INFLUENCE OF SERVICES OFFERED BY FINANCIAL INSTITUTIONS ON SOCIO-ECONOMIC STATUS OF ENTREPRENEURS IN KAKAMEGA MUNICIPALITY

BY
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2012
DECLARATION

This research report is my original work and has not been presented for a degree award in any university.

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This research report has been submitted for examination with my approval as the university supervisor

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DEDICATION

I dedicate this research project to my wife Irene Njeri and my daughter Mercy Njeri for the support and patience they accorded me when doing this work. I also dedicate the report to my brother Samuel, his wife Diana, my parents, brothers and sisters; they all gave me moral support through prayers and regular telephone calls as I wrote this project.
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<td>Gross Domestic Product</td>
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ABSTRACT

This research was designed to establish the influence of financial institutions on socio-economic status of entrepreneurs in Kakamega Municipality. There were various related studies done in the world, in Africa and in Kenya which contributed to this research project. The background of the study showed that money is very important for any economy to thrive. Attiyeh and Lumsden observed that without money, our complex exchange economy would grind to a halt. Access of financial services contributes to rural development and poverty reduction by promoting income-enhancing and vulnerability-reducing investments. However, financial access was limited in most rural areas in developing countries because of high transaction costs and risks attributed to low levels of economic activity, poor infrastructure, and poor public policies such as interest rate caps and debt write-offs as highlighted by Nair and Todd. The research objectives outlined in this study were to establish the influence of savings, lending, debt recovery and mobile banking on socio-economic status of entrepreneurs in Kakamega Municipality. Poverty level in Kakamega District stood at 57.7% in 1997 as indicated by Welfare monitoring Survey. This compared unfavorably with the then Provincial figure of 51% and national figure of 47%. This study was expected to help financial Institutions improve their products and services, serve as reference by future researchers who may have interest in the same area of study, serve the Government and non-governmental organizations. The literature review discussed products and services offered by financial institutions globally and in Kenya and how they influence on socio-economic status of entrepreneurs. It also captures Government policies as a moderating factor and culture, personal factors as well as weather as intervening variables. On research methodology, the researcher used a descriptive survey research design while administering questionnaires and interview guides on a reasonable sample of the population. Findings of the study revealed that 98% of respondents operated accounts and were able to build savings and acquire assets, 56% had accessed loans which enabled them to improve their income and better their occupation, 25% had failed to pay loan installments on time and this had some negative impact on their socio-economic status. 47% and 45% respondents had accessed mobile banking and agency banking services respectively, both influencing their socio-economic status positively. The study recommended that financial institutions need to make operation of savings accounts easy and lending affordable. It’s important for customers to be more enlightened about mobile banking and prompt loan repayments. The study suggested further research on the following related topics; Influence of women enterprise fund on socio-economic status of women entrepreneurs; Youth Enterprise fund and its influence on socio-economic status of young entrepreneurs and population growth and its influence on socio-economic status of entrepreneurs. These topics are related to this project and are likely to shed more light on why poverty level in Kakamega municipality is comparatively high.
CHAPTER ONE
INTRODUCTION

1.1 Background of the study

Attiych and Lumsden (1966) observed that without money, our complex exchange economy would grind to a halt. Without financial intermediaries like banks, insurance companies, and savings and loan associations to link savers and investors, the circular flow of income would stagnate. Thus, regulation of the supply of money and of the financial intermediaries provides a major channel for government control of aggregate demand. Many kinds of private financial institutions have developed over the years to meet people's changing needs. Some of the institutions such as savings and loan associations and insurance companies receive long term savings and channel them on into real investment in buildings, equipment and the like. Others, such as the ordinary commercial banks serve as depositories for both currently used funds and longer term savings. Commercial banks accept both savings accounts and checking accounts. The presumption is that savings accounts represent funds put in the bank for relatively long period of time, while checking deposits are funds that one may want to use promptly. This implies that banks generally feel freer to make long term loans when their savings deposits go up than when their checking accounts increase.

According to Nair and Todd (2007), access of financial services contributes to rural development and poverty reduction by promoting income-enhancing and vulnerability-reducing investments, enabling better management of cash flows and risk, and facilitating remittances. However, financial access is limited in most rural areas in developing countries because of high transaction costs and risks attributed to low levels of economic activity, poor infrastructure, and poor public policies such as interest rate caps and debt write-offs. In United States, agricultural cooperatives report an average annual turnover of more than USD 89 Billion. In Canada, agricultural cooperatives handle 40% of the farm cash receipts. In Japan, agricultural cooperatives report an average annual output of more than USD 90Billion. In some developing economies, financial Cooperatives (FCs) and their networks are well developed and have large shares of the financial services market. In Bangladesh, the Association for Social Advancement (ASA) which was started in 1978 by a small group of young men serves nearly six Million Villagers today (Armendariz and Morduch,2010). In Bukina Faso, financial Cooperative network originated in 1970s and 63% of its membership
is composed of urban dwellers. FCs in most developing countries are underdeveloped and have negligible market shares. Financial sector development, while related to overall economic development, is also significantly related to the development of financial infrastructure. In turn, the development of financial infrastructure varies significantly depending on the regulatory policies adopted by a country. In Kenya, the major rural finance providers are commodity organizations, savings and credit cooperative organizations (SACCOs), some banks promoted by Micro finance Institutions (MFIs) such as Equity Bank and Kenya Rural Enterprise Program (KREP), the Cooperative bank and some MFIs such as Faulu Kenya and Women Finance Trust.

Kibaara (2005) observed that 80% of the Kenyan population derived livelihood from agriculture. Promoting efficient, sustainable and widely accessible rural financial systems remains a major development challenge in most sub Sahara African Countries. With about 73% of Africa’s population living in the rural areas and experiencing a high evidence of rural poverty, improved rural finance is crucial in achieving growth and reducing poverty. She however observed that the development of financial systems was hampered by the high cost of delivering the services to small, widely dispersed customers; as well as a difficult financial terrain, missing markets for risk management instruments and lack of suitable collateral.

According to Kodhek (2003), access to Credit and other financial services has the potential to make a difference between grinding poverty and economically secure life. In the late 1990’s, most mainstream Commercial banks closed down some rural branches in Kenya in order to cut costs and improve profits. The non-traditional financial institutions have emerged to fill the gap created by the main stream banks which locked out low income and irregular earners. As I wrote this research paper, Kakamega Municipality had eleven banks and numerous non-bank financial institutions which provided products and services to the people. Kakamega Municipality had various economic activities carried out by both men and women who accessed different financial institutions. According to Kakamega District Strategic Plan of 2005-2010, the economy of the district was agriculturally based with 62% of the people involved in one form of agricultural production or another. Females accounted for about 54% of the total labor force while males accounted for 46%.
1.2 Statement of the problem

This study sought to establish the influence of services offered by financial institutions on socio-economic status of entrepreneurs in Kakamega Municipality. The Welfare Monitoring Survey of 1994 showed that 52% of population in Kakamega District lived below poverty line meaning that they could not afford basic necessities like food, shelter, clothing, good housing, good health and so forth. This compared unfavorably with the Provincial figure of 51% and the national figure of 47%. Further evidence of poverty in the district was established in 1997 by Welfare monitoring Survey 2 which found that 57.47% of the population was living below the poverty line. The poverty situation in the district was attributed to high population growth rate, HIV/AIDS and poor economic performance. The most vulnerable groups included the landless, female-headed households, subsistence farmers, the unemployed youths, street children, the elderly and HIV/AIDS orphans. The district lacked industries and hence agricultural produce were poorly marketed.

According to Kakamega District Strategic Plan of 2005-2010, causes of poverty in the district included large and rapid increasing population which had resulted to sub-division of land into uneconomical sizes especially in Lurambi and Ikolomani Divisions and high incidences of diseases resulting to low productivity among the sick, inaccessibility to credit facilities and poor infrastructure. Poor economic performance and inaccessibility of credit facilities were some of the contributors of high poverty level in Kakamega District according to the Welfare Monitoring Survey I of 1994, Welfare monitoring Survey II of 1997 and Kakamega District Strategic Plan of 2005-2010. There was a gap that needed to be investigated and filled when high levels of poverty were caused by poor economic performance and inaccessibility of credit facilities yet there were 11 banks and 5 big nonbank financial institutions in Kakamega town. The 16 big financial institutions plus other small micro-finance institutions existed to provide credits amongst other services. Credit access has the potential to reduce poverty and improve socio-economic status of people. It was therefore important to establish if there was any influence of services offered by the financial institutions on socio-economic status of entrepreneurs in Kakamega municipality.

1.3 Purpose of the study

The purpose of this study was to find out if there existed any influence of services offered by financial institutions on socio-economic status of entrepreneurs in Kakamega Municipality.
1.4 Objectives of the study

The following objectives guided this study:

1. To determine the extent to which savings influenced socio-economic status of entrepreneurs in Kakamega Municipality.

2. To establish how lending influenced socio-economic status of entrepreneurs in Kakamega Municipality.

3. To establish how debt recovery influenced socio-economic status of entrepreneurs in Kakamega Municipality.

4. To determine the influence of mobile banking on socio-economic status of entrepreneurs in Kakamega Municipality.

1.5 Research questions of the study

The following research questions guided this study

1. How do savings influence socio-economic status of entrepreneurs in Kakamega Municipality?

2. In which ways does lending influence the socio-economic status of entrepreneurs in Kakamega Municipality?

3. How does debt recovery influence the socio-economic status of entrepreneurs in Kakamega Municipality?

4. What is the influence of mobile banking on socio-economic status of entrepreneurs in Kakamega Municipality?

1.6 Significance of the study

Findings of this study would help financial institutions in addressing issues that have negative impacts on their customers. This study was of importance to residents of Kakamega District who would be able to access it in gaining knowledge of financial Institutions' products and services. It would also be beneficial to the Government of Kenya through ministry of Finance
and Ministry of Gender, Culture and Social Services in setting up of policies with an aim to better the lives of people. The study would also be of benefit to future researchers as a source of information. This study would have the potential to build and empower people worldwide.

1.7 Delimitation of the study

The research was carried out in Kakamega Municipality and it focused on entrepreneurs in different types of business. The study was successful due to the fact that; Money and related services is an interesting topic, people like sharing the challenges they experience in financial Institutions, there were many respondents in Kakamega Municipality and literacy level was relatively high. Most entrepreneurs in this region were free in expressing their feelings and this enabled the researcher to get a lot of information.

1.8 Limitations of the study

During the study it was realized that some respondents were not conversant with some services offered by financial institutions. I simplified the research questions as much as possible so that the respondents would understand the questions asked; access to some important literature was limited in the local libraries. I supplemented this knowledge with some access to the internet; some respondents were not comfortable enough to disclose required information. I gave them an assurance of holding information given by them in confidence; some entrepreneurs did not show interest in the study and opted not to take the questionnaires. I proceeded to other entrepreneurs who were positive and willing to assist; some respondents did not know charges levied by financial institutions for various services. I sensitized them on the importance of this knowledge. For the purpose of accurate report, i requested respondents to answer the questions as accurately as possible giving a leeway of “I don’t know” as one of some answer choices; I came across respondents who could not fill the questionnaire, I made use of interview guides to collect information in such cases; some respondents took long to complete the questionnaire while others were never available to return the questionnaires. This led to extension of time that was initially allocated to the task and also giving out more questionnaires in order to get the required sample size.
1.9 Basic Assumptions of the study

This study was based on the assumptions that: respondents gave accurate information as they answered questions in the questionnaire; the sample taken was a good representation of the population; the data collection instruments had validity. It was also assumed that products and services offered by financial institutions had some influence on socio-economic status of entrepreneurs. There was an assumption that all entrepreneurs had an engagement with a financial institution.

1.10 Definition of Significant Terms used in the study

**Financial Institution**—any business organization that deals in financial services whether a bank or a non-bank financial institution.

**Financial Services**—both products and services offered by financial institutions

**Socio-economic status**—a family's socio-economic status is based on family income, parental education level, parental occupation, and social status in the community.

**Entrepreneurs**—traders who are licensed by Municipal Council of Kakamega.

**Savings**—amount of money that customers keep in a financial institution for a specific time.

**Lending**—allowing people to get money from a financial institution then pay it back at an agreed period of time at a higher amount than they borrow.

**Debt recovery**—a process of getting back money that is owed to financial institutions by borrowers.

**Mobile banking**—branch-less banking services offered through phones, ATMs and agents.
1.11 Organization of the study

Chapter one describes background of the study, statement of the problem, purpose of the study, four objectives of the study, four research questions, significance of the study, delimitation of the study, limitations of the study, basic assumptions of the study and definition of significant terms.

Chapter two covers introduction to literature review, description of financial institutions, financial institutions in Kenya, products and services offered by financial institutions (savings, lending, debt recovery and mobile banking.) These services are studied in relation to their influence on socio-economic status of entrepreneurs. The chapter also covers conceptual framework, relationship between variables in conceptual framework and summary of literature review.

Chapter three covers introduction to research methodology, research design, target population, sample selection, sampling procedure, methods of data collection, instrument reliability, instrument validity, data collection procedures and data analysis techniques.

Chapter four consists of data analysis, presentation and interpretation. This information is broken down into the chapter introduction, demographic information, profile of respondents, types of businesses run by respondents and financial services accessed by respondents.

Chapter five discusses the summary of findings, discussions, conclusions and recommendations. This is given under chapter introduction, summary of the findings, discussions of the study findings, conclusions of the study, recommendations of the study and suggestions for further research.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Reviewed literature was organized under the following sub headings; financial institutions, financial institutions in Kenya, products and services offered by financial institutions, influence of savings on socio-economic status of entrepreneurs, influence of lending on socio-economic status of entrepreneurs, influence of debt recovery on socio-economic status of entrepreneurs, influence of mobile banking on socio-economic status of entrepreneurs, conceptual framework, relationship between variables in conceptual framework and summary of literature review. Literature for this study was drawn from text books, journals, research works, Government publications and documents, World conference reports and Internet.

2.2 Financial Institutions

In financial economics, a financial institution is an organization that provides financial services for its clients or members (Wright, 2000). Probably the most important financial service provided by financial institutions is acting as financial intermediaries. Most financial institutions are regulated by the government. Broadly speaking, there are three major types of financial institutions: deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies; Insurance companies and pension funds; and Brokers, underwriters and investment funds. Financial institutions provide service as intermediaries of financial markets. They are responsible for transferring funds from investors to companies in need of those funds. Financial institutions facilitate the flow of money through the economy. To do so, savings are brought to provide funds for loans. Such is the primary means for depository institutions to develop revenue.

Attiych and Lumsden (1966) stated that without money, our complex exchange economy would grind to a halt. Without financial intermediaries like banks, insurance companies, and savings and loan associations to link savers and investors, the circular flow of income would stagnate. Thus, regulation of the supply of money and of the financial intermediaries provides a major channel for government control of aggregate demand. They have given a scenario where a person A has a pig and really wants to acquire a spool of thread, two new shirts, a
movie and a newspaper. This person A hears that another person B down the road has made some shirts. But unless B happens to want some pork chops, A is still out of luck. A neighbor, C, wants a pig, but she has only lumber to trade. If A is lucky, he may be able to get lumber from C and swap that to B for shirts. But it's going to take some haggling to work out a fair trade with such indivisible products, even if they have a basic desire to swap. This reminds me of barter trade. With money as a medium of exchange and a standard of unit for quoting exchange prices, it is easy to avoid this kind of difficulty. Money is a universally accepted unit of purchasing power, freely spendable and easy to store if one wants to postpone spending their income. Currently when there is mention of money, one thinks of notes and coins. But for hundreds of years cattle served as money in ancient world (Attiyich and Lumsden, 1966). In the late Roman Empire, small, square pieces of leather were used. Two Hundred years ago, hides and wampum beads served as money in North America. Only recently has the world widely adopted the coins and paper notes that we now use; and today we are moving away from them to bank cheques except for small transactions. Money cannot be defined merely in terms of the substances that we use for it at any time. A useful definition of money must be based on what money does, not on what it looks like. It is important to note that at this time when Attiyich and Lumsden were writing, there was no mobile phone banking which offers services like m-pesa and Airtel money. Banking has now changed and there are many people preferring to carry their money in float form.

Financial institutions in most countries operate in a heavily regulated environment as they are critical parts of countries' economies (Wright, 2000). Regulation structures differ in each country, but typically involve prudential regulation as well as consumer protection and market stability. Some countries have one consolidated agency that regulates all financial institutions while others have separate agencies for different types of institutions such as banks, insurance companies and brokers. Countries that have separate agencies include the United States, where the key governing bodies are the Federal Financial Institutions Examination Council (FFIEC), Office of the Comptroller of the Currency - National Banks, Federal Deposit Insurance Corporation (FDIC) State non-member banks, National Credit Union Administration (NCUA) - Credit Unions, Federal Reserve (Fed), Office of Thrift Supervision - National Savings & Loan Association, State governments each often regulate and charter financial institutions.
Countries that have one consolidated financial regulator include the United Kingdom with the Financial Services Authority, Norway with the Financial Supervisory Authority of Norway, Hong Kong with Hong Kong Monetary Authority and Russia with Central Bank of Russia. In Kenya, we have the Central Bank of Kenya regulating financial institutions (Banking Act, Cap 488).

2.2.1 Financial Institutions in Kenya

According to Central Bank of Kenya (1998), Kenya's financial sector grew steadily in the 1990s as indicated by the growth of the share of the financial sector in GDP from 7.9% in 1990 to 9.6% in 1994, and to 10% in 1997 (ROK, 1997, 1998). The assets of the banking system more than doubled between 1990 and 1995, while those of the non-bank financial institutions (NBFIs) increased by 16% over the same period. The composition of the institutions as at 1998 consisted of 55 commercial banks, up from 48 in 1997; 16 non-bank financial institutions from 24 in 1997; 4 building societies; and 2 mortgage finance companies. The number of commercial banks increased significantly in the 1980s, from 16 in 1981 to 26 in 1990 and 48 in 1997. The NBFIs also experienced rapid growth over the same period, more than doubling from 23 in 1981 to 54 in 1988. The number declined sharply after that, however, to 24 in 1997. The rapid growth in the banks and NBFIs was attributed to a regulatory framework in which entry requirements were relaxed as a deliberate government effort to promote the growth of locally-owned financial institutions. The rapid growth of NBFIs was due to the lower entry requirements for NBFIs, which also faced no interest rate restrictions and were therefore able to attract more deposits by charging higher interest rates. In the 1990s, the realization that regulatory differences had resulted in the mushrooming of NBFIs led to harmonization of capital requirements and interest rate regulation for both banks and NBFIs. This led to the decline in the number of NBFIs as many converted to commercial banks. As the financial sector grows, institutional diversity is expected. However, this has not been the case, as reflected in the limited growth of other competing institutions like post bank, insurance and the stock exchange. The Kenyan banking sector is dominated by a few large firms, which focus mainly on short-term lending. Of the 56 commercial banks operating in the country, the largest four control 81% of the deposits. The short term nature of their lending and their policies of concentrating on a small corporate
clientele has implied indifference to small savers and borrowers. This has meant that they exclude a large number of potential borrowers and investors from their services. The growth and relative sophistication in the Kenyan financial system have not been matched by efficiency gains in the quality of services offered to the customers and the economy in general. It has been argued that the large difference between deposit and lending rates is an indication of the lack of sufficient competition for savings among Kenyan banks. Despite the liberalization of interest rates in 1991, nominal interest rates have shown minimal increase, resulting in negative real interest rates, and a widening of interest rate spread, indicating inefficiency in the system. Bank charges for services rendered also make the cost of banking prohibitive to a majority of the population. The high profitability in the banking sector has not triggered entry by new competitors as would be expected. This indicates an existence of barriers to entry in the market. According to the 1997–2002 development plan, there is need to introduce regulatory measures to check oligopolistic tendencies, which restrict entry and efficiency in the banking sector.

According to Finance Learners (2012), some of the top financial institutions in Kenya are Equity Bank, KCB Bank Group, Family Bank Ltd, Industrial and Commercial Development Corporation (ICDC), among others. Equity Bank was the first African financial institution to win the inaugural Africa Investor Financial Reporting Award for its leadership and efforts in financial reporting. In addition, it has been named the best bank in the Kenya Banking awards. Equity bank was named the bank of the year at the 2009 Banking Awards ceremony. The awards recognize the best financial institutions in Kenya. The Kenya Commercial Bank (KCB) Group is the leading institution in Kenya’s banking and financial sector. The bank is ranked as one of the most profitable banking institution in Kenya as measured by its pre-tax profit. In 2008, its pre-tax profits leaped by 42% to KShs6 billion. Additionally, KCB is the 2009 Best Bank in Kenya, according to Euro money Magazine. Family Bank Ltd is one of the top leading financial institutions in the Kenyan market that serves micro, small and medium sized enterprises. Family Bank is regulated by the Central Bank of Kenya (CBK) and is regularly inspected using CAMEL ratings which look at Capital, Assets, Management, Earnings and Liquidity. The Industrial and Commercial Development Corporation (ICDC) is one of the top financial institutions in Kenya. It is the pioneer Development Finance Institution (DFI) established through an Act of Parliament in 1954 to facilitate industrial and economic growth in the country. In the recent past, there has been an increased tendency to
fund credit programs in the developing countries aimed at small-scale enterprises. In Kenya, despite emphasis on increasing the availability of credit to small and microenterprises (SMEs), access to credit by such enterprises remains one of the major constraints they face. A 1995 survey of small and microenterprises found that up to 32.7% of the entrepreneurs surveyed mentioned lack of capital as their principal problem, while only about 10% had ever received credit (Daniels et al., 1995). In Kakamega Municipality, we have Barclays Bank of Kenya, National Bank of Kenya, Family Bank, Equity Bank, Kenya Commercial Bank, Standard Chartered Bank, Cooperative bank, Bank of Baroda, Diamond Trust Bank, Southern Credit Bank, Kenya Women Finance Trust and so forth.

2.3 Products and services offered by Financial Institutions and socio-economic status of entrepreneurs

According to Sapovadia (2006), financial services are the economic services provided by the finance industry, which encompasses a broad range of organizations that manage money, including credit unions, banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises. The term "financial services" became more prevalent in the United States partly as a result of the Gramm-Leach-Bliley Act of the late 1990s, which enabled different types of companies operating in the U.S. financial services industry at that time to merge. A commercial bank is what is commonly referred to as simply a bank. The term commercial is used to distinguish it from an investment bank, a type of financial services entity which, instead of lending money directly to a business, helps businesses raise money from other firms in the form of bonds (debt) or stock (equity). The primary operations of banks include: keeping money safe while also allowing withdrawals when needed; issuance of checkbooks so that bills can be paid and other kinds of payments can be delivered by post; provide personal loans, commercial loans, and mortgage loans (typically loans to purchase a home, property or business); issuance of credit cards and processing of credit card transactions and billing; issuance of debit cards for use as a substitute for checks; allow financial transactions at branches or by using Automatic Teller Machines (ATMs); provide wire transfers of funds and Electronic fund transfers between banks; facilitation of standing orders and direct debits, so payments for bills can be made automatically; provide overdraft agreements for the
temporary advancement of the Bank's own money to meet monthly spending commitments of a customer in their current accounts; provide internet banking system to facilitate the customers to view and operate their respective accounts through internet; provide Charge card advances of the Bank's own money for customers wishing to settle credit advances monthly; provide a cheque guaranteed by the Bank itself and prepaid by the customer, such as a cashier's cheque or certified cheque; accepting the deposits from customer and provide the credit facilities to them.

A family's socio-economic status is based on family income, parental education level, parental occupation, and social status in the community (such as contacts within the community, group associations, and the community's perception of the family). Families with high socio-economic status often have more success in preparing their young children for school because they typically have access to a wide range of resources to promote and support young children's development. They are able to provide their young children with high-quality child care, books, and toys to encourage children in various learning activities at home. Also, they have easy access to information regarding their children's health, as well as social, emotional, and cognitive development. In addition, families with high socio-economic status often seek out information to help them better prepare their young children for school (Demarest and Stein 1993).

This study aims at investigating the influence the financial institutions have on entrepreneurs who access them in Kakamega municipality. The study aims at establishing whether financial products and services are accessible by entrepreneurs in Kakamega municipality and whether they influence their income levels, their health status, their children's education, the status of their housing and so forth.

2.3.1 Savings and socio-economic status of entrepreneurs

According to Sutton (2010), Savings accounts are one of the most important parts of a solid financial plan. Most financial planners suggest that everyone keep a savings account that they can use for a number of purposes. One of the most important of these is to have money available immediately in case of an emergency. Having an emergency fund in a savings account is one of the best ways to keep from having one small emergency lead to financial ruin. Even people who live paycheck to paycheck can save up a sizable emergency fund by
adding small amounts to their savings accounts over time. The recommended amount to have in this kind of fund is to keep about six months of expenses in the account. This can take years for some people to save, but it is something that can bring great peace of mind. With emergency savings accounts, people can not only take care of emergencies quickly, they can also save money on credit card interest and bounced check charges when an emergency does strike. Entrepreneurs can use this kind of savings when their children get ill. They can also utilize such funds in purchases of household items which better their living standards.

Attiych and Lumsden (1966) observed that commercial banks accept both savings (or time) accounts and checking (or demand) accounts. The presumption is that savings accounts represent funds put in the bank for relatively long periods of time, while checking deposits are funds that you may want to use promptly. Thus, banks generally feel freer to make long term loans when their savings deposits go up than when their checking accounts increase. Actually, the dividing line between savings and checking deposits is not very sharp once the funds have been deposited in the bank. But there is one fundamental difference; checking deposits are spendable money, since depositors can write cheques on them. Depositors cannot write cheques on savings deposits. A savings deposit can be spent only by withdrawing it in the form of hand-to-hand currency or by transforming it to a checking account. Entrepreneurs who have ability to operate current accounts can issue cheques instead of transacting in cash. This will save on time spent as they travel to do cash withdrawals by just issuing cheques from the comfort of their businesses or homes and utilize the time in doing other tasks. This by itself is a sign of a high social status in the community.

Sutton (2010) observed that a simple savings account is an easy, no-risk way to save money for a child’s education. While savings accounts generally don’t come with a high rate of return unless the account is sizable, the money in the account is not risked as part of an investment. If it is not withdrawn, it will continue to grow for as long as the account is in order. And, unlike some investments that are for college expenses only, a savings account that is for education can also be used for private school expenses, educational trips, and any other expenses that come up. Many people start savings accounts to fund large purchases that can take a long period of time to save up for. This can save the account owner a great deal of money in interest and it keeps their money safe from being spent on other things. A large purchase like a car can be made in cash if the buyer has been saving a little bit at a time for
several years. In many cases this can save thousands on interest costs, and it makes the purchasing process far less complicated. Savings accounts cost nothing to start and they can result in the kind of savings that can have a large influence on anyone who takes the time to nurture them. Cmic and Lamberty (1994), discuss the impact of socio-economic status on children's readiness for school: "the segregating nature of social class, ethnicity, and race may well reduce the variety of enriching experiences thought to be prerequisite for creating readiness to learn among children. Social class, ethnicity, and race entail a set of 'contextual givens' that dictate neighborhood, housing, and access to resources that affect enrichment or deprivation as well as the acquisition of specific value systems.

Certificate of deposit, commonly called CDs, are financial products that work a little like a savings account but with a much different timetable, Sutton (2010). CDs require an initial investment up front in the form of a lump-sum deposit. The amount of the deposit is then kept in the CD for a specific period of time. During that time, the owner can't take the money out or add to the amount of money that is in it. The money remains throughout the agreed upon time period. The amount of interest that the CD generates is usually dependent on how long the time period is. The longer the time period is, the higher the interest rate will generally be. In most cases, there are tiers of interest rates that require specific month or year terms to earn a higher interest rate. That would mean that a three-month CD and a six-month CD might have the same interest rate but that a one-year CD might have a significantly higher one. The time period may be as long as five or 10 years or as short as a month or two. One of the main draws of buying a CD is that the money is safe and will be returned to the buyer. They don't come with the same types of financial risks that stock investments always do. With CDs, the interest rate can do one of two things for the buyer of the certificate of deposit. The interest rate can be paid to the buyer as soon as it is earned. The buyer can then either take the money out or can roll the principle amount into a new CD for a new time period. The interest rate can also be rolled into the CD along with the principle so that the principle becomes increased. Another benefit of buying is that CD rates offered for this type of financial product are generally higher than if the same amount of money was placed into a savings account for the same period of time. To get a certificate of deposit, consumers can visit a bank or a credit union. To get the best interest rate, shop around and be willing to do so each time the CD matures and the money is available in order to take advantage of the best rates (Sutton, 2010). In late 2011 and early months of year 2012, interest rates on fixed deposits went up and many
banks in Kenya were seriously competing for deposits from the public. Entrepreneurs can take advantage of placing any reserve money they may have for higher rates of interest instead of keeping it in accounts which do not bear any interest. At maturity, the funds can be utilized for various purposes aimed at improving their socio-economic status.

In most Kenyan financial Institutions, we have savings accounts, current accounts and fixed deposit accounts. Both Savings and Current accounts are accessible any time the account holder needs money as long as the FI is open. It is even possible to access money via Auto Teller Machine (ATM) and also through mobile phone where one is registered to use mobile phone services.

2.3.2 Lending and socio-economic status of entrepreneurs

Provision of credit has increasingly been regarded as an important tool for raising the incomes of rural populations, mainly by mobilizing resources to more productive uses. As development takes place, one question that arises is the extent to which credit can be offered to the rural poor to facilitate their taking advantage of the developing entrepreneurial activities. The generation of self-employment in non-farm activities requires investment in working capital. However, at low levels of income, the accumulation of such capital may be difficult. Under such circumstances, loans, by increasing family income, can help the poor to accumulate their own capital and invest in employment-generating activities (Hossain, 1988). Currently, it is possible for an individual to build his or her savings slowly by slowly in a bank account. An example is by use of an account called Tujenge in Family bank where one can deposit as many times as possible but withdraw four times in one year and during these withdrawals, no charge is levied. Such an account enables account holders to build their savings until they reach an amount that they want to utilize thereby having a positive influence on socio-economic status of the saver.

Commercial banks and other formal institutions fail to cater for the credit needs of smallholders mainly due to their lending terms and conditions. It is generally the rules and regulations of the formal financial institutions that have created the myth that the poor are not bankable, and since they can’t afford the required collateral, they are considered uncreditworthy (Adera, 1995). Hence despite efforts to overcome the widespread lack of financial services, especially among smallholders in developing countries, and the expansion
of credit in the rural areas of these countries, the majority still have only limited access to bank services to support their private initiatives (Braverman and Guasch, 1986). Things have changed as of now and the weakness raised in this paragraph by Adera has to a great extent been addressed and financial institutions are more accessible than they were in 1995. The researcher wishes to test whether majority of entrepreneurs in Kakamega Municipality have limited access to bank products and services to support their economic activities.

In the recent past, there has been an increased tendency to fund credit programs in the developing countries aimed at small-scale enterprises. In Kenya, despite emphasis on increasing the availability of credit to small and microenterprises (SMEs), access to credit by such enterprises remains one of the major constraints they face. A 1995 survey of small and microenterprises found that up to 32.7% of the entrepreneurs surveyed mentioned lack of capital as their principal problem, while only about 10% had ever received credit (Daniels et al., 1995). This study will enlighten us on the current statistics of access to credit by entrepreneurs in Kakamega Municipality.

Microcredit for poor has become an increasingly common intervention against poverty in developing countries worldwide. These programs mainly target poor rural people and lend small amounts of money to individuals who are members of a group such that group liability can be relied upon to ensure repayments. The basic argument behind lending to women is that they are not only good credit risks but are less likely to misuse the money and are more likely to share the benefits with the entire household. In addition to the economic benefits, it is argued that women's increasing role in the household economy will lead to their empowerment (Garikipati, 2008). During the past few decades microcredit has enjoyed tremendous growth and there is great hope that such programs will contribute to the achievement of the Millennium Development Goals (Kabeer, 2005 and Littlefield et al 2003).

In Kenya, there is Women Enterprise Fund which is a form of loan availed to entrepreneurs at a low interest rate (8% per annum). This study will establish the level of knowledge of existence of such a facility and whether it is accessible to entrepreneurs in Kakamega Municipality. The study will also establish if the access of such a fund has led to improvement of entrepreneurs businesses and their livelihood.

Despite methodological variations, evaluation studies fairly accept that microcredit does improve household incomes and is also linked with other associated benefits like increased
livelihood diversification, more labor market activity, more education and better health (Hulme et al, 1996, Khandker, 1998; Littlefield et al, 2003; Morduch and Haley, 2002; Mosley and Rock, 2004; Todd, 1999 and Zaman, 2002). There is, however, little consensus regarding the empowerment potential of microcredit and studies have made diametrically opposite claims (Garikipati, 2008). While some claim that microcredit has helped entrepreneurs increase their income earning capabilities leading to greater confidence and ability to overcome cultural asymmetries (Hashemi et al, 1996; Kabeer, 2001; Pitt and Khandker, 1998 and R Rahman, 1986); others contend that loans made to women are usually controlled by their husbands which leads to women's dependence on their husbands for loan installments and may also result in domestic dissension and violence (Goetz and Gupta, 1996; Leach and Sitaram, 2002 and A Rahman, 1999). One of the objectives of this study is to find out how lending influences on socio-economic status of entrepreneurs in Kakamega municipality. We expect to know what number of respondents will consider having benefited positively and how many will report that they have been affected negatively after borrowing.

Access to rural financial services has a potential to make a difference in agricultural productivity, food security and poverty reduction. However, an efficient, sustainable and widely accessible rural financial system remains a major development challenge in most Sub Sahara African countries. The Economic Recovery Strategy for Wealth and Employment Creation (ERS) has identified poor access to farm credit and financial services as a contributing factor to the decline in agricultural productivity. The Strategy for Revitalizing Agriculture (SRA) proposes to improve access to rural financial services in Kenya. As a follow up on SRA, the Agricultural Sector Co-ordination Unit (ASCU) has fast tracked access to rural financial services by establishing a thematic group on inputs and rural financial services with an overall objective of developing an Integrated Farm Input Strategy. In the late 1990's, most mainstream commercial banks closed down the rural branches in order to cut costs and improve profits. Since then, a number of non-traditional financial institutions have emerged to fill the gap created by the mainstream banks which locked out low income and irregular earners (Kibaara, 2005). This study aims at establishing whether financial institutions in Kakamega municipality are lending to farmers in the region. Equity bank, Cooperative bank and Family bank are some of the non-traditional FIs that try to reach low income and irregular earners. This study will establish whether such institutions have
really been able to reach these low income entrepreneurs and those irregular earners in Kakamega Municipality.

Promoting an efficient, sustainable and widely accessible rural financial systems remains a major development challenge in most sub Sahara African countries. With about 73% of Africa’s population living in the rural areas and experiencing a high incidence of rural poverty, improved rural finance is crucial in achieving pro-poor growth and poverty reduction goals. However, the development of rural financial systems is hampered by the high cost of delivering the services to small, widely dispersed customers; as well as a difficult financial terrain, missing markets for risk management instruments and lack of suitable collateral (Onumah, 2002). We now have agency banking and use of mobile phone services. These have greatly reduced high cost of doing banking both to the account holders and the financial Institutions. This study will explore the usage of such modern financial services by entrepreneurs in Kakamega Municipality and seek to know whether these services are of any importance to the lives of these entrepreneurs.

In March 1978, seven years after Bangladesh won its war for independence, a small group of young men joined together to make a secret pledge. They vowed to create a new and dynamic organization dedicated to fighting rural poverty. Some saw Bangladesh’s plight as hopeless, as the country struggled in a world increasingly divided between haves and have-nots. Thirty years later, however, the organization started by the young men serves nearly six million villagers in Bangladesh and is celebrated by global business leaders. The Association for Social Advancement (ASA) targets Bangladesh’s poorest villagers, many of them women, offering tools to create better lives. ASA found success by applying fundamental lessons from economics and management, coupled with important new insights. In the process, ASA is expanding financial markets and creating fresh ways to think about business strategies, economics, and social change (Armendariz and Morduch, 2010). For many observers, microfinance is nothing short of a revolution or a paradigm shift (Robinson 2001). Innovators are profiled in leading newspapers and business magazines (in December 2007, ASA topped Forbes magazine’s global ranking of microfinance providers), and the 2006 Nobel Peace Prize, awarded to the microfinance pioneers Muhammad Yunus and Grameen Bank, signals the ways in which microfinance has shaken up the world of international development. One of the most striking elements is that the pioneering models grew out of experiments in low-
income countries like Bolivia and Bangladesh—rather than from adaptations of standard banking models in richer countries. This study aims at establishing whether the poor entrepreneurs in rural towns such as Kakamega have access to microfinance and if the access has been beneficial to their businesses and lives in general. In Bangladesh, poor villages have become better; this study will give the position of Kakamega Municipality.

2.3.3 Debt recovery and socio-economic status of entrepreneurs

According to Ghaffar (2009), financial difficulties lead to loan default. Bad debts are then sold on to debt collection agencies that use creditor harassment to attempt to collect the loan balance. Signing up to an unsecured loan over just 48 months sounds really easy at the beginning but an awful lot can happen in four years. If financial difficulties and growing levels of personal debt become an issue, personal loan default is the likely outcome. The consumer credit Act (1974) requires that any debtor that has defaulted on their personal loan must receive a statutory default notice from the lender. Whilst a statutory default notice can lead to legal action, it is usually only sent out to advise a debtor that there has been a personal loan default, try to reach an agreement with a creditor to catch up with any arrears on the personal loan before matters progress. A debt collection agency won’t normally be used until several months of repayments have been missed. While some debt collection agencies are owned by financial institutions, the majority are completely separate entities.

According to Stone (2010), while writing an article in the USA, he noted that more people are likely to get bank loan modifications than through the Government. Troubled home owners under certain conditions could apply through a government-run program for mortgage modification but this was not much successful. As a result banks have been stepping in to modify the mortgages of customers on their own. Home owners are more likely to default on payments if they receive a bank modification. Guilford (2008) observed that loans made on collateral such as car loans and home mortgages have a security attached to the loan. If a customer stops paying on his car loan, the bank will repossess the car to protect their interest. The car is then sold to recover the outstanding balance of the loan. The same thing happens when a home goes into foreclosure. These actions negatively influence on peoples socio-economic status.
Nair and Todd (2007) observed that on average, Cooperatives’ loan repayments in Brazil were superb with a PAR of 0.1%. Generally, interest rates charged on credit products were slightly less than market rates. In Sri Lanka, both savings and loans for many cooperatives showed a declining trend in the past three years. The PAR was 25.1% in 2002. In Burkina Faso, there was decreasing quality of cooperative network loan portfolio in 2005. The PAR for urban cooperatives was 4.3% and that of rural cooperatives was 5%. Unlike in many other countries, Kenya’s SACCOs play a significant role not only in the rural financial sector but also in Kenya’s overall financial sector. The deposit and loan portfolio in SACCOs amount to about 34% of national savings and about 24% of outstanding domestic credit. However they didn’t give the average PAR for Kenya SACCO loans.

Atieno (2001) observed that unlike formal finance, informal lenders often attach more importance to loan screening than to monitoring the use of credit. Screening practices often include group observation of individual habits, personal knowledge by individual moneylenders and recommendations by others, and creditworthiness. In group lending programs, members are made jointly liable for the loan given. The joint liability plus the threat of losing access to future loans motivates members to perform functions of screening loan applicants, monitoring borrowers and enforcing repayments. Macharia (2008) while commenting on effects of political violence on micro-credit in Kenya, stated that while it was unlikely that banks would be aggressively seeking to grow their lending to domestic households in areas affected by clashes, it was also very unlikely that they would be foreclosing on such facilities. Thousands of households affected by the orgy of violence were seeking funds to reconstruct their lives, but the institutions remained cautious about seizing such opportunities to generate revenue because of potential risks.

Although debt collection agencies are supposed to adhere to rules, creditor harassment isn’t uncommon. Constant telephone calls and someone knocking at the door for hours constitute forms of creditor harassment. Many debt collection agencies pretend that they have powers that are not actually available to them (Ghaffar, 2009). There are numerous ways through which financial institutions can assist their clients who are unable to meet their periodic loan repayments. Other than enforcing recovery, the financial institutions can do the following; rescheduling of loans for longer terms or allowing a moratorium for the repayment of principal and interest, enhancement of working capital facilities and conversion of loan from
one currency into another. Forced recovery of loans by financial institutions has a negative influence on entrepreneurs. This study sets to establish influence of debt recovery on socio-economic status of entrepreneurs in Kakamega municipality.

2.3.4 Mobile banking and socio-economic status of entrepreneurs

According to Wright (2000) Mobile banking (also known as M-Banking) is a term used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone or Personal Digital Assistant (PDA). The earliest mobile banking services were offered over SMS, a service known as SMS banking. Over the last few years, the mobile and wireless market has been one of the fastest growing markets in the world and it is still growing at a rapid pace. According to the GSM Association and Ovum, the number of mobile subscribers exceeded 2 billion in 2005 and 2.5 billion in 2009. Another study by Berg Insight (2010) forecast that the number of mobile banking users in the US would grow from 12 million in 2009 to 86 million in 2015. The same study also predicts that the European market will grow from 7 million mobile banking users in 2009 to 115 million users in 2015. Many believe that mobile users have just started to fully utilize the data capabilities in their mobile phones. In Asian countries like India, China, Bangladesh, Indonesia and Philippines, where mobile infrastructure is comparatively better than the fixed-line infrastructure, and in European countries, where mobile phone penetration is very high (at least 80% of consumers use a mobile phone), mobile banking is likely to appeal even more.

Mobile banking also means branchless banking where banks offer their products and services through agents. This model is mainly used with an aim of reaching customers in the rural areas where bank branches are not available. The banking agent is an important part of the mobile banking business model since customer care, service quality, and cash management will depend on them. Banks in Colombia, Brazil, Peru, and other markets use pharmacies, bakeries, retail shops and such like businesses to offer agency banking. Closely related to agency banking is use of ATMs where customers can withdraw cash or deposit cash as well as cheques. Kenya's M-PESA mobile banking service, for example, allows customers of the mobile phone operator Safaricom to hold cash balances which are recorded on their SIM cards. Cash may be deposited or withdrawn from M-PESA accounts at Safaricom retail
outlets located throughout the country, and may be transferred electronically from person to person as well as used to pay bills to companies. Mobile banking services enable customers to make transactions without visiting financial institutions where their accounts are held. This helps in avoiding travelling costs, saves on time and offers convenient ways of transferring funds for instance from bank account to M-Pesa account or vice versa. This study wishes to determine the influence of all these mobile services on the socio-economic status of entrepreneurs in Kakamega municipality.

2.4 Knowledge gaps in literature review

Wright (2000) stated that financial institutions are responsible for transferring funds from investors to companies and individuals in need of those funds. In the real sense there are many entities that need funds but not all of them qualify to get the funds from financial institutions, this is not stated clearly. Onumah (2002) stated that promoting an efficient, sustainable and widely accessible rural financial system remains a major development challenge in most sub-Sahara African countries. A survey of SMEs conducted in Kenya in 1995 found out that up to 32.7% of the entrepreneurs surveyed mentioned lack of capital as their principal problem while only 10% had ever received credit. Kenya is wide and different regions will definitely have different rates of access to finances by SMEs. From this survey, one is not able to rate the access of funds from financial institutions by entrepreneurs in Kakamega municipality and that is why this study is important. According to Demarest and Stein (1993), families with high socio-economic status often have more success in preparing their young children for school because they typically have access to a wide range of resources to promote and support young children’s development. According to Sulton (2010), having an emergency fund in a savings account is one of the best ways to keep from having one small emergency leading to financial ruin. Hossain (1988) stated that loans increase family income and help the poor to accumulate their own capital and invest in employment generating activities. These and other studies support the fact that access to funds is beneficial to individuals as well as to groups of people in terms of improving their livelihoods. Some studies on the converse argue that loans made to women are usually controlled by their husbands leading to domestic dissension and violence (Goetz and Gupta, 1966; Leach and Sitaram, 2002 and A. Rahman, 1999). No single study has related all these studies to the socio-economic status of entrepreneurs in Kakamega Municipality. This study
therefore wishes to determine if there is any influence of services offered by financial institutions on socio-economic status of entrepreneurs in Kakamega Municipality.

2.5 Conceptual framework

This study will be guided by the following perceived conceptual framework.
2.6 Discussion of Variables

Savings which entail Call and Checking accounts are considered to have an influence on socio-economic status of entrepreneurs. Entrepreneurs with high accounts turn over are more likely to enjoy high socio-economic status than those whose accounts' turnovers are low.

Under lending, some of the key factors that one needs to consider are principal amount borrowed, interest rate charged and collaterals offered as security. Depending on usage of funds borrowed, entrepreneurs are likely to improve their socio-economic status. Some may become better-off especially when their businesses improve; they get more income, buy more household items, afford better education for their children and even socialize with people of higher status. Debt recovery process entails forced recovery when a loan becomes bad. Collection agents may be involved to collect debts on behalf of financial institutions. If an entrepreneur borrows money and is unable to pay, they are likely to have their chattels auctioned and this will have negative influence on their socio-economic status. Mobile banking is covered under three perspectives; mobile phones are used in financial transactions, ATMs are as well used to dispense cash and receive deposits and finally agency banking is a banking model where financial institutions use third parties to offer their services. Mobile banking is assumed to have an influence on socio-economic status of entrepreneurs.

Financial Institutions operate under Government policies. There is a minimum amount of money (kshs 1 Billion) that they are supposed to bank with The Central Bank of Kenya (CBK) in order for them to be allowed to collect deposits from the public. We have the banking Act, Finance Act and such regulations which control operations of financial institutions. Peoples' culture, personal factors and weather intervene between independent variables and dependent variables.

2.7 Summary of Literature Review

This chapter starts by defining what a financial Institution is. It also briefly talks about financial institutions in Kenya and those that are found in Kakamega Municipality. The chapter also explains some of the products and services offered by financial institutions providing details on savings, lending, debt recovery and mobile banking. Socio-economic status has also been explained where Demarest and Stein (1993) observed that socio-economic status is based on family income, parental education level, parental occupation, and
social status in the community (such as contacts within the community, group associations, and the community's perception of the family). Knowledge gaps in the literature review have been clearly brought out, conceptual framework has been depicted showing independent variables, dependent variables, moderating variable and intervening variables and finally their relationship has been defined.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on research methodology used in this study. It was based on the research design, the target population, sample selection and sampling procedure. It also focuses on research instruments used and their validity and reliability, methods of data collection and data analysis.

3.2 Research design

I used a descriptive survey research design. The descriptive survey design is a qualitative non-experimental research design. According to Maanen (1983), qualitative research specializes in getting meaning to the phenomenon under investigation. According to Bogdan and Biklen (1992), a qualitative research has the following characteristics: It is carried out in a natural setting where by the action is taking place and the researcher has to take note of every detail of what is happening; It is descriptive and no detail is taken for granted; its concerned with both the process and the product of what is going on in regard to the phenomenon under investigation and the researcher analyzes data both deductively and inductively. According to Fischer (2005), a qualitative research has the following aspects: the researcher must focus on a natural setting; The researcher must always be interpreting the situation; they must be extremely attentive and always alert in the field; the researcher is like a research instrument in that all the information about the phenomenon is within the researcher; they must be sympathetic with the situation they are dealing with; they must also be aware of what is going on. Fraenkel and Wallen (1992) observed that a qualitative researcher may at times select research participants purposively. This implies that the researcher identifies those to take part in the research guided by the research objectives. They select those participants who are likely to have the information needed. Quantitative research is sometimes known as positivistic research. According to Fraenkel and Wallen (1992), the researcher focuses on observable facts and not on meanings like in qualitative research; they make use of techniques and measures which produce quantifiable data; data produced is
analyzed statistically and the researcher selects the research participants using random sampling to ensure good representativeness.

3.3 Target population

This study targeted entrepreneurs’ population in Kakamega Municipality. Municipal Council of Kakamega had 3,638 annually licensed entrepreneurs in the year 2012 records. These entrepreneurs were distributed as follows;

Table 3.1 Distribution of the target population in 8 Clusters

<table>
<thead>
<tr>
<th>Cluster Code</th>
<th>Cluster Name</th>
<th>Number of Entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>Shop Keepers</td>
<td>1990</td>
</tr>
<tr>
<td>200</td>
<td>Small Scale Traders</td>
<td>30</td>
</tr>
<tr>
<td>300</td>
<td>Transport, fuel stations &amp; Garages</td>
<td>153</td>
</tr>
<tr>
<td>400</td>
<td>Agriculture &amp; Natural Resources</td>
<td>83</td>
</tr>
<tr>
<td>500</td>
<td>Hotels, Restaurants, Lodges &amp; Bars</td>
<td>363</td>
</tr>
<tr>
<td>600</td>
<td>Professional &amp; Technical Services</td>
<td>739</td>
</tr>
<tr>
<td>700</td>
<td>Educational &amp; Health Institutions</td>
<td>138</td>
</tr>
<tr>
<td>800</td>
<td>Industrial Plant, Workshops &amp; service Repair</td>
<td>142</td>
</tr>
</tbody>
</table>

| Total        |                                                 | 3638                    |

Financial institutions ask for licenses to operate businesses when entrepreneurs are borrowing. This has led to the researcher to target licensed entrepreneurs in this study. The study assumes that this population shares many characteristics with smaller entrepreneurs who pay their council fees daily and who are not clustered here.
3.4 Sample Selection

A sample is a small group in a research study from which data is obtained. Nassiuma (2000) asserted that in most surveys or experiments, a coefficient of variation of at most 30% is usually acceptable. This study used a coefficient variation of 21% and a standard error of 2%.

Nassiuma (2000) gave the following relation for determining sample size.

\[
n = \frac{NC^2}{C^2 + (N-1)e^2}
\]

Where \( n \)=Sample; \( N \)=Population; \( C \)=Coefficient of Variation and \( e \)= Standard error

This study used \( N=3,638; C=0.21; e=0.02 \) to arrive at \( n=107 \). Therefore the sample for this study was 107 respondents who were distributed as per table 3.2.

3.5 Sampling procedure

Kidder (1981) stated that sampling is a process used to study a response to an intervention by a small population that can be applied or generalized to a large population. This study used stratified random sampling technique. The target population is categorized into eight strata and the researcher sampled entrepreneurs from all the strata depending on their total number as compared to the sample size. In this study systematic random sampling was used when administering research instruments. More respondents were picked from bigger strata and few respondents from the smaller strata. A bigger number of respondents came from the town as compared to its outskirts within the municipality.
Table 3.2 Distribution of 107 sample respondents amongst 8 Clusters

<table>
<thead>
<tr>
<th>Cluster code</th>
<th>Cluster Name</th>
<th>Number of Entrepreneurs</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>Shop Keepers</td>
<td>1990</td>
<td>40</td>
</tr>
<tr>
<td>200</td>
<td>Small Scale Traders</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>300</td>
<td>Transport, fuel stations &amp; Garages</td>
<td>153</td>
<td>9</td>
</tr>
<tr>
<td>400</td>
<td>Agriculture &amp; Natural Resources</td>
<td>83</td>
<td>6</td>
</tr>
<tr>
<td>500</td>
<td>Hotels, Restaurants, Lodges &amp; Bars</td>
<td>363</td>
<td>11</td>
</tr>
<tr>
<td>600</td>
<td>Professional &amp; Technical Services</td>
<td>739</td>
<td>21</td>
</tr>
<tr>
<td>700</td>
<td>Educational &amp; Health Institutions</td>
<td>138</td>
<td>7</td>
</tr>
<tr>
<td>800</td>
<td>Industrial Plant, Workshops &amp; service Repair</td>
<td>142</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3638</strong></td>
<td><strong>107</strong></td>
</tr>
</tbody>
</table>

3.6 Data collection instruments

Kothari (1990) observed that the main tools used in data collection are questionnaires, interviews, observations and documentary analysis. Oso and Onen (2008), stated that instruments are tools used to collect data. This study used questionnaires and interviews.

3.6.1 Questionnaire

According to Fraenkel and Wallen (1992), a questionnaire is a technique of collecting data by posing questions to the respondents and the respondents fill in or insert the responses of their own choice. This researcher structured a questionnaire which contains both open ended and close ended questions. This enhances data collections by giving respondents freedom to
express themselves as much as possible. A combination of structured and unstructured questionnaire enables the respondents to express themselves as openly as possible.

3.6.2 Interview Guide

Interview is a technique whereby the researcher interacts socially with one or more participants face to face. According to Patton (1990), interviewing has an advantage of letting the interviewer penetrate the feelings and thinking of the interviewee. According to Anderson (1990), the key interviewing skills are: when conducting an interview, the interviewer must be an active listener; the interviewer should be in a relaxed posture; there should be valid eye contact; the interviewer must respond verbally and non-verbally; the interviewer must be open minded to allow the interviewee to freely express their feelings; the interviewer should be able to paraphrase the responses given by the interviewee; the interviewer should be able to summarize the content of the interview to the interviewee; the interviewer should be able to analyze each interview immediately it is done. This study used an interview guide with both structured and unstructured questions to obtain information from the respondents.

3.7 Reliability of Research Instruments

Reliability is a measure of the degree to which a research instrument yields trials (Mugenda and Mugenda, 1999). Reliability refers to the degree of consistency between two or more instruments given at different times. To ascertain the reliability of instruments, I used parallel technique. This involved preparation of a questionnaire and administering it to ten respondents and scoring their responses. Another ten interview guides were administered to different respondents and their scores recorded. After some time different instruments were administered to the same respondents on similar items and responses scored. The scores of the two administrations were compared and gave a correlation coefficient of 0.9 for the questionnaire and 0.85 for the interview. According to Mugenda and Mugenda (1999), a score of 0.5 and above indicates the instrument is reliable. Going by this, both the questionnaire and interview guide were reliable.
3.8 Validity of research Instrument

According to Mugenda and Mugenda (2003), validity is a measure of the degree to which data collected using a particular instrument represents a specific domain of indicators or content of a particular concept. Instrument validity refers to the extent to which an instrument measures that which it is supposed to measure. I used content validity where I pilot tested questionnaire and Interview guide on 10 entrepreneurs and established that they were effective in capturing data as per study objectives. I was also guided by a team of experts who checked the two instruments and gave me authority to proceed to the field.

3.9 Data collection procedures

Data collection was expected to take 14 working days but it took 19 days. First, the researcher obtained an introductory letter from the University of Nairobi to enable him get a permit from the National Council of Research and Technology. Two sets of instruments were used in data collection. They were administered to sampled population of 107 respondents. The researcher administered 15 interview guides in different clusters on respondent who were not able to fill the questionnaires. The researcher introduced himself to respondents, produced the permit and interviewed or administered the questionnaires to get information necessary for this study.
3.10 Operational Definition of Variables

Table 3.3 Operational definition of variables

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Source of Information</th>
<th>Type of information</th>
<th>Data collection instruments</th>
<th>Measuring scale</th>
<th>Analysis Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>To determine the extent to which savings influence on socio-economic status of entrepreneurs in Kakamega municipality</td>
<td>Entrepreneurs</td>
<td>1. Type of accounts, 2. Charges levied</td>
<td>Questionnaire and Interview</td>
<td>Ordinal</td>
<td>Frequencies, Percentages</td>
</tr>
<tr>
<td>To establish how lending influences on socio-economic status of entrepreneurs in Kakamega municipality who have ever borrowed</td>
<td>Entrepreneurs</td>
<td>1. Amount borrowed, 2. Interest rate</td>
<td>Questionnaire and Interview</td>
<td>Ordinal</td>
<td>Tables, Frequencies, Percentages</td>
</tr>
<tr>
<td>To establish how debt recovery influences on socio-economic status of entrepreneurs in Kakamega Municipality who have failed to pay loans on time</td>
<td>Entrepreneurs</td>
<td>1. Frequency of loan default, 2. Action taken by lender</td>
<td>Questionnaire and Interview</td>
<td>Ordinal</td>
<td>Frequencies, Percentages</td>
</tr>
<tr>
<td>To determine the influence of mobile banking on socio-economic status of entrepreneurs in Kakamega municipality registered for mobile banking</td>
<td>Entrepreneurs</td>
<td>1. Success rate of the services, 2. Convenience of the services</td>
<td>Questionnaire and Interview</td>
<td>Ordinal and Ratio</td>
<td>Frequencies, Percentages</td>
</tr>
</tbody>
</table>

3.11 Data analysis techniques

Bogdan and Biklen (1992) define quantitative data analysis as working with data, organizing it, breaking it into manageable units, synthesizing it, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others. Qualitative
researchers tend to use inductive analysis of data, meaning that the critical themes emerge out of the data (Patton, 1990). Qualitative analysis requires some creativity, for the challenge is to place the raw data into logical, meaningful categories; to examine them in a holistic fashion; and to find a way to communicate this interpretation to others.

Data analysis started with editing the questionnaires to minimize errors. This was done with an aim to ensure completeness and consistency. The researcher coded the open ended data entry before transformation, analysis and interpretation. The data was analyzed and presented by use of descriptive statistics such as tables, frequencies and percentages. Inferential statistics was used while making conclusions about population parameters on the basis of the sample.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter gives the findings of this research study. The chapter starts with the demographic information of the study and then discusses four sub sections that guided the study. These are the influence of savings, lending, debt recovery and mobile banking on socio-economic status of entrepreneurs.

4.2 Demographic information

This section starts with the rate of return of the questionnaires and interview guides, the profile of respondents which include the age distribution, level of education of the respondents, gender aspect of the entrepreneurs and the type of business of the entrepreneurs.

4.2.1 Rate of return of the questionnaires and interview Guides

The questionnaires were distributed amongst 92 respondents and interview guides were administered on 15 respondents. This was mainly due to constraint in time and funds. 85 questionnaires were returned and all 15 Interview guides were available making a total of 100. This was 94% rate of return.

Table 4.1 Rate of return of questionnaires and interview guides

<table>
<thead>
<tr>
<th>Tool Used</th>
<th>No. delivered</th>
<th>Male</th>
<th>Rate of return</th>
<th>Female</th>
<th>Rate of return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire</td>
<td>92</td>
<td>48</td>
<td>45(94%)</td>
<td>44</td>
<td>40(91%)</td>
</tr>
<tr>
<td>Interview</td>
<td>15</td>
<td>7</td>
<td>7(100%)</td>
<td>8</td>
<td>8(100%)</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>55</td>
<td>52(95%)</td>
<td>52</td>
<td>48(93%)</td>
</tr>
</tbody>
</table>

As seen in table 4.1, the distribution of the tools between male and female was almost equal and male total rate of return was slightly higher than that of female. This indicated that the entrepreneurial activities were evenly distributed between the two genders.
4.3 Profile of the respondents

The profile of the respondents gave the socio-demographic characteristics of the respondents that included the age distribution of the respondents, their level of education and the gender aspect of the respondents.

4.3.1 Distribution of the respondents by age

The respondents were asked to state their age in both the questionnaire and the interview guide and the findings are summarized in table 4.2.

**Table 4.2 Distribution of the respondents by age**

<table>
<thead>
<tr>
<th>Age(years)</th>
<th>Male</th>
<th>Percentage</th>
<th>Female</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-23</td>
<td>7</td>
<td>7</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>24-29</td>
<td>15</td>
<td>15</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>30-35</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>36-40</td>
<td>9</td>
<td>9</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>41-45</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>46-50</td>
<td>7</td>
<td>7</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>51 plus</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>52</td>
<td>52</td>
<td>48</td>
<td>48</td>
</tr>
</tbody>
</table>

The findings were that 7 male respondents and 10 female respondents were between the ages of 18 and 23 years. This was indicated by 7% and 10% of the study respectively. 15 male (15%) and 21 female (21%) were in the interval of 24-29 years of age. 6 male (6%) and 8 female (8%) were in the age bracket of 30-35 years. This and more data is indicated in table 4.2 above. The study revealed that both youth and aged were engaged in entrepreneurship. The age interval of 24-29 had the highest number of respondents, an indication that most youths were engaged in entrepreneurship after school.
4.3.2 Level of education of respondents

The respondents who participated in the study were asked to state their level of education and the findings are summarized in table 4.3.

Table 4.3 Level of education of the respondents

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masters</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Bachelor</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Tertiary</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Secondary</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Primary</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Out of 100 entrepreneurs, 6(6%) had attained masters level of education. This was noted as the highest level of education by respondents. 8(8%) had attained bachelors degree, 44 (44%) had tertiary education. This was the level with the highest number which indicated that most college leavers had resorted to doing businesses. 32 (32%) had attained secondary school level as their highest level of education and this was the second largest category of the respondents. The indication by the study was that there were many secondary school leavers who got into businesses in order to earn a living. The study also indicated that 10 (10%) had not gone beyond primary school and majority of them were in small businesses, an indication that education is useful in business growth and expansion.

4.3.3 Respondents by gender

The respondents who participated in this study were asked to state their type of business. Table 4.4 summarizes the findings.
Table 4.4 Respondents' types of business by gender

<table>
<thead>
<tr>
<th>Category</th>
<th>Respondents</th>
<th>Male</th>
<th>Percentage</th>
<th>Female</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Shops</td>
<td>38</td>
<td>17</td>
<td>17</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Small Scale Traders</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Transport, Fuel &amp; Garages</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Agric. &amp; Nat. Resources</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Hotels, Bars &amp; Lodges</td>
<td>11</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Professional &amp; Technical</td>
<td>18</td>
<td>10</td>
<td>10</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Educ. &amp; Health</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Workshops &amp; Repairs</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>54</strong></td>
<td><strong>54</strong></td>
<td><strong>46</strong></td>
<td><strong>46</strong></td>
</tr>
</tbody>
</table>

The study established that majority of the respondents were in the business of retail shops which was 38 (38%) broken down into 17 (17%) male and 21 (21%) female. Respondents who operated small scale businesses were 2 (2%) male and 3 (3%) female, a small number which was mainly due to the fact that few such entrepreneurs were able to pay annual council licenses. The study revealed that a high number of male operated transport, fuel stations and garages as compared to female at 6 (6%) and 2 (2%) respectively. The study showed that there was a tie of 3(3%) in the agriculture and natural resources category implying that both male and female participated in agriculture equally. The rest of the findings reveal that male dominated more than female, an indication that male entrepreneurs participated more than female entrepreneurs in many types of business.

4.4 Financial Services accessed by respondents

The respondents were asked to state types of services offered by financial institutions that they had accessed. Their responses are summarized in table 4.5.
Table 4.5 Access of Financial Services by Respondents

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Accounts</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Loan Facilities</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>Enforced Debt Recovery</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Mobile Banking</td>
<td>34</td>
<td>34</td>
</tr>
</tbody>
</table>

The findings revealed that 98 respondents, a figure which comprises 98% had operated either savings or fixed deposit accounts. This implies that all respondents except two had opened at least one account in one of the financial institutions. The study also revealed that 56 (56%) respondents had accessed loans. This indicated a considerable row percentage of loans access when compared to accounts operation. There were only 2(2%) respondents who indicated that they had faced enforced debt recovery. This low response implied that either many respondents who had borrowed loans were able to repay the loans as expected or few respondents had the courage to reveal the truth. According to the findings 48(48%) of the respondents had access to mobile banking services. This level of access indicated that less than half of those who operated accounts were not registered for mobile banking services and either used ATMs or banking halls to make transactions.

4.5 Savings and Socio-economic status of entrepreneurs

This section gives an account of respondents' data on number of accounts held, length of account operation and cash withdrawal charges in relation to their influence on socio-economic status of entrepreneurs.

4.5.1 Number of accounts held and influence on socio-economic status

The study sought to establish number of accounts held by each respondent in different financial institutions and this data is summarized in table 4.6.
Table 4.6 Number of accounts held by respondents

<table>
<thead>
<tr>
<th>No. of Accounts</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>2</td>
<td>2</td>
<td>Lack of savings</td>
</tr>
<tr>
<td>One</td>
<td>38</td>
<td>38</td>
<td>Account turnover growth</td>
</tr>
<tr>
<td>Two</td>
<td>36</td>
<td>36</td>
<td>Alternative Services</td>
</tr>
<tr>
<td>Three and above</td>
<td>24</td>
<td>24</td>
<td>Service Convenience</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The survey established that out of 100 respondents, 2(2%) did not have any account in any financial institutions in Kakamega municipality and could not do savings. This indicates that 98% of entrepreneurs in Kakamega municipality had opened either one or more accounts in financial Institutions. 38(38%) respondents had one account thereby building their accounts turnover faster, 36(36%) had two accounts which enabled them to have alternative services and 24(24%) had three or more accounts which they considered convenient. This implied that 60% of the respondents were multi-banked and could get financial services from more than one financial institution. They indicated that these accounts enabled them have alternative services and convenience.

4.5.2 Length of accounts’ operation by respondents and influence on socio-economic status

The respondents were asked to state how long they had operated their most active accounts. This data is presented in table 4.7.
Table 4.7 Length of accounts’ operation by respondents

<table>
<thead>
<tr>
<th>Period</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 yrs</td>
<td>40</td>
<td>40</td>
<td>Improved income</td>
</tr>
<tr>
<td>5-9 yrs</td>
<td>38</td>
<td>38</td>
<td>Better Occupation</td>
</tr>
<tr>
<td>10-14 yrs</td>
<td>8</td>
<td>8</td>
<td>Better Assets</td>
</tr>
<tr>
<td>15-Above</td>
<td>14</td>
<td>14</td>
<td>Improved Housing</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The study revealed that 40(40%) respondents had operated their accounts within 4 years while 38(38%) had operated their most active accounts for the period between 5 and 9 years. This implies that 78% of the total respondents had operated accounts for less than 10 years, a factor that is attributable to existence of few financial institutions 10 years back. Most respondents indicated that they had benefitted through improved income and better occupation. 8(8%) respondents had operated their most active accounts for 10-14 years interval and out of that they indicated that their assets had improved while 14(14%) who had operated their accounts for 15 years and above indicated that their housing had improved.

4.5.3 Cash withdrawal charges and influence on socio-economic status

The study sought to establish amount of money charged for cash withdrawal over the counter and the findings are summarized in table 4.8.
Table 4.8 Cash withdrawal charges and influence on respondents

<table>
<thead>
<tr>
<th>Charges (Kshs)</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-60</td>
<td>26</td>
<td>27</td>
<td>Encourages account operation</td>
</tr>
<tr>
<td>61-100</td>
<td>42</td>
<td>43</td>
<td>Lower disposable income</td>
</tr>
<tr>
<td>101-150</td>
<td>7</td>
<td>7</td>
<td>High cost of operation</td>
</tr>
<tr>
<td>150-Above</td>
<td>9</td>
<td>9</td>
<td>Negative on income</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14</td>
<td>14</td>
<td>No influence</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Out of the 98 respondents who held at least one account in a financial institution, 26(27%) were charged between 0 and 60/= and they considered this to encourage accounts' operation, 42(43%) were charged kshs 61-100, they considered the charge to have a lowering disposable income influence. 7(7%) were charged between kshs 101 and 150 and they considered this as an implication of high cost of account operation. 9(9%) were charged above kshs 150 and indicated that these high charges had a negative influence on their socio-economic status. 14(14%) indicated that they did not know the much they were being charged and therefore they didn't consider the charges to have any influence in their socio-economic status.

4.6 Lending and socio-economic status of entrepreneurs

This research sought to establish the influence of lending on socio-economic status of entrepreneurs in Kakamega Municipality. The section gives an account of amount of money borrowed by respondents, the annual rate of interest for the loans and a summary of respondent' considerations on the influence of the borrowing on their socio-economic status.
4.6.1 Amount of money borrowed and influence on socio-economic status

The respondents were asked to state amount of money they had borrowed in one loan from financial institutions in Kakamega municipality. The findings are summarized in table 4.9.

Table 4.9 Amounts of money borrowed by respondents.

<table>
<thead>
<tr>
<th>Amount borrowed (Kshs)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10,000/=</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>10,001-50,000/=</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td>50,001-100,000/=</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>100,001-Above</td>
<td>33</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>100</td>
</tr>
</tbody>
</table>

Out of 56 respondents who had borrowed, 2(4%) respondents had borrowed 1-10,000/= an indication that very few borrowers needed less than ten thousand. 13 (23%) respondents had borrowed kshs 10,001-50,000/= a category where majority of shopkeepers lay since they would borrow mainly to boost their stocks. 8(14%) respondents had borrowed kshs 50,001-100,000/= a category where most respondents indicated that it was a second loan borrowing. This implied that after borrowing lower amounts, half of the entrepreneurs would graduate their second borrowings since the businesses had grown bigger. 33(59%) respondents had borrowed over kshs 100,000/=. This was mainly because most transport, hotels, lodges, technical institutions, health institutions and workshops required more working capital and the entrepreneurs businesses qualified them for those bigger amounts.

4.6.2 Annual rate of interest for the loans and influence on entrepreneurs.

The respondents were asked to indicate annual rate of interest for the loans that they had borrowed. This information is presented in table 4.10.
### Table 4.10 Loans' annual interest rates and influence on entrepreneurs

<table>
<thead>
<tr>
<th>Rate of Interest</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10%</td>
<td>4</td>
<td>7</td>
<td>Improved occupation</td>
</tr>
<tr>
<td>11-15%</td>
<td>8</td>
<td>14</td>
<td>Increased income</td>
</tr>
<tr>
<td>16-20%</td>
<td>26</td>
<td>46</td>
<td>Better assets</td>
</tr>
<tr>
<td>21%-Above</td>
<td>6</td>
<td>29</td>
<td>Increased income/ Low profits</td>
</tr>
<tr>
<td>Don't Know</td>
<td>2</td>
<td>4</td>
<td>Better meals/ assets</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Out of 56 respondents who had borrowed loans, 4(7%) respondents indicated 1-10% rate and considered this low rate to have a positive influence on their businesses. 8(14%) respondents stated that their loans were lent at 11-15%; they considered this to have led to increased income. 26(46%) respondents took loans at 16-20% and indicated that their assets had improved. 16(29%) respondents indicated to have borrowed loans at interest rates beyond 20%. They considered these rates as quite high though 10 had increased their disposable income while 6 indicated that their profits lowered after borrowing. 2(4%) respondents indicated that they did not know the interest rates for the loans they had borrowed, however they said that they had afforded better meals and assets.

### 4.7 Debt recovery on defaulted loans and influence on socio-economic status.

The study sought to establish influence of debt recovery due to failed loan repayments on socioeconomic status of entrepreneurs. Respondents were asked to state if they had failed to pay their loans on time and if yes they were required to indicate what followed. This information is presented in table 4.11.
Table 4.11 Loan default and influence on socio-economic status

<table>
<thead>
<tr>
<th>Action Taken</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets Auctioned</td>
<td>3</td>
<td>12</td>
<td>Loss of Assets</td>
</tr>
<tr>
<td>Closed Business</td>
<td>1</td>
<td>4</td>
<td>Loss of Income</td>
</tr>
<tr>
<td>Penalized</td>
<td>5</td>
<td>20</td>
<td>Reduced Income</td>
</tr>
<tr>
<td>Negotiations</td>
<td>16</td>
<td>64</td>
<td>Charges levied</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Out of 56 respondents who had borrowed, 25(45%) indicated that they had failed to meet prompt repayments. Out of the 25 respondents, 3(12%) had their assets auctioned and this influenced their socio-economic status negatively. 1(4%) respondent closed his business after inability to pay his loan leading to negative influence on socio-economic status. 5(20%) respondents indicated that failure to pay their loan installments on time led to loss of income due to penalties while 16(25%) stated that they negotiated with the financial institutions and were allowed to repay later at a small fee.

4.8 Mobile banking services and socio-economic status of entrepreneurs

The research sought to establish the rate of use of mobile banking services as well as agents and how these services had influenced the socio-economic status of entrepreneurs. The respondents were asked to state if they could access their accounts using mobile phones and whether they used financial institutions agents to transact. This information is presented in table 4.12.

Table 4.12 Mobile banking services and socio-economic status of entrepreneurs

<table>
<thead>
<tr>
<th>Service Use</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile phone</td>
<td>46</td>
<td>47</td>
<td>Improved income</td>
</tr>
<tr>
<td>Agents</td>
<td>44</td>
<td>45</td>
<td>Improved business</td>
</tr>
</tbody>
</table>
Out of 98 account holders, 46(47%) respondents could access their accounts via mobile phones. This was a commendable figure since mobile banking was a relatively new service when the study was being conducted. It meant that the uptake of the service was fast and respondents stated that they were able to save on travelling costs and time hence improving their income. 44(45%) respondents indicated that they used agents to access services of financial institutions thereby saving on travelling and long queuing in banks.
CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses summary of the findings of the study in line with four objectives of the study. It also gives a discussion on the findings under guidance of the four research objectives. Finally the chapter gives conclusions and makes recommendations.

5.2 Summary of findings

This section gives a summary of research findings under the four objectives which include; to determine the extent to which savings influence on socio-economic status of entrepreneurs in Kakamega Municipality, to establish how lending influences on socio-economic status of entrepreneurs in Kakamega Municipality, to establish how debt recovery influences socio-economic status of entrepreneurs in Kakamega Municipality and to determine the influence of mobile banking on socio-economic status of entrepreneurs in Kakamega Municipality.

The findings of the study were conducted focusing on the number of accounts held by entrepreneurs, length of accounts' operation and cash withdrawal charges. Out of 100 respondents, 2(2%) did not have a single account in any financial institution and these respondents would therefore not save through the financial institutions. The rest 98(98%) respondents operated at least one account in a financial institution. Through accounts operation, the respondents indicated that they were able to build the savings and acquire the assets, were able to have alternative services and some considered operation of various accounts to offer them convenience. These factors consequently facilitated the respondents to improve on their incomes, enhance their businesses and acquire better meals and clothing. Concerning length of accounts' operation, the study revealed that 40(40%) respondents had operated their accounts within 4 years, 38(38%) had operated their accounts for 5-9 years. This implies that 78% of the total respondents had operated accounts for less than 10 years, a factor that is attributable to existence of few financial institutions 10 years before this study was conducted. Most respondents indicated that they had benefitted through improved income and better occupation. The rest 22(22%) of the respondents had operated accounts for more than 10 years and this influenced their socio-economic status positively through
acquisition of assets and better housing. On cash withdrawal charges, 26(27%) of the respondents were charged between 0 and 60/= and they considered this to influence positively on accounts' operation. 42(43%) were charged kshs 61-100, they considered it to lower their disposable income. 7(7%) were charged kshs 101-150 and they considered this as an implication of high cost of account operation. 9(9%) were charged above kshs 150 and indicated that these high charges had a negative influence on their socio-economic status. 14(14%) indicated that they did not know the much they were being charged and therefore they didn’t consider the charges to have any influence in their socio-economic status.

The survey was designed to assess influence of lending on socio-economic status of entrepreneurs. The study focused on amount of loan borrowed and interest rate of the loan and their influence on socio-economic status of entrepreneurs. Out of 56 respondents who had accessed loans, 23 (41%) indicated that they had borrowed amounts not exceeding kshs 100,000/=. Majority of these operated small businesses and retail shops. They indicated that borrowing influenced their socio-economic status positively in that their businesses improved, their occupation got better through improved stocks. 35(59%) respondents had borrowed over kshs 100,000/= and majority of those who fell in this category were medium entrepreneurs. They indicated that the borrowing boosted their businesses consequently leading to more assets, improved income and also more education. On loan interest rates, 38(68%) respondents had their loans accruing interest at 20% per annum and below. These respondents indicated that lending had influenced them positively since they considered these rates to be favorable. They revealed that their income had increased, their assets increased, got better meals and good housing. 16(29%) respondents indicated that their loans accrued interest at a rate over 20% which they considered high leading to expensive loans. 10 respondents however indicated that their disposable income had increased while 6 indicated that their profits had reduced after borrowing hence influencing their socio-economic status negatively.

The survey was designed to examine how debt recovery influences on socio-economic status of entrepreneurs. The study focused on failure by borrowers to pay their periodic installments seeking to know what transpired. Out of 56 respondents who had borrowed, 25(45%) indicated that they had failed to meet prompt repayments. Out of the 25 respondents, 3(12%) had their assets auctioned and this influenced their socio-economic status negatively. 1(4%)
respondent closed his business after he was unable to pay his loan leading to negative influence on his socio-economic status. 5(20%) respondents indicated that failure to pay their loan installments on time led to loss of income due to penalties while 16(64%) stated that they negotiated with the financial institutions and were allowed to repay later at a small additional fee. At present when one fails in loan repayment for 91 days, this information is shared with Credit Reference Bureau and has a negative impact on customer’s future borrowings. Therefore, debt recovery after a borrower has failed to pay their loan on time has an adverse effect on socio-economic status of the borrower.

The study was designed to examine the influence of use of mobile telephones in banking as well agency banking on socio-economic status of entrepreneurs. Out of 98 respondents who operated accounts, 46(47%) respondents could access their accounts via mobile phones. This was a commendable figure since mobile banking was a relatively new service when the study was being conducted. It meant that the uptake of the service was fast and respondents stated that they were able to save on travelling costs and time hence improving their income, improved their occupation and acquired more education. 44(45%) respondents indicated that they used agents to access services of financial institutions thereby saving on travelling and long queuing in banks. This indicates that the respondents would utilize more time in their businesses leading to improved cash flows consequently influencing on their socio-economic status positively.

5.3 Discussions of the study findings

According to the findings of the study, 98% respondents operated at least one account each in a financial institution.2(2%) respondents do not operate any account in any financial institution but they had visited them for other services. Through accounts operation, the respondents indicated that they were able to build savings and acquire assets. Some indicated that they were able to have alternative services which gave them convenience. These findings are in agreement with contribution by Sutton (2010) who indicated that savings accounts are one of the most important parts of a solid financial plan. He recommends people to have savings for emergency purposes. Savings has facilitated consolidation of money for purpose of children education as well as adult education in Kakamega municipality.

The findings of the study indicated that borrowing enabled entrepreneurs improve their businesses through increased capital leading to more sales. This improved their occupation
and profit margins. Some respondents indicated that their housing improved after borrowing while others indicated that their assets and levels of education got enhanced. 71% respondents indicated that borrowing influenced their socio-economic status positively while 29% considered loan interest rates as too high. Even with high interest rates only 6 respondents indicated that their socio-economic status had been influenced negatively. The findings of this study are in line with contributions made by Hossain (1988). He observed that provision of credit has increasingly been regarded as an important tool for raising the incomes of rural populations, mainly by mobilizing resources to more productive uses.

Ghaffar (2009) observed that financial difficulties lead to loan default. The Consumer Credit Act (1974) requires that any debtor that has defaulted on their personal loan must receive a statutory default notice from the lender. The notice is usually sent out to advise the debtor that there has been a personal loan default, try to reach an agreement with the borrower to catch up with any arrears on the loan before matters progress. The findings of research study in Kakamega municipality indicate that out of 56 respondents who had borrowed loans, 25(45%) had failed to meet prompt loan repayments. 21 out of 25 respondents were able to have some negotiations with the financial institutions to clear the arrears at later dates. These arrangements attracted some levies. The rest 4 respondents had their socio-economic status influenced negatively since their properties were sold and businesses either closed down or reduced to almost non operation. There is a big number of customers who fear taking bank loans for fear of such occurrence.

Registration of mobile banking was relatively a new service by the time this study was conducted. Out of 98 respondents who held accounts in financial institutions, 46(47%) could access their accounts by use of mobile phones. 44(45%) respondents indicated that they used agents to access services of financial institutions. The two figures were impressive considering that the services were relatively new and that the study was conducted in a rural municipality. Kenya's M-PESA mobile banking service allows customers of the mobile phone operator Safaricom to hold cash balances which are recorded on their SIM cards. It is mainly on this platform that financial institutions have introduced their mobile banking services. This has boosted the fast uptake of other mobile banking services. Through mobile banking, customers have been able to make transactions without visiting financial institutions where their accounts are held. This helps in avoiding travelling costs, saves on time and
offers convenient ways of transferring funds. All these were mentioned by respondents who implied that their socio-economic status has been influenced positively.

5.4 Conclusions of the study

The study concludes that services offered by financial institutions have influence on socio-economic status of entrepreneurs in Kakamega municipality. According to the four objectives of this study, savings, lending and mobile banking have a positive influence on socio-economic status while debt recovery has a negative impact on socio-economic status of entrepreneurs especially when a borrower is in a complete inability to pay loan. This conclusion is given under the four objectives of the study as here below.

Savings influence the socio-economic status of entrepreneurs in Kakamega municipality positively. Through savings, entrepreneurs are able to acquire assets, are able to have alternative services and also to benefit from convenience that comes with accounts operation. The study established that through savings, entrepreneurs got improved income, enhanced businesses, better meals and better clothing. Majority of entrepreneurs operate accounts which do not levy end month charges. Just as most financial planners suggest that everyone keep a savings account that they can use for a number of purposes, entrepreneurs in Kakamega municipality operate the accounts and do benefit from these accounts.

Lending has a positive influence on socio-economic status of entrepreneurs in Kakamega municipality. According to this study, borrowing of loans led to entrepreneurs' businesses improvement, better occupation, more assets, improved income and more education. Some respondents indicated that through borrowing, they were able to get better meals and good housing. Conversely, high interest on loans led to low profits. In most rural areas, accumulation of capital through savings is difficult due to low incomes. Under such circumstances, loans, by increasing family income, can help the poor to accumulate their own capital and invest in employment generating activities (Hossain, 1988). This statement reiterates the importance of lending just like the findings of this study. It is worth to note that some entrepreneurs indicated that access to loans is still not easy in Kakamega municipality mainly due to strict lending terms and conditions.

Debt recovery has some negative influence on socio-economic status of entrepreneurs in Kakamega municipality. The negative influence resulted from various actions ranging from charging penalties on late loan repayments to auctioning of properties. Entrepreneurs who
were levied penalties ended up paying more money towards the loans borrowed than what they should have paid if the loans were paid on time. This reduced their disposable income and in some cases assets as well. The few entrepreneurs who had their properties auctioned suffered more. While some experienced low business, others had to close down the businesses. In situations where debt recovery is not done in accordance with consumer credit Act (1974), entrepreneurs fear borrowing of loans. This leads to low uptake of loans which results to slow economic performance and high levels of poverty. This is one of the contributors of high levels of poverty in Kakamega district as compared to Western province.

Mobile banking has a positive influence on socio-economic status of entrepreneurs in Kakamega municipality. Registered entrepreneurs are able to access their accounts without visiting banks where their accounts are held. This saves on time, travelling costs and facilitates fast remittance of funds. Through mobile banking, it is possible for entrepreneurs to build their savings and account credit turnovers which are fundamental to qualification of loan borrowing. Entrepreneurs indicated that challenges come with failure of the system when they urgently need money. This needs to be rectified in order for the mobile banking service to fulfill its purpose.

5.5 Recommendations from the study

The following are recommendations proposed to improve the services offered by financial institutions.

1. Savings and socio-economic status of entrepreneurs

Financial institutions should ensure that operation of accounts is made simple and cheap. Monthly ledger fees on accounts should be made optional such that majority of accounts types should attract none. ATMs need to be regularly monitored to ensure full time operation and more so when banks are closed. Long queues in the banking halls should be discouraged at all times. More staff need to be deployed during peak times to ensure faster and friendly services. Bank statements are important for clients to know how their accounts operate and should be availed monthly free of charge. There is need for regular communication on new and changing products and services. Integrity amongst staff is important to ensure customers get amounts of money that they are entitled to. Cash withdrawal and ATM withdrawal charges should be reasonably low to encourage more transactions from many customers and also to demystify the notion that accounts operation is for the few rich people.
2. Lending and socio-economic status of entrepreneurs

In order for financial institutions to benefit their clients through lending, there is need for loans to be accessed easily and quickly to those who qualify. Interest rates need to be reasonably low to boost the customers' businesses and for easy repayment. While it is important for the lender to be prudent while lending, there is need for flexibility on the requirements for one to qualify for the loan. Some customers have good businesses but they do not have required securities. In some cases, it is important for the borrower to access amount that will enable them fulfill their needs rather than getting reduced amounts. Initial micro loans are mostly lent at 6 months, there is need to extend the period to one year so that more people can benefit. It is important for financial institutions to create awareness of their loans and sell the benefits of the loans to customers so as to increase the number of borrowers. They should also be trained that money borrowed need to be channeled to right purposes which will make their lives better.

3. Debt Recovery and socio-economic status of entrepreneurs

Money lent out by financial instructions belongs to depositors and should always be paid back. However, there is need for the lenders to know the reason behind borrowers' inability to meet periodic repayments. When the first installment falls due, the lender should call the borrower, know the reason for inability to pay and agree on when the installment will be cleared. In some cases, there may be a need to restructure the loan facility. When the borrower fails to meet their obligation on the agreed time, the lender needs to give the borrower another 7 days through first demand letter. If the borrower is unable to settle the installment even after the first demand letter, the lender should issue a second demand letter which again gives 14 days for the borrower to look for money. The third demand letter should allow the borrower a full month to clear the loan in arrears. When all this is done and the borrower is still not able to clear the loan arrears, then the lender can involve guarantors and auctioneers. In many instances, lenders do not follow these steps and when they repossess and sell borrowers properties, it really negatively affects the borrower and also scares away prospective good customers. Many respondents indicated that they fear taking loans and this implies that some of the businesses which could have grown faster with borrowing are growing slowly. This consequently affects Kakamega municipality in terms of general economic growth making it lag behind other regions and probably leading to high levels of poverty.
4. Mobile banking and socio-economic status of entrepreneurs

Mobile banking service is relatively new and there is need for financial institutions to continue creating its awareness. For the customers who have subscribed to it, they are able to access banking services without visiting the banks which saves on time and transport costs. It is important for financial institutions to make this service as smooth as possible for more customers to register and use it. There is need to sensitize the customers and staff on the inherent risks and how to counter them. If a wrong telephone number is captured in the account it means that the mobile phone owner will have access to that account. When telecommunication network is down, it is not possible for the customer to access mobile banking services. All these issues should be addressed to make the service appealing to all customers. Training on how to use the service is very important, lest customers register but are unable to use the service. Agency banking is also beneficial to customers since it creates an alternative service station. The agents should be trained to offer good friendly services. They also need to have the capacity to serve many customers and not to refer most of the clients to the bank. Agents should be offered security so that they can be able to handle reasonably high transactions.

5.6 Suggestions for further research

The study sampled four objectives that guided this research. There is need to conduct research on the following areas due to their relationship with this study.

1. Influence of women enterprise fund on socio-economic status of women entrepreneurs.

2. Youth Enterprise fund and its influence on socio-economic status of young entrepreneurs.

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APPENDICES

Appendix i: Letter of Transmittal

University of Nairobi,
P.O. Box 300397,
NAIROBI

Dear Respondent,

I am a student at the University of Nairobi pursuing a degree course in Masters of Arts in Project planning and management. As part of my course, am required to carry out research on the influence of services offered by financial institutions on socioeconomic status of entrepreneurs in Kakamega Municipality.

To facilitate this study, you are kindly requested to participate in answering the questionnaire. Please note that information obtained from you will be treated with a lot of confidence.

Thank you for your cooperation. May God bless you.

Yours faithfully,

Nganga Moses Gichuha.
Appendix ii: Questionnaire

This Questionnaire is for use in collecting data for research concerning influence of Financial Institution on Socio-economic status of entrepreneurs in Kakamega Municipality.

Kindly put a tick (✓) where applicable in the provided boxes.

Please Note; do not write your name in this questionnaire.

PART ONE: BACKGROUND INFORMATION OF THE RESPONDENTS

1. Write your
   i. Village................................................................................................................
   ii. Sub location........................................................................................................
   iii. Location..............................................................................................................
   iv. Division...............................................................................................................

2. Your age bracket

   18-23 years □ 24-29 years □ 30-35 years □ 36-40 years □ 41-45 years □ 46-50 years □ Above 51 years □

3. What is your occupation? ..........................................................................................

4. Your level of education

   Doctorate □ Masters Holder □ Bachelors Holder □ Tertiary Certificate □

   Secondary □ Primary □

5. What is your marital status?

   Single □ Married □ Divorced □ Widowed □

6. What is your gender? Female □ Male □
7. How many children do you have?

- 0-3
- 4-5
- 6-7
- 8 and above

PART TWO: PRODUCTS & SERVICES OFFERED BY FINANCIAL INSTITUTIONS

1. In how many Financial Institutions do you have an account?

- None
- One
- Two
- Three and above

2. For how long have you operated your oldest account?

- 0-4 years
- 5-9 years
- 10-14 years
- 15 years and above

3. Where is your most active account held?

- KCB
- COOP bank
- Equity bank
- Family Bank
- Other banks, please specify

4. Which services have you accessed from a financial Institution?

- Operating savings and/or fixed deposit accounts
- Loan Facility
- Enforced debt payment
- Mobile banking
- Others, please specify

5. How much money are you charged for cash withdrawal over the counter in your most active account?

- Kes 0-60
- Kes 61-100
- Kes 101-150
- Over Kshs 150
- I don’t know
6. How much money are you charged for ATM withdrawal in your most active account?

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kes 0-30</td>
</tr>
<tr>
<td>Kes 31-50</td>
</tr>
<tr>
<td>Kes 51-70</td>
</tr>
<tr>
<td>Over Kshs 70</td>
</tr>
<tr>
<td>I don't know</td>
</tr>
</tbody>
</table>

7. How much money are you charged as end month ledger fees in your most active account?

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
</tr>
<tr>
<td>Kes 1-20</td>
</tr>
<tr>
<td>Kes 21-50</td>
</tr>
<tr>
<td>Kes 51-100</td>
</tr>
<tr>
<td>Above kshs 100</td>
</tr>
<tr>
<td>I don't know</td>
</tr>
</tbody>
</table>

8. Saving with financial institutions has influenced my socio-economic status as follows;

- Improved Income
- Better Housing
- Quality meals
- I lost money
- I became worse off

Please provide more information on your above answer

9. What is the highest amount of money that you have ever borrowed once?

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kes 1-10,000</td>
</tr>
<tr>
<td>Kes 10,001-50,000</td>
</tr>
<tr>
<td>Kes 50,001-100,000</td>
</tr>
<tr>
<td>Over Kshs 100,000</td>
</tr>
<tr>
<td>Never Borrowed</td>
</tr>
</tbody>
</table>

10. What was the annual rate of interest for that loan?

<table>
<thead>
<tr>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10%</td>
</tr>
<tr>
<td>11-15%</td>
</tr>
<tr>
<td>16-20%</td>
</tr>
<tr>
<td>Over 20%</td>
</tr>
<tr>
<td>I don't know</td>
</tr>
</tbody>
</table>

11. Borrowing influenced my socio-economic status in the following ways

- Improved occupation
- Increased income
- Better Assets
- No improvement
- Worsened my livelihood
12. Have you ever failed to pay your loan on time?
   Yes ☐ No ☐ Not sure ☐

13. If yes, what happened?
   My assets were sold ☐ Closed business ☐ Loss of income ☐ Negotiated with my banker ☐
   Other ways

14. What should financial institutions do when a borrower fails to pay a loan?

15. Are you able to access your account using your mobile phone?
   Yes ☐ No ☐

16. Do you make use of banks' agents to access products and services?
   Yes ☐ No ☐

17. Mobile banking has influenced my socio-economic status as follows;
   Improved assets ☐ Improved business ☐ Better income ☐ Loss of money ☐ It's not convenient ☐
Please explain your answer.

18. In general, would you say that access to financial institutions has improved your socio-economic status?
   Yes [ ] No [ ]

If no, what would you suggest to financial institutions?

If yes, kindly rate how your socio-economic status has improved, 1 being most improved and 7 being least improved.

   Income [ ] Occupation [ ] Housing [ ] Clothing [ ]
   Education [ ] Assets [ ] Meals [ ]

19. Do you face any challenges as you access services of financial Institutions?
   Yes [ ] No [ ]

If yes, please specify the challenges

20. What are the possible solutions to the challenges?

Thank You, God bless you

-End-
Appendix iii: Interview Guide

PART ONE: BACKGROUND INFORMATION OF THE RESPONDENT

i. Village................................................................................................................................

ii. Sub location........................................................................................................................

iii. Location............................................................................................................................

iv. Division.............................................................................................................................

1. How old are you? ..............................................................................................................

2. What is your occupation? .................................................................................................

3. Your highest level of education........................................................................................

4. What is your marital status? ..............................................................................................

5. How many children do you have? ...................................................................................

PART TWO: PRODUCTS & SERVICES OFFERED BY FINANCIAL INSTITUTIONS

1. In how many Financial Institutions do you have an account? ........................................

2. For how long have you operated your oldest account? ..................................................

3. Where is your most active account held? ...........................................................................

4. Which services have you accessed from a financial Institution?
   
   - Operating savings and/or fixed deposit account
   - Loan facility
   - Enforced debt payment
   - Mobile banking
   - Others..............................................................................................................................

5. How much money are you charged for cash withdrawal over the counter in your most active account? ...........................................................................................................................

6. How much money are you charged for ATM withdrawal in your most active account?
7. How much money are you charged as end month ledger fees in your most active account?

8. Has saving with financial institutions influenced your socio-economic status?

9. What is the highest amount of money that you have ever borrowed once?

10. What was the annual rate of interest for that loan?

11. Borrowing influenced my socio-economic status in the following ways

12. Have you ever failed to pay your loan on time?

13. If yes, is there anything that happened to your socio-economic status?

14. What should financial institutions do when a borrower fails to pay a loan?

15. Are you able to access your account using your mobile phone?

16. Do you make use of banks' agents to access products and services?

17. Do mobile banking services influence on your socio-economic status?

18. In general, would you say that access to financial institutions has improved your socio-economic status?

If no, what would you suggest to financial institutions?
If yes, kindly rate how your socio-economic status has improved, 1 being most improved and 7 being least improved.

Income [ ] Occupation [ ] Housing [ ] Clothing [ ]

Education [ ] Assets [ ] Meals [ ]

19. Do you face any challenges as you access services of financial Institutions? .................

20. If yes, please specify the challenges

21. What are the possible solutions to the challenges?

Thank You, God bless you

-End-