93%). A few men 14% were spotted in control long term clients. This was mostly attributed to the fact that largely microfinance institutions have targeted women groups to an extent of creation of a women micro finance institution such as Kenya Women Financial Trust (KWFT). This was in the bid to lift women savings and income hence alleviating poverty among women and households. This finding agrees with Ondoro and Omena (2012) that roughly 70% of the 1.3 billion people living under one dollar a day around the world are women. Many microcredit institutions specifically target women in their lending.

Table 4.2 : Ages of the respondents by loan categories

Age group	Control group		Short term clients		Long term client		Total	
	N	%	N	%	N	%	N	%
15 – 25	4	13.3	0	0	1	3.3	5	5.6
26 – 35	12	40	15	50	7	23.3	34	37.8
36 – 45	11	36.7	11	36.7	14	46.7	36	40.0
46 – 55	2	6.7	3	10	5	16.7	10	11.1
56 – 65	1	3.3	1	3.3	1	3.3	3	3.3
Over 65	0	0	0	0	2	6.7	2	2.2
Total	30		30		30		90	100
Mean	35		37		42		38	

Table 4.2 indicates the age ranges of respondents. The analysis found from 40% of the respondents were respondents aged between 36-45 years, 38% of the respondent were aged between 26-35 years, 11% of the respondents were 46-55 years while 6% were between 15-25 years. The study further found that the least group of respondents were those aged between 56-65 years and those aged above 65 years. The mean age for control clients was 35years, short term clients 37 and long term clients 42 years. The study found that middle aged respondents from the age between 37 and 47 participated more in loans. This finding agrees with a study by Brau and Woller (2004) that Different age groups have different preferences for risky & non-risky assets. In theory, this could mean that aging influenced demand for different asset classes and expected returns.

Table 4.3: Respondents marital status by loan categories

Status	Control clients		Short term clients		Long term clients		Total	
	N	%	N	%	N	%	N	%
Married/Free union	20	66.7	27	90	20	66.7	67	74.4
Separated/divorced	5	16.7	3	10	8	26.7	13	14.4
widowed	1	3.3	0	0	2	6.7	3	3.3
Single/never married	4	13.3	0	0	0	0	7	7.8
Total	30		30		30		90	100

The study found that majority of the respondents were married people or persons living in free unions, as opposed to separated, widowed or single. According to the study 74% of the respondents, both in control groups, short term clients and long term clients indicated that they were married or living in free unions. This was most probably because, married people carry more responsibility than singled persons or persons who are divorced and with no children to take care of. It was also found that 90% short term clients were married compared to both control and long term clients that recorded 67%.

The analysis found that majority had primary level of education followed by secondary level of education; few had no education while very few had university level as indicated in table 4.4 below:

Table 4.4: Respondent level of education by loan categories

Level of education	Control clients		Short term clients		Long term client		Total	
	N	%	N	%	N	%	N	%
none	3	10	3	10	6	20	12	13.3
primary	21	70	18	60	11	36.7	50	55.6
secondary	6	20	9	30	11	36.7	26	28.9
University	0	0	0	0	2	6.7	2	2.2
Total	30		30		30		90	100

70% of control clients had primary level education compared to 60% of short and long term clients' respectively. The study can therefore authoritatively say that respondents were literate but with low levels of academic qualifications. Long term clients were found to be more educated at higher levels that the short and long term clients i.e. at secondary and university

level. It was more likely for long term clients to proceed in education than for short and control group. However it was also more likely to find more long term clients without any education at all. High number of less academically qualified persons in the society contributes to poverty.

Table 4.5: Other Training undertaken by respondents by loan categories

Other training	Control clients		Short term clients		Long term client		Total	
	N	%	N	%	N	%	N	%
None	21	70.0	14	46.7	14	46.7	49	54.4
Vocational	2	6.7	3	10.0	4	13.3	9	10.0
Professional	7	23.3	13	43.3	11	36.7	31	34.4
Literacy classes	0	0	0	0	0	0	0	0
other	0	0	0	0	1	3.3	1	1.1
Total	30		30		30		90	100

The analysis found that, a total of 54% of the respondents had no training at all. An analysis across the loan levels show that 70% of the control clients had no training compare to 47% of both the short and long term clients. The control clients also had lower vocational 6.7 and professional 23.3% training compared to 10% and 43% of the short term clients and 13% and 37% for the long term clients. High literacy levels are a key to proper business management.

Table 4.6: Respondents' occupation by loan categories

Occupation	Control clients		Short term clients		Long term clients		Total	
	N	%	N	%	N	%	N	%
Micro entrepreneur	15	50	16	53.3	20	69	51	56.7
Volunteer with NGOs	1	3.3	0	0	2	6.9	3	3.3
Teacher	5	16.7	7	24.1	5	17.2	17	18.9
Farmer	8	26.6	6	19.2	2	3.4	16	17.8
Hotelier	0	0	1	3.4	1	3.4	2	2.2
Lab technician	1	3.3	0	0	0	0	1	1.1
Total	30		30		30		90	100

The main occupation of the 90 respondents of the impact survey were spread as follows;57% fully engaged in small microenterprises, 3% were community volunteers, 19% preprimary and primary teachers, 18% were farmers , 2% hotel housekeepers and 1% was a lab technician. From the results respondents majorly engaged in similar activities across the loan levels.

Household demography was used to compare household characteristics. The study indicated that most of the households have got several household members as shown in table 4.7 below. This is portrayed by a mean of 4.6 for the control clients, 5.5 for short term group and 5.7 for long term clients in the study.

Table 4.7: Household characteristics by loan categories

	Control clients N=30	Short term clients N=30	Long term clients N=30	F	df	Sig
Mean number of household members staying in a household	4.6	5.5	5.7	2.365	2	.100
Mean number of school age children	2.5	2.7	2.8	9.656	12	.643
Mean number of economically active household members	1.7	1.9	2	0.716	2	.491
children who never attended school	1.3	1.1	1.8	1.318	2	.289

The study also found that the mean for economically active family members was 2.5 among the control clients, 2.7 and 2.8 for short and long term clients respectively. This implied a need for more finances to cater for the needs of other household members

The study can therefore indicate that most families in groups under microfinance institutions have got big families but very little number of economically active families in the household an indicator of how poverty creeps in a family due to increased needs and decreased provision.

It was also found that the average number of children of school age children across the client's categories is 3 in majority of households. Actual mean stood at 2.5 for control clients, 2.7 for short term clients and 2.8 for long term clients. The study also found that a mean of 1.3 for control clients, 1.1 for short term clients and 1.8 for long term clients in each household had never attended school. It is a known that big families without proper resources to support children end up providing poor quality life for children.

4.4 Impact of MFI on children's education

This section details the highest grade level attained by children in client's households and changes incurred in terms of education expenses

Table 4.8: Highest education grade level children by loan categories

Level of education	Control clients		Short term clients		Long term client		Total	
	N	%	N	%	N	%	N	%
none	6	20.7	1	3.4	1	3.4	8	9.1
primary	15	51.7	11	37.9	12	41.4	38	43.2
secondary	8	27.6	17	58.6	14	48.3	39	44.3
University	0	0	0	0	2	6.9	2	2.2
Total	29		29		29		88	100

Majority of the children in respondent's homesteads had completed primary schools indicating a need for more resources to proceed to the higher schools of learning. The study found that the short (59%) and long term clients (48%) had a higher percentage of the children who had secondary schools compared to 28% control clients. The short (3%) and long term clients (3%) also had the least rates of children who had not gained any basic education compared to the control clients (21%).

According to the study as indicated in table 4.9 below, 93% of the short term respondents recorded an increase in the money spent on education in the current year than the past year compared to 90% of long term clients. Increase in education expense by control clients was 69%. Long term clients were exceptional having greatly increased education expense at 22%. An increase in education could indicate availability of funds to be able to send children to school or that the parents prioritized their children education verses other household expenses

Table 4.9: Education expenses in comparison with last year by loan categories

Education expenses	Control group clients		Short term clients		Long term client		Total	
	N	%	N	%	N	%	N	%
Decreased	1	3.3	2	6.9	1	3.7	4	5.1
Increased	19	63.3	26	89.7	18	66.7	63	79.7
Increased greatly	1	3.3	1	3.4	6	22.2	8	10.1
No change	2	6.7	0	0	2	7.4	4	5.1
Total	23		29		27		79	100

4.5 Impact of MFI on household decision making

Household decision making looked at general change of influence of clients, role in major household decision making and occurrence of loan related conflicts

Table 4.10: Change of influence in household decision making by loan categories

Household decision	**Short term clients**		**Long term clients**		**total**	
	N	%	N	%	N	%
Less influence	5	16.7	2	6.7	7	11.7
No change	4	13.3	4	13.3	8	13.3
More Influence	21	70	24	80	45	75
Total	30		30		60	100

The study found that majority of the respondents gained influence after the secured the first loan in the microfinance institution. According to the study, 75% of the respondents indicated that they gained more influence in decision-making in the household, while 13% recorded no change in decision-making while 12% felt that the decision making gained less influence. More influence was recorded by long term clients at 80% compared to short term tem clients at 70%.
According to the study, 75% of the respondents indicated that they gained more influence in decision-making in the household, while 13% recorded no change in decision-making while 12% felt that the decision making gained less influence. More influence was recorded by long term clients at 80% compared to short term tem clients at 70%.

Aside from principal decision making involvement of respondents in major household decisions was sought in areas of empowerment through increase in decision making in areas ranging from education, dowry, use of household savings, venturing into new business and family planning as shown in table 4.11 below. The analysis found that the respondents were involved in household decisions at various levels depending on the issues that needed decisions.

Table 4.11: Respondents involvement in major household decisions by loan categories

Education, health, dowry, assistance to relatives	**control clients**		**Short-term clients**		**Long-term clients**		**Total**	
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Not informed	1	3.3	0	0	0	0	1	1.1
Informed only	2	6.7	2	6.7	1	3.3	5	5.6
Joint decision making	15	50	23	76.7	16	53.3	54	60
Final decision	12	40	5	16.7	13	43.3	30	33.3
Total	30		30		30		90	
New business activity	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Not informed	1	3.3	0	0	0	0	1	1.1
Informed only	2	6.7	2	6.7	0	0	4	4.4
Joint decision making	15	50	22	73.3	17	56.7	54	60
Final decision	12	40	6	20	13	43.3	31	34.4
Total	30		30		30		90	
Use of household savings	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Not informed	1	3.3	0	0	0	0	1	1.1
Informed only	3	10	2	6.7	1	3.3	6	6.7
Joint decision making	15	50	22	73.3	15	50	52	57.8
Final decision	11	36.7	6	20	14	46.7	31	34.4
Total	30		30		30		90	
Use of family planning methods	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Not informed	1	3.4	0	0	0	0	1	1.1
Informed only	1	3.4	2	6.7	1	3.4	4	4.5
Joint decision making	16	55.2	22	73.3	15	51.7	54	61.4
Final decision	11	37.9	6	20	13	44.8	29	33
Total	29		30		29		88	

The decisions concerning education, health, dowry and assistance to the relatives, were shown by 77% of short term clients to be joint decisions,50% control compared to only 53% of long term

clients.43% of the long term clients indicated that they made the final decisions compared to only 40% control clients and 17% short term clients on the same. It was noted that majority of the clients fall between joint decision making and the final decision making category.

Concerning new business activity, the study found that 73% of the short term clients were involved jointly in making business decisions as opposed to only 57% of long term clients and 50% of control clients. However, 43% of the long term clients made the final decision regarding a new business activity compared to 40% of the control clients and only 20%of short term clients. In addition 7% for both control and short term clients are only informed about such a decision. it is noted here that the long term clients just like in the case of education, dowry and assistance to relatives that they are more influential whereby their responses fall in either joint decision making or final decision and not in the lower categories of decision making of being informed only or not informed at all.

On household saving the study found 73% short term clients, 50% for both long and the control clients made joint decisions. 47% long term clients compared to 37% of short term clients and 20% control clients made final decision on the use of household savings. 10% control, 7% short term and 6% long term client were only informed about the use of household savings. It can therefore be established that most family saving decisions were made jointly.

The trends family planning methods still followed the same pattern as the above household issues across loan levels. The study can therefore say that most decisions in the family are shared and made together although there is a high number of MFI clients make decision alone especially by the long term clients and the control category. The short term clients showed higher percentages in joint decision making across the various household decisions.

Table 4.12: Loan related conflicts by loan categories

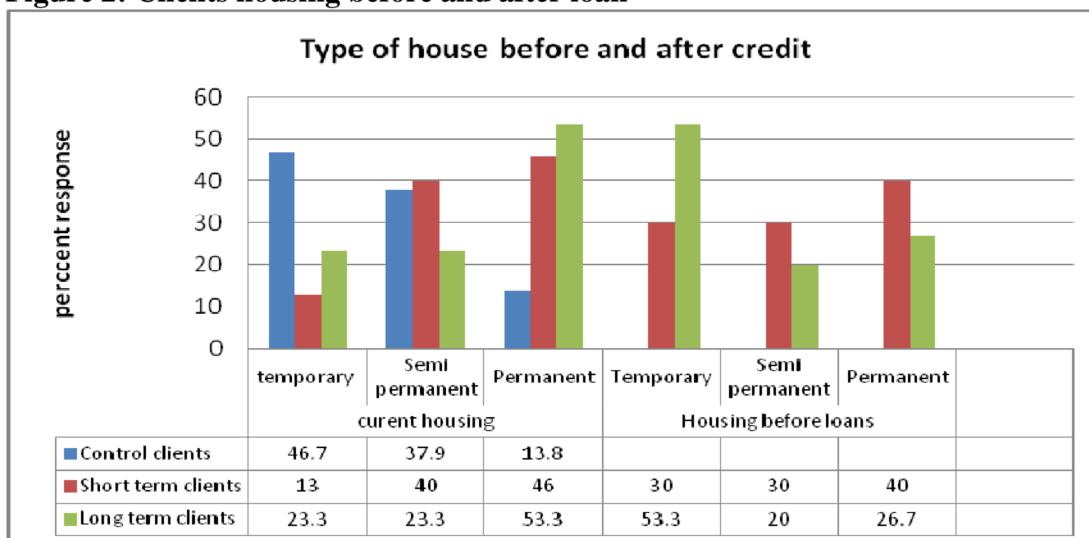
Loan related conflict	Short term clients		Long term client		total	
	N	%	N	%	N	%
Yes	1	3.3	4	13.3	5	8.3
No	29	96.7	26	86.7	55	91.6.
Total	30		30		60	

Due to the various household decision choices loan related conflicts may arise. The analysis as indicated in table 4.12 show that there was minimal loan related conflicts. Only 8% of the respondents reported such cases compared to 92% that reported no loan related conflicts. 97% of short term clients reported no loan related conflicts compared to 87% long term clients. Only 13% long term clients and 3% short term clients reported positive to loan related conflicts. Low percentage in short term clients can be attributed to the fact that majority of the short term clients also reported joint decision making on loan taking and use. Finance is one of the major causes of conflicts in the households

4.6 Impact of MFI on quality of household housing

Aspects of housing considered in the study included quality of house and house amenities accessed by clients' households

Figure 2: Clients housing before and after loan



The study found that 53% of the long term respondents currently live in permanent houses as compared to 46 % and 14% of short term and control clients respectively. The study further found that before loans only 27% of long term clients lived in -permanent houses, while in the past before getting the loans only 40% of short term clients lived in permanent houses. This indicates an increase of 27% by long term clients and 6% by short term clients. The study found that it was more likely to find control clients living in temporary housing than short and long term clients. Only 14% of control clients lived in a permanent house. Permanent housing reflects improved standards of living for household members.

Jesco and peter (1997) assert that access to basic facilities such as electricity, water and gas is seen as an important reflection of household well being. Such basic facilities are inputs of economic activities whether directly or indirectly. Table 4.13 below shows house facilities/amenities accessed by respondents within their households

The analysis sought to understand the relationship between loans and housing electricity. The study found that 80% of the respondents had indicated that they live in houses without electricity. However, after loans this rate reduced by 23% and 8% for short and long term clients respectively.

Table 4.13: Housing facilities/ amenities before and after loans by loan categories

Facility/amenity	**Current situation**			**Situation before loans**		
	N	% Yes	% No	N	%Yes	%No
Electricity						
Control clients	29	10.3	89.7			
Short term clients	30	36.7	63.3	30	26.6	75.9
Long term clients	30	43.3	56.4	30	16.7	83.3
Total	89	30.3	69.7	60	20.3	79.7
Toilet	N	% Yes	% No	N	%Yes	%No
Control clients	29	72.4	27.6			
Short term clients	30	86.7	13.3	29	72.4	27.6
Long term clients	30	80	20	30	56.7	43.3
Total	89	79.8	20.2	59	64.4	35.6
Piped water	N	% Yes	% No	N	%Yes	%No
Control clients	29	10.3	89.7			
Short term clients	30	16.7	83.3	29	3.4	96.6
Long term clients	30	43.3	56.7	30	20	80
total	89	23.6	76.4	59	11.9	88.1

On changes in toilets facilities the study found that before loan the short term clients had the exact percentage of toilets as the control clients at 72%. After taking loans the short term client's rate on toilets increased to 87%. Long term clients noted a greater increase from 57% to 80%. This implies that microfinance loans on households do not only assist in poverty alleviation but

improvement of life and social amenities of people living in the households. The challenge and threat related to lack of toilet is a very practical in slum areas in Kenya and rural areas.

The study also found that 17% of houses now have got water (piped water) after getting loans whereas only 3% had piped water prior to loans by the respondents. The increase in access to piped water is even higher in long term clients where change reported was from 20% to 43%. This indicates that loans by the microfinance's institutions have helped enhance access to piped water in the houses by 15% and 23% for short and long term clients respectively. People, often women, have to walk long distances in order to reach the next water hole or are forced to drink dirty or contaminated water. Droughts, climate change or political instability can make the situation even worse.

4.7 Impact of MFI on household healthcare

In this study three areas were looked at under health. They included change of diet in the household, health facility attended and cooking fuel used.

Table 4.14: Changes in household diet before and after loans by loan categories

Changes in Diet	Control clients		Short term clients		Long term client		Total	
	N	%	N	%	N	%	N	%
Worsened	0	0	2	6.7	2	6.7	4	4.4
Stayed the Same	22	73.3	10	33.3	13	43.3	45	50
Improved	7	23.3	18	60	15	50	40	44.4
Total	30		30		30		90	100

The study found that 60% of the short and 50% long term clients' improved household diet after acquisition of loans compared to only 23% control clients. 43% long term and 33% of short term clients indicated that diet stayed the same. The change in diet to the better could have resulted from success of the business that was used to inject the loan money, constant or no change could have meant that the business in which loan money was injected did not affect the household so much to bring any change. Worsened diet could result from poor loan performance.

Table 4.15: Changes in health facility before and after loan by loan categories

Clients category	Current health facility				health facility before loans			
	Public facility		Private facility		Public facility		Private facility	
	N	%	N	%	N	%	N	%
Control clients(N=30)	26	86.7	4	13.3				
Short term clients(N=30)	16	53.3	14	46.7	24	80	6	20
Long term clients(N=30)	13	43.3	17	56.7	26	86.7	4	13.3
total	55	61.1	35	38.9	50	83.3	10	16.7

The study found that before respondents got loans only 4% and 6% of long and short term clients attended private facilities After the respondents acquired the loan, the study found that there was a change of trend where by those getting health facilities rose to 57% for long term clients compared to 47% short term clients The indicate clearly that the consumer interest change with change in income.

Table 4.16: Changes in cooking fuel before and after loans by loan categories

Clients category	Current situation				Situation before loans			
	N	% wood	% Charcoal	% kerosene	N	% Wood	% Charcoal	% kerosene
Control clients	30	93.3	6.7	0				
Short term clients	30	80	20	0	30	86.2	13.8	0
Long term clients	30	76.7	23.3	0	30	83.3	13.3	3.3
Total	90	83.3	16.7	0	60	85	13.3	1.7

The study tried to understand if there are any changes in the type of fuel used by the respondents, before and after the acquisition of loans. Change from firewood to charcoal to kerosene to gas indicates upward movement of lifestyle. The study found that currently 83% of respondents use firewood while 17% use charcoal. Before the loans, 86% of the short term respondents used firewood as sources of fuel as opposed to 83% of long term clients but after loans, this has reduced to 80% and 77% respectively. The analysis further found that 3% of the respondents

used kerosene before the loans, and after getting the loans, there was no one who used Kerosene as source of fuel among the respondents. This is a negative change. A study by Odell, (2011) found that, Millions of people in many parts of Kenya East Africa face domestic energy shortages and wood is becoming harder and harder to find. Modern energy supplies are non-existent or unaffordable. In many villages women walk countless kilometers each day to find the household supply of wood; and in towns families spend up to a third of their income on wood or charcoal. Upgrade of cooking fuel ensures use of cleaner source of fuel hence better health and more time for women to engage in more productive economic activities and quality time with families instead of spending considerable hours searching for firewood.

4.8 Impact of MFI on household income

The study analyzed the sources on household income and income changes experienced as a result of participation in microfinance programs..

Table 4.17: Sources of household income by loan categories

Income Source	Control		Short Term client		Long Term Client		Total	
	N	%	N	%	N	%	N	%
My enterprise	10	33.3	7	23.3	14	46.7	31	34.4
Household enterprise	2	6.7	2	6.7	4	13.3	8	8.9
HHLD member Employment	18	60	21	70	11	36.7	50	55.6
Respondent employment	0	0	0	0	1	3.3	1	1.2
Total	30		30		30		90	

The analysis found that majority of the household income comes from employment of household members. The study found that 60% control clients and 70% long term clients indicated that their sources of income were from a household member employment compared to only 37% long term clients. 47% long term clients indicated that their personal enterprises was the main source of the household income followed by control clients at 33% and then short term clients at 23%.

Table 4.18: Changes in household income in the last one year by loan categories

Income	Short term clients		Long term client		total	
	N	%	N	%	N	%
Decreased	16	53.3	17	56.7	33	55
Increased	11	36.7	12	40	23	38.3
No change	3	10	1		4	6.7
Total	30		30		60	100

According to the majority of the respondents household income decreased both for the short and long term clients in the period of last one year at 53% and 57% respectively. Only 36% of short term clients had incomes increase compared to 40% long term clients. Loan repayments decreases income unless business profit are adequate enough to contribute both to repayment and household. Other members of the household do also contribute to loan repayments as indicated in loan repayment strategies in this study. This can cumulatively lead to decrease in household income depending on what factors are changing in the household level and in the economical conditions of the households.

4.9 Impact of MFI on accumulation of household assets

The asset base of clients is relevant. The initial resource base of a client affects the extent of a projects impact. The impact of financial services on clients who begin with more resources (financial, physical, or social) tends to be greater than on clients who start from a very low resource base. The study considered savings and basic household assets. Respondents were asked whether they owned any of the basic household furniture including bed and mattress, wardrobe, sofa sets and sewing machine. No significant difference were found between control clients and short term clients or between short term clients and long term clients

Table 4.19: Personal cash savings for emergencies and investments by loan categories

Savings	Control		Short Term clients		Long Term Clients		Total	
	N	%	N	%	N	%	N	%
Yes	20	66.7	17	56.7	20	66.7	57	63.3
No	10	33.3	13	43.3	10	33.3	33	36.7
Total	30		30		30		90	100

In addition the analysis shown on table 4.19 above indicate from that majority (63%) of the respondents kept some personal cash savings for emergencies and for major purchase or investment. Only 57% short term clients reported having cash savings compared to 67% Control and long term clients. This situation can be explained by the fact that short term clients are yet to get a grip and the ways of loan and savings hence it is expected that their savings would more likely to decrease until they stabilize their businesses. However difference across loan levels in personal saving was not significant

Table 4.20: Changes in savings from previous one year by loan categories

Changes in savings	Short term clients		Long term client		Total	
	N	%	N	%	N	%
Decreased	13	43.3	6	16.7	189	30
Increased	16	53.3	23	76.7	39	65
No change	1	3.3	0	0	1	1.7
Total	30		29		59	100

The analysis found that majority of respondents noted an increase in their savings.76% of long term clients had their savings increase while only 53% of short term clients reported an increase. Long term clients were likely to report an increase than the short term clients. The study further found from 43% short term clients and 17% long term clients had saving decrease respectively. This confirms that with increased microfinance institution engagement clients marked an increase in the savings. Mandatory savings that clients are obligated to every time they met ensures savings growth while a decrease in savings is a response to inflation and paying of other household expenses e.g. school fees.

The study found that 100% of the respondents currently owned a bed and mattress. The study indicates that only 47 and 60% of short and long term clients' respondents had their beddings before loan. However after acquiring loans these percentages increased by 53 and 40% for short and long term clients respectively to reach 100%.

Table 4.21: Changes in household assets before and after loans by loan categories

Household assets	Current situation		Situation before loans	
Bed and mattress	N	% Yes	N	% Yes
Control clients	30	100		
Short term clients	30	100	30	56.7
Long term clients	30	100	30	60
Total	90	100	60	58.3
Wardrobe	N	% Yes	N	% Yes
Control clients	30	66.7		
Short term clients	30	83.3	30	46.7
Long term clients	30	83.3	30	60
Total	90	77.8	60	53.3
Sofa sets	N	% Yes	N	% Yes
Control clients	30	50		
Short term clients	30	76.6	30	40
Long term clients	30	63.3	30	53.3
Total	90	63.3	60	46.3
Sewing machine	N	% Yes	N	% Yes
Control clients	30	26.7		
Short term clients	30	26.7	30	16.7
Long term clients	30	16.7	30	13.3
Total	90	23.3	60	

The study also indicated that 47% and 60% of the short term and long term respondents did not have wardrobes. However after loan, it was indicated that 83% of both currently possess wardrobe as opposed to 67% of the control clients.

In addition clients also recorded sofa set before and after acquisition of loan. The findings indicated the short term clients and long term clients reported 53% and 40% to owning sofas prior to loans. After loans acquired sofa sets currently stand at 77% and 63% respectively and higher than Control clients (50%). It is noted here that both had an increase of about 23%.

The study also indicated that 47% and 60% of the short term and long term respondents did not have wardrobes. However after loan, it was indicated that 83% of both currently possess wardrobe as opposed to 67% of the control clients.

The findings implied improvement on assets acquisition on the respondents which implies that loan and income affect the asset acquisition of households. This implies that acquisition of loans can enhance the need for individuals to acquire better assets both for the house and in the business. Changes indicate that the income affect the customer lifestyle, growth of the asset base and even lifestyle change in terms of assets. Acquisitions of such assets can only be possible by small households through loans or contributions. However these assets are also at times sold to repay loans in case of loan repayment difficulties as was indicated by some respondents in their loan repayment strategies

4.10 Other clients experiences with loan programs

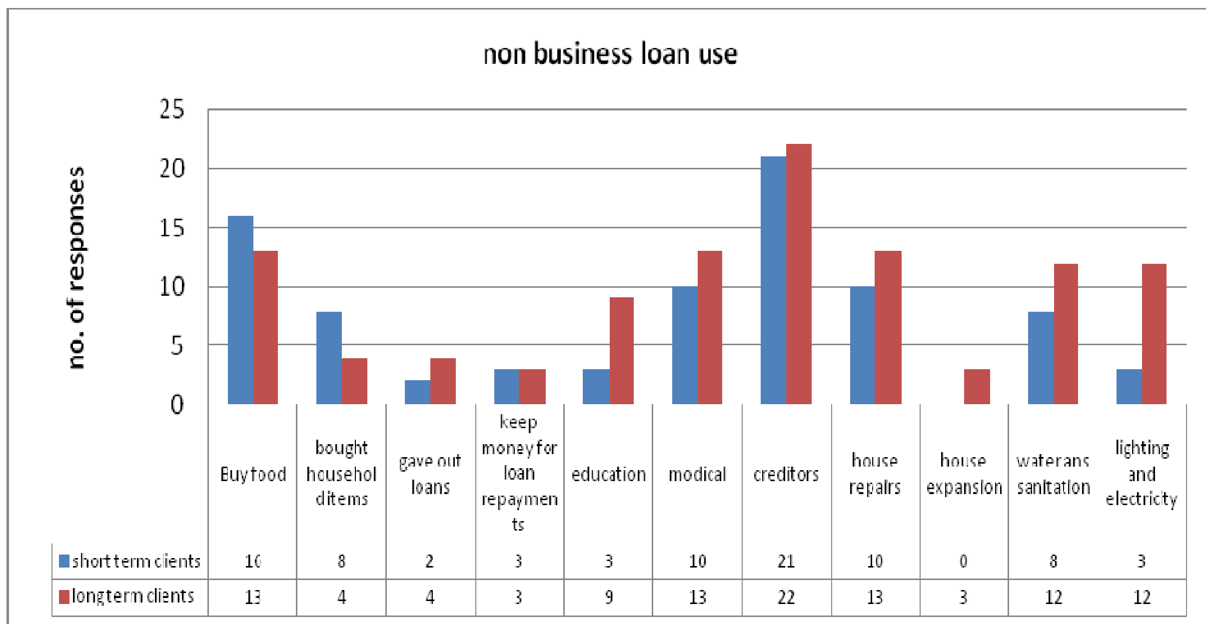
Experiences with loan program determined respondents purpose of taking microfinance loans, how loans were utilized, loan repayment dificulties and cause and strategies used to repay loans.

Table 4.20: Loan purpose and utilization by loan categories

Loan purpose	short term clients		long term clients	
	N	%	N	%
business loans	27	87	26	78
non business loans	4	13	7	21
total	31		33	

The Table 4.18 above shows that out of the loans recorded by clients 87% for short term clients and 78% for long term clients were business loans. Most Loans issued by MFIs were therefore meant for business. Only 13% and 21% for the short term and long term clients respectively were non business loans specifically for house improvement and school fees. Almost all clients visited admitted to have used some of the loan funds to take care of other family and household needs including paying creditors, buying food, paying for school fees, medical care, and house repairs among others as shown in figure 4.3 below . Since MFI priorities is in business investment to enable repayment of loans, clients take loans in pretence of business however loans go into settling other pressing needs of the households.

Figure 3: Use of loans for non business purposes



This assists in improvement to social well being of households however diverting business funds to non business ventures hopeful that they will be able to repay can also be a start of many loan repayment problems that pushes the household further into hardships because a business not invested in will most likely not produce enough profit to pay the loans. This is reflected in payments to creditors rating highest in loan utilization

Table 4. 23: Difficulties in loan repayment by loan categories

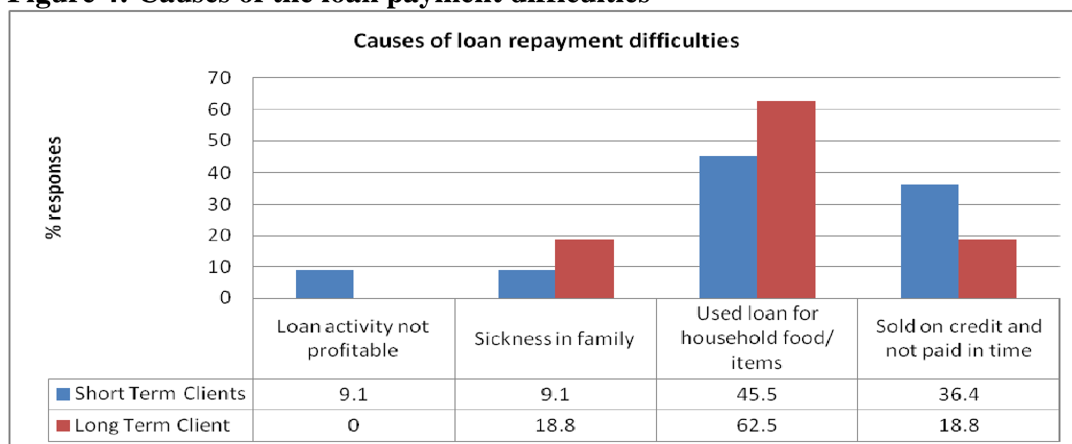
repayment difficulties	Short term clients		Long term client		total	
	N	%	N	%	N	%
Yes	11	37.9	16	53.3	27	45.8
No	18	62.1	14	46.7	32	54.2
Total	29		30		59	100
Chi square = 1.409	significance = 0.299					

The study sought answers to clients' experiences with loan programs by inquiring if clients have had any difficulties in repaying their loan. Also noted was what caused repayment difficulties and strategies that clients employed to ensure compliance. As indicated in the table 4.23 below only 38% of short term clients reported having faced in loan repayment compared to 53% long term clients. This agree with a study by (O'Flynn, 2010) that loans always pose difficulties in repayment due to poor planning of most of the business persons and individuals who take up

loans. The study indicated that 45% of the people who take up loans have reported facing challenges in repayment but finally make it after strict follow-up by the microfinance institutions.

Most of the respondents as shown in figure 4 below reported that the major reason as to why they faced difficulties in loan repayment was because they used loan money to buy household items and foods stuff with the long term clients recording 63% and short term clients recording 46%.

Figure 4: Causes of the loan payment difficulties

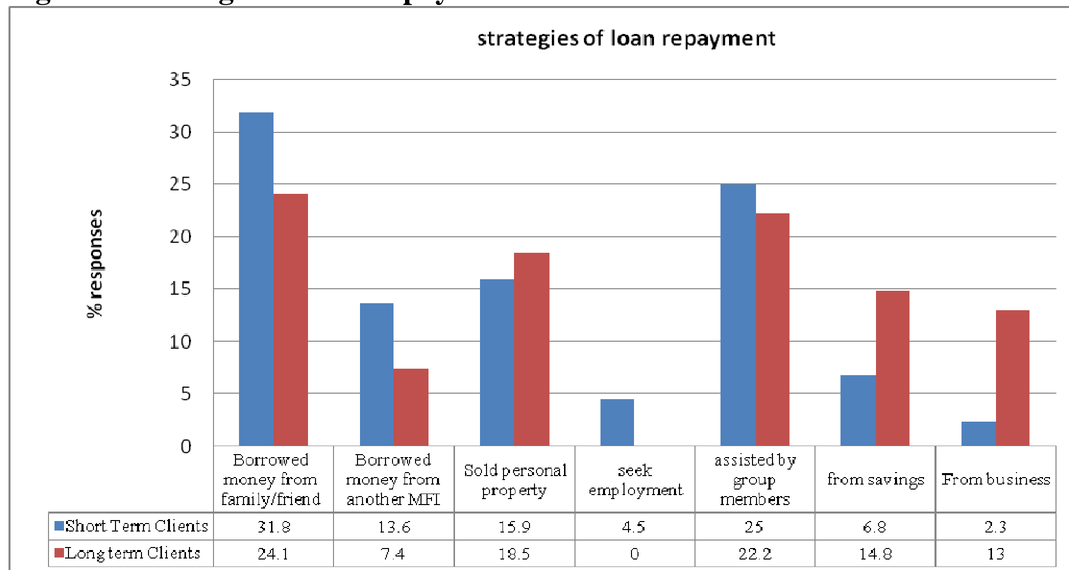


Another factor was that clients sold on credit and not paid in time to facilitate loan repayment with short term clients recording 36% and long term clients recording 19%. 19% of long term clients and 9% long and short term clients further indicated that they faced difficulties after their relatives got sick meaning they either had to support them with finances to seek medical attention or they were the once financing the loan repayments. However, the smallest number of respondents indicated that loan activity was not profitable. This was mainly among short term clients who can be said were still not grounded and experienced in the ways of their business.

Judging from the highest number of respondents, it can be confirmed that using loan money for the purposes that are intended to be is a lethal activity or venture with loan money. The study found that using loan money on household item is one of the risky affairs to venture with finances. This is because such household items are not profit making and they shall be no money generated to repay back the money hence crisis in loan repayment. This agrees with a study by Odell (2011) that nonprofit making loans are most risky and the most highly charged because they are not beneficial to the owner in terms of financial return and cannot be depended to grow

the money reserve in the household. Factors that contribute to repayment problems could also arise from inflexible program products where clients resort to using the enterprise as a source of obtaining loan only to divert the loans to their most pressing household needs like medical and school fees or even household repairs.

Figure 5: Strategies of loan repayments



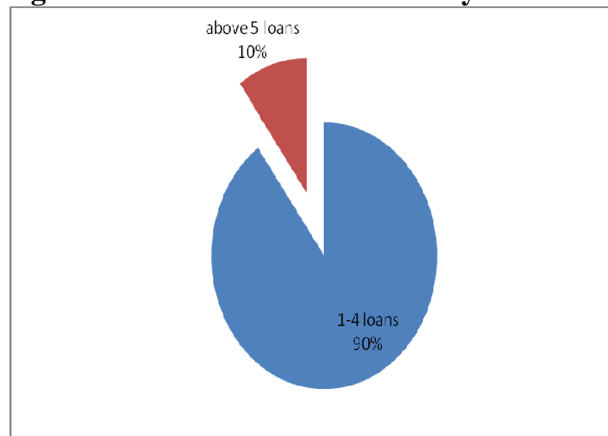
To ensure repayments are made on time the clients utilize various strategies to repay their loans as shown on figure 4.5 above. The study found that MFI clients borrowed from families and friends that reflected the highest response rate at 32% for long term clients and 24% for short term clients. Assistance from group members rated second at 25% for short term clients and 22% for long term clients respectively. Usually in the short run, families and households can get the finances to settle their debts and pay for their meals and some basics needs, deriving the finances from the friends and other sources. Clients also resort to sell personal property when the going gets tougher or even risk seizer and auction of property by MFI to settle cases of loan default. However, in the long run households need to prepare themselves for a better arrangement especially to avoid falling in debt traps.

4.11 Summary of clients exit survey

Data on exit clients is significant in understanding why they dropped out in order to further develop more suitable MFI products. The analysis of the exit clients' survey found out the exit

between 1-7 loans. 90% had taken 1-4 loans and 10% had take above five loans. The pattern exhibited here was that majority of the clients left MFIs within their initial loans cycles.

Figure 6: Number of loans taken by exit clients



79% of respondents believed that the loans were helpful .23% and 37% of respondents reported that loans was within capacity and loan insufficient but simple repayment process respectively. Only 37 % reported that loan was difficult to pay. 90% reported to have had a good experience with MFI. The fact that 67% said they would reconsider rejoining the program while 83% would encourage a friend or relative to join an MFI program is valuable impact information that can be used to consider further recruitments into these programs. Clients were leaving largely for problems related to the program requirements (44%) and business related reasons (30%). In order of priority as depicted by figure 4.6 below the program policies and requirements hindering client's sustainability in programs included high interest rates, frequency/length of meetings and transaction cost. Consequently 80% of the respondents reported that it was their own decision to leave meaning that strategies to curb exit should mainly focus on the clients themselves. What the clients liked best was that MFI programs offered a steady source of capital(32%), efficiency (17%) compared to other sources of finance, technical assistance and group solidarity.

Clients seem to appreciate what MFIs offered. However the modalities need strengthening to cater for the needs of the clients. The trend of exits exhibited by this data points to issues in MFI management that need to be addressed to ensure effectiveness of programs and continued stay of clients. Rani, Jalbani and Laghari (2012) explain that it is rigidity of the MFI products that causes clients to exit, that products offered were not very conducive to the business and personal

needs of clients. As a result clients are forced to manipulate products to suit their needs which later prove very strenuous financially to clients.

4.12 Hypothesis testing of relationship between microfinance loans and impact indicators

To establish the impact of microfinance loans on clients households a regression analysis was conducted. Household impact was taken as the dependent (y) while microfinance loans influence on household savings, education level of children, decision making, income, housing, diet and health care facility were the predictors (X) as depicted in the regression equation below:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \ldots \beta_n X_n + \varepsilon$$

Table 4.24: Regression model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.341[a]	.116	.010	2.876

From the model r square value is 34% which means that the 6 predictor variables explain upto 34% of the variance of household impact of MFI however 66% is explained by factors outside the variables.

Table 4.25 Significance of the regression equation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.274	6	9.046	1.094	.379[b]
	Residual	413.446	50	8.269		
	Total	467.719	56			

The t statistic at 0 .05 significant level was at F = 1.094 and p value = 0.38 as shown in the regression output table 4.25 above which means that the variation explained in the model is not significant and due to chance and that the model therefore is not reliable to be used to predict the impact of MFI at household level. Thus we reject the alternative hypotheses and accept the null hypotheses and conclude that there is no impact of microfinance loans on the social and economic welfare of clients' households i.e. there is however positive relationships between MFI loans and most of the independent household variables as shown in table 4.26 below between microfinance loans and education level of children, influence in decision making, housing and assets while negative with income and health care.

Table 4.26: Relationships between household impact and predictors

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.060	3.279		-.323	.748
	Education level	.985	.554	.247	1.779	.081
	Decision making	.823	.642	.180	1.284	.205
	Housing	.372	.512	.099	.728	.470
	Healthcare	-.923	.893	-.161	-1.034	.306
	Income	-.082	.486	-.023	-.169	.866
	Assets	.714	.738	.149	.968	.338

a. Dependent Variable: household impact

According to the results above the regression equation would be presented as follows:

$$y = -1.060 + 0.99\,X_1 + 0.82X_2 + 0.37\,X_3 - 0.92\,X_4 - 0.82\,X_5 + 0.71 + \varepsilon$$

A constant of – 1.060 was obtained from the equation taking all factors at zero constant. The regression equation indicate that taking all the independent variables at zero a unit increase in education level of children would lead to a 0.99 increase impact, a unit increase in decision making will lead to a 0.82 increase in impact, a unit increase in housing will lead to a 0.37 increase in impact, a unit increase in health care will lead to a 0.92 decrease in impact, a unit increase in household income will lead to a 0.82 decrease in impact, a unit increase in asses will lead to a 0.71 increase impact.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings of the study on household level impact assessment of microfinance institutions for beneficiaries of a community based pre- school program in Kwale County. The chapter also draws conclusions on the research objectives and makes recommendations as well highlighting further areas of research

5.2 Summary of findings

The study sought to investigate the impact of microfinance loans to clients at household level as a result of their participation in the program. The impact sought was at two level; social and economic. The social impact indicators included education level attained by children in household, decision making, quality of housing and healthcare while the economic indicators included income levels and accumulation of assets.

On social impact the study found out that children of short term clients attained higher levels of education (59%) than the long term clients (48%) and control clients (28%) which also corresponded with the expenses in education. On general decision making both short term and long term clients recorded increased levels of influence at 70% and 80% respectively.17% short term clients recorded a decrease in their level of influence in the household. on major household decisions about 50% long term clients made the final decisions.53% of long term clients and 46% of short term clients lived in permanent housing compared to 13% of control clients. This trend was also echoed in housing access to housing amenities- electricity, toilet and piped water

The study findings on economic impact showed that more long term clients (47%)depended on their own enterprises as a source of household income compared to short term (23%) and control clients(33%) however decreases in household income was above 50% for both the long term and short term clients. On the other hand accumulation of savings was uneven across the loan categories. On general asset accumulation findings were uneven between the short and long term clients but still better that accumulation by control clients.

Clients seem to appreciate what MFIs offered. However the modalities need strengthening to cater for the needs of the clients. The trend of exits exhibited by this data points to issues in MFI management that need to be addressed to ensure effectiveness of programs and continued stay of clients. Rani, Jalbani and Laghari (2012) explain that it is rigidity of the MFI products that causes clients to exit, that products offered were not very conducive to the business and personal needs of clients. As a result clients are forced to manipulate products to suit their needs which later prove very strenuous financially to clients.

5.3 Discussion of findings

Clients and household characteristics were found to be similar. Control clients, short and long term clients exhibited similar education levels, occupations, number of household members among others, sufficient similarities to enable the comparison of the control and treatment group to enable attribution of changes realized to the MFI intervention. Positive trends were noted in short and long term clients and an improvement of social economic well being compared to the control clients. The longer the clients participated in the MFI program the more likely the positive impact to client's households.

5.3.1 Impact of MFI on children education levels

Favourable impact of MFI on clients social well being was found in children of long term clients who attained higher levels of education than short and control clients. This was also reflected in high increase of household expenses on education among short term and long term clients. A study by Odell, (2011) found that every parent should strive to have their children in higher grades. This is because higher education improves an individual's quality of life. The study shows that, compared to high school graduates, college graduates have longer life spans, better access to health care, better dietary and health practices, greater economic stability and security, more prestigious employment and greater job satisfaction, less dependency on government assistance, greater knowledge of government, greater community service and leadership, more volunteer work, more self-confidence, and less criminal activity and incarceration

People who live in poverty around the world view education as one key element to break their poverty cycle. Studies show that new income from microenterprises is first and foremost invested in children education. Studies show that children of microfinance clients are more likely

to go to school and stay in school longer as a result of the funds. Student drop-out rates are were found to be much lower in microfinance-client household and to support this venture many microfinance programs are developing new credit and savings products specifically tailoring products to cater for school fees and other expenses(CGAP, 2010).

5.3.2 Impact of MFI on household decision making

Influence at the household level was found to increase the longer the client stayed in the microfinance program. It can be confirmed that the availability of finances as much as its loan money increases the power of decision making to an individual in the household. While a study by Vermeulen (2002) indicated that the traditional, neoclassical model of household behavior known as the unitary model has assumed that households behave as if they were a single entity with a common utility function and income pooling approach of collective models of household decision makinghas allowed for different preferences of household members. Chiappori (1998) indicated that decisions and outcomes in a household such as child health, nutrition, and expenditures for different goods and services depend strongly on whether its income is controlled by the husband or the wife.

As much as influence was good the longer term clients seemed to greatly make the final decisions on major household decision including matters of education, health, dowry, assistance to relatives, use of household savings and family planning while the short term clients seemed to make decisions jointly with spouses which is the more ideal when it came to building of domestic and household harmony.

5.3.3 Impact of MFI on household housing

The results of the study revealed that the longer the clients participated in the program seemed to increase the likelihood of improvements in the quality of housing. A great change was reported in use of piped water and transformation of temporary to living in permanent housing. More long term clients (53%) lived in permanent houses compared to short term clients (43%) and control clients (27%). Jesco and peter (1997) assert that access to basic facilities such as electricity, water and gas is seen as an important reflection of household well being According to Karlan and Zinman (2011) it is estimated that 40% of the world's population does not have access to a toilet

or basic sanitation. Lack of basic sanitation causes contamination of water sources, which leads to water borne diseases. Children under the age of five are the most vulnerable to poor hygiene and inadequate sanitation, two of the major causes of diarrhoea. According to the UN, every 15 seconds a child dies due to lack of clean water.

5.3.4 Impact of MFI on household healthcare

More long term than short term clients sought healthcare with private facilities where fee charged was higher than in public facilities, an indication of increased income that assist with payment of charges. Seeking health care in private as opposed to public facility reflect improved access to quality of medical attention to household and therefore better health to enable enhanced productivity. Other positive effects were reflected in the use of improved cooking fuel, accessing electricity and toilet facilities among the short and long term clients who also exhibited improved diet status than the control clients. On household diet both the long and short term clients exhibited improvements compared to the clients who reported their diet to have remained the same. However the short and long term clients were again the one who also reported worsened diet (7%) Prolonged program participation did not however guarantee a sustained improved diet. Littlefield et al., (2003) explains that problem in loan repayment can hamper the person or household in more discos. Challenges coming up from loan repayment can be a real problem to the household and witnessed through problems in food, change of diet and even lack of any development in the family.

These study findings agree with a study commissioned by USAID-AIMS that reported clients in the FOCCAS program in Uganda. 95% of clients engaged in some improved health and nutrition practices for their children compared to 72% of non-clients due health awareness outreaches including breastfeeding, preventive health, and family planning, had much better health-care practices than non-clients while another study by BRAC found that severe malnutrition declined as the length of membership increased.

5.3.5 Impact of MFI on household income

It was clear from the findings that respondents had a diversified source of income. Household enterprises contribute the least, an indication of widely known challenges of family owned

enterprises where family members rarely showed total commitment towards communal entities as compared to individual ones. Control and sacrifice by individual entrepreneurs ensures business success and thereby increased income. Household member employment still played a critical role in provisions and maintenance of the family. However enterprises that are key in microfinance supplemented household income thereby ensuring more needs could be financially met hence more improved standards and quality of household lives.

This finding agrees with finding by Copestake (2009) when the income of the consumer rises with the prices held constant, the optimal bundle chosen by the consumer changes as the feasible set available to their changes. The income–consumption curve is the set of optimal points of intersection of the points of tangency of the sets of budget constraint lines and indifference curves as income varies, with prices held constant. The income effect is a phenomenon observed through changes in purchasing power. It reveals the change in quantity demanded brought by a change in real income (utility).Also in agreement is a detailed impact assessment study of BRAC in Bangladesh that members who stayed in the program for more than four years increased household expenses by 28 percent and assets by 112 percent.

5.3.6 Impact of MFI on accumulation of household assets

On economic impact basic accumulation of assets as a result of credit was revealed in the findings. The short term clients were found to be more in possession of basic household assets than the long term and control clients. However it was noted that clients did dispose of some assets to enable them repay their loans in case of difficulties resulting to the inability of clients to sustain the positive outcomes as result of credit. Clients were also found to hold some personal cash savings for emergencies and big investments though this was uneven across the sample categories. Having savings is an important key to the development of a household. Savings assist whenever households are faced with problems or emergencies thus reduce their vulnerabilities. The findings agree with a study by Partidario (2003) that an emergency fund set aside covers unexpected expenses such as unexpected emergency or a sudden job loss. He indicates that there are three major significance of savings; transactional, precautionary and speculative or investment motive - where by people need to make day-to-day transactions (buy food, Clothes.) and for precautionary purposes as well and finally people might wish to keep some cash to

switch between various investments. Another analysis of household level data demonstrated that access to financial services enabled BRAC clients in Bangladesh helped to reduce client's vulnerability through smoothing consumption and building of assets.

However it was found that long term clients recorded increased amount of savings compared to control and short term clients. Difficulties on loan repayments were recorded in both short and long term where the long term clients reported more difficulties than the short term clients with causes of loan repayment ranging from using loan for household food or purchase of household items and selling business products on credit. As a result clients resorted to borrowing money from friends and family at no cost selling of personal property and even having to be assisted by group members. This situation strains not only the household but community social relations as well. In addition gains made in accumulation of assets made may erode when clients are left with no option but to sell household items and other property to settle loans. This could have been probably the case of sewing machines which decreased in number after loans by the long term clients. Other negative effects were revealed in use of loans to pay creditors , a vicious cycle that creeps in the lives of clients living their life paying creditors after creditors aggregated further by inability of clients to access their savings.

5.4 Conclusion

This study found that the provision of microcredit has had a range of positive impacts on households of the preschool community project members. Many borrowers reported a greater sense of satisfaction as a result of being more economically active and enhanced sense of responsibility for improving their households' standards of living. Poor people are very vulnerable and move from one crisis to another. Access to microfinance enables them to manage risk better and take advantage of opportunities. Microcredit leads to an increase in household savings and can be used for housing improvements and expansion, purchase of assets and consumer durables. Clients can also use loans to make important investments in human assets such as health and education. The study supported the perception that membership in MFI resulted to changes across the loan levels. The long term clients generally revealed impact at a higher level than the short term while the short term clients revealed better welfare than the control clients. It can be concluded that impact can be achieved in long term participation in MFI

and a loan well managed can lead to the development of households and vice versa therefore there is need to ensure proper loan, finance and business management strategies for clients. This echoes Karlan, Dean, Goldberg and Copestake (2009) who indicated that loan is a three way traffic method of wealth accumulation. Either you get a loan and sink, get a loan and prosper or get a loan and get in the vicious cycle of debt and payment, a lifestyle of no development.

5.5 Recommendations

In reference to the evidence gathered that MFI loans improves household welfare the preschool program can confidently continue mobilizing and linking their members to MFI programs to ensure increased access to the facility as part of its community development program to lift the standards of living of the households. Further rigorous training and technical support should be offered before entry to MFIs and during the initial loan cycles to enable effective loan utilization and management to avoid clients fall outs. Microfinance clients never access their saving deposits during their stay in programs. Access to a percentage of these savings just like in formal banks though unfriendly to the MFIs may just be the solution to further assist clients in effectively managing their funds and loans thereby reducing financial vulnerability. Since the preschool program has access to potential MFI communities a partnership can be established to tailor make products suited for the group especially in terms of strengthened technical support to ensure these communities make informed choices and gain appropriate skills in financial management to ensure maximum benefits from these financial services.

5.6 Suggestions for further research

This research was conducted in Kwale County alone whilst the preschool program exists in another two counties. It will be imperative to conduct a similar study in the other counties to compare the results, identify similarities and the differences to enable a further the understanding of the impact of microfinance to the project population. Other areas may include revolving funds commonly known as merry go rounds where aside from participating on activities of MFI some members have their own private revolving funds. This approach stretches their finances but is a compensation to encourage the use of funds as opposed to having higher but unavailable savings with the MFI.

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APPENDICES

Appendix 1: Impact Assessment survey instrument

Date of interview:………………… Respondent identification number:…………………………

Personal details of respondent

1. Date joined microfinance program (month/yr) …………….. Total months in program:

2a.Sex 1.Female 2. Male	2b.Age (YOB)	2c.Marital status 1 .Married/free union 2.Separated/divorced 3. Widowed 4 Single/never married	2d. Education level 1. none 2. Primary 3. Secondary 4. A level 5. University 99 = Don't know	2e.Other training 1.None 2. Vocational 3.Professional training 4. Literacy classes 5. Other specify……… 99. Don't know	2f.Occupation

Generation of client:

3 How many loans have you so far received? Specify number

(Zero loans = control 1-4 loans= short term clients 5 loans and above= long term clients)

Household Basic Information

4. How many household members stay with you? (Household members=those who live together and share the same food at least once in a day). Specify number

5. How many persons in your household are working—work that earns income? Number economically active

EDUCATION

6a. How many are of school going age (4-17)? Specify number

6b. What is the highest grade level that any of your children has completed?

1= None 2= Primary 3=Secondary 4= A level 5= University 99= Don't know

6c. How many of these children have never attended school? Specify number

7. How do you compare amount spent by your household on education this year to last year

1 = decreased greatly 2 = Decreased 3= Increased 4 = increased greatly
5=No change 98= not applicable 99= don't know

Decision making

9. How much say do you have in the following Major household spending decisions

a. Education, health, dowry, assistance to relatives
b. New business activity
c. Use of household savings
d. Use of family planning methods

1=Not informed 2=Informed only 3=Joint decision making
4= Final decision 5=Not applicable

10. (***Clients only***). Has there been any change of influence on household decisions since you received the first loan

1= Less influence 2= No change 3= More influence

Any other comments ……………………………………………………………………

11. (***Clients only***). Have there been any conflict between you and your spouse due to loan related matters
1= Yes 2= No
Please explain…………………………………………………………………

Household income

12. What are the major sources of your household income?

1= my enterprise 2= household enterprise 3=household member employment
3= respondent employment 4= other. specify………………………………..

13. (***Clients only***). Over the last 12 months, has your household income…?

1 = decreased greatly 2 = Decreased 3= Increased 4 = increased greatly
5=No change 99= don't know

Access to saving and credit

14. Do you currently have any personal cash savings that you keep in case of emergencies or because you plan to make a major purchase or investment?
1 = Yes 2 = No 99 = Don't know

15. (***Clients only). During the last 12 months, has*** your savings ….. ?

1 = decreased greatly 2 = Decreased 3= Increased 4 = increased greatly

5=No change 99= don't know

Use of loans

16. (***Clients only).*** From loans received please indicate how you utilized the money for the different use categories

Clients category	ii)Loan purpose	Did you use any portion of this loan for the following…?		
		iii)business	**iv)Non business**	
	1=business 2= Non business **(Multiple answer possible)**	1=enterprise 2=initiating another enterprise **(Multiple answer possible)**	1=Buy food 2=Buy clothes 3=household items 4=Give or loan the money to your spouse or someone else 6=Keep money on hand in case of an emergency 7= Keep money on hand to repay the loan 8= education 9=medical 10 = creditors ***(Multiple answers possible)***	**Housing improvements and or additions** 11= repair Roof , floor, walls, 12=House expansion- rooms , fence, shade 13= Water and sanitation improvements- drainage, latrine etc 14. Lighting and electricity ***(Multiple answers possible)***
16a. loan1-4				
16b. Loan 5 and above				

Household housing

	i) currently	**ii)** ***(clients only)*** **Before loans**
17a. What type of house do you live in? 1= Temporary 2 = semi-permanent 3 = permanent		
17b. Does/ did it have the followings:		
electricity (1=yes 2=No)		
toilet (1=yes 2=No)		
piped water (1=yes 2=No)		
17c. What is/What was the main fuel you used for cooking? 1 = Wood 2 = Charcoal3 = Gas 4 = Electricity 5 = Kerosene		

Household assets

18. Do you currently own some households assets? 1. Yes 2. No

Household assets	**Does anyone in the household own this item?**	**Which one was acquired after loans**
19a. Sewing machine		
19b. furniture 1= bed with mattress 2= wardrobe 3= sofa set		

Diet and Coping with Difficult Times

20. During the last 12 months, has your household's diet changed?

1 = Worsened   2 = Stayed the same   3 = Improved.   99 = Don't know

21. Access to health

Places of health services	**21a.currently**	**21b. (*clients only*) Before loans**
1= Dispensary/health centre 2= private doctors 3= Other. Specify……………….		

Loan repayments

22a. (***clients only)*** Have you ever faced any difficulty repaying your loan to the program ?

1 = Yes   2 = No   99 = Don't know

22b. (***clients only***) (*If yes)* What caused your repayment problems?

1 = Loan activity was not profitable
2 = I or others in my family had been sick
3 = Used some of the loan money for food or other items for the household
4 = Sold on credit and did not get paid back in time
5 = Other. specify……………………………………………………………………..
99 = Don't know

22c. (***clients only)*** what did you do to get through this situation *(multiple answers possible)*

1 = Borrowed money from family/friend at no cost
2 = Borrowed money from another MFI
3 = Sold personal property
4 = seeked employment
5 = assisted by group members
6 = from savings
7= Other (specify) ………………………………………………………………

9 = Don’t know

22d. (***clients only***) (*If no to repayment problesm)* .specify how..

1 = Borrow money from family/friend at no cost
2 = Borrowed money from another MFI
3 = Sell personal property
4 = seek employment
5 = assisted by group members
6 = from savings
7= from business
Other (specify) ………………………………………………………………….
9 = Don’t know

23. (***Clients only).*** Overall (taking into consideration income, time, health, diet and housing) has your life been better or worse off than it was before your last loan?

1 = Worse 2 = No change 3 = Better 4 = Not sure
5 = Other. (specify)…………………

24. (***Clients only)*** How do you feel about yourself as a family member (in your household) after joining the MFI?

1= No change 2= Productive/ useful 3= Respected 4= Confident 5= hopefu
6= burdened 7 = in control 8= other. Specify………………

Appendix 2: Client exit survey instrument

Date of interview:……………………………… client identification number:…………………….

Program Entry date(month/year): ………………Exit date: (month/year)………………………………..

1. Number of program loans taken (specify number)……………………………

2. Did the loans help you and your family? 1=Yes 2= No

3**.** Which answer best describes the impact of the loans from this program?
1= Didn't help me at all 2= Loan was a burden
3= Helped me a little 4= Helped me quite a lot 99= Don't know

4. Who made the Decision that you leave the program
1= self 2= other family members 3= group 4= program

5. Do you think you benefited from being a member of the group? (*Multiple responses po*

1= Loan Repayment
2= Provided advice and support when I needed help personally
3= business ideas and contacts
4= new friendships
5 =Development of Leadership skills
6 = training and new information
7= No I did not benefit
8= Other. *specify*……………………..
99=Don't Know
9=No Response

6. How did you repay your last loan. (*Multiple responses possible.*)
1=From my business (profit)
2= From another household business or source of income.
3=Borrowed from friends/family at no cost
4= Borrowed money at cost (specify source,)…………....................................
5= from savings
6 = other . specify…………………………………………………
99= Don't know

7. Which of the following best describes your experience in paying your last loan?
1= Loan Difficult to repay `Loan
2 = Loan Repayment within the Capacity
3= Loan Insufficient for Enterprise but Simple Repayment Process
4= Other.specify……………………..
5 = No Response

8. What were your Reasons for leaving the microfinance program?

(Multiple responses possible)

A) Problems with program policies or procedures:

1= The loan amount is too small.

2=The loan length is too short.

3= do not like the repayment schedule.

4= The loan became too expensive (such as interest fees).

5=The disbursement of the loans is not efficient.

6= was unwilling to borrow because of other conditions, (such as obligatory savings, obligatory training).

7= did not like the treatment by the staff or had personal conflicts with staff.

8= found a program with better terms.

B) Client's business reasons:

9=. have enough working capital now for my business.

10= business is seasonal; I will borrow again when I need it.

11= graduating to a loan program that makes larger loans.

Which one? ___________________________

12= unable to repay the loans because of the weak condition of my business

13= decided to close the business and do something else

Why? ………………………..

14= I sold the business (not profitable enough, poor economic conditions affecting).

C. Personal reasons:

15= I cannot continue because I spent the money on a crisis or a celebration

16= no self capacity to run business

17= lack of time or ability to continue the business at the same level

18= I am moving out of the area.

19= family prohibition to take loan member leaving home

20= illness or death in family

D. Problems with group lending:

21= The group told me to leave.

22= The group disbanded.

23= personal conflicts with other members of the group.

24= unhappy about group leadership.

25= unable or unwilling to attend all the group\ meetings (such as take too much time; have schedule conflicts)

26= did not like the rules and/or the pressure established by group.

D. Community and economic reasons:

27= business was ruined by a disaster (such as robbery; fire; flood; hurricane).

28= A major new competitor moved into the area and many of my customers now buy from the competition.

29= Poor economic conditions i.e low purchasing power of customers

9. Please mention the two things you liked best about the program.

1= Lower interest rate than other informal sources of credit (informal lenders)
2 = Steady source of working capital
3 = Group solidarity and/or group dynamics
4 = Training or technical assistance
5 = other financial services, such as savings or insurance
6 = Efficiency, compared to banks or other sources
7 = Easier guarantees than loan alternatives
8 = Other (specify)………………………………………………………………
99 = Don't know

10. Please mention the two things you liked least about the program.

1= High interest rates or commission.
2 = Size of initial or subsequent loans too small
3 = Loan cycle too long or too short
4 = Problematic group dynamics (with leaders or at meetings)
5 = Meeting frequency too often or meetings too long
6 = Meeting place/office not convenient
7 = Repayment policies (frequency, amount)
8 = Guarantee policies
9 = Transaction costs for client (such as slow disbursement or have to cash checks)
10 = Dislike behavior/attitude of loan officer or other program personnel
11 = Lack of grace period
12 = Forced savings or insurance
13 = Other (specify) ……………………………
14= Nothing
99 = Don't know

11. Which best describes your experience of participating in the program?

1= Very Bad 2= Bad 3= No Effect 4= Good 5=Very good

12. Do you think that you might rejoin the program in the future? *(Read answers.)*

1. Yes 2. Probably 3. No
4. Only if specific changes are made 99. Don't know

13. Would you encourage a relative or friend to join a microfinance program?

1. Yes 2. No 99. Don't know

14. Any other comments?……………………………………………………………………..