EFFECTS OF MICROFINANCE ON SOCIO-ECONOMIC STATUS ON WOMEN LOANEE HOUSEHOLDS IN LIMURU CONSTITUENCY, KIAMBU COUNTY-KENYA

BY

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DECLARATION

This Dissertation is a product of my own work and is not the result of anything done in collaboration. It has not been previously presented to any other institution. I agree that this dissertation may be available for reference and photocopying at the discretion of the College.

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SUPERVISOR'S SIGNATURE…… DATE……

Dr. Lydia Mwaniki

DEDICATION

This work is dedicated to my beloved late mother Joyce Mukami who always wished the best for me in life and my family for giving me encouragement and support throughout the entire period of writing this project. To you all thank you for your unconditional love for me.

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ACRONYMS AND ABBREVIATIONS

CBK : Central Bank of Kenya

CIA	:	Central Intelligence Agency
EAS	:	Enterprise Allowance Scheme
FAO	:	Food and Agricultural Organization
FGDs	:	Focus Group Discussions
HDI	:	Human Development Index
HRD	:	Human Development Report.
IPO	:	Initial Public Offering
MFIs	:	Microfinance institutions
KIIs	:	Key Informant Interviews
KHBS	:	Kenya Integrated Household Budget Survey.
MDG	:	Millennium Development Goal
MFIs	:	Microfinance Institutions
NGOs	:	Non-Governmental Organization
KWFT	:	Kenya Women Finance Trust
PAWDEP	:	Pamoja Women Development
SDGs	:	Sustainable Development Goals
UK	:	United Kingdom
UN	:	United Nations
UNFPA	:	United Nations Population Fund
US	:	United States

DEFINITION OF KEY TERMS

Collateral: Refers to something pledged as security for repayment of a loan,

CGAP:	Consultative Group to Assist the Poor
Financial empowerment:	Is broadly classified as giving financial ability to the poor through business loans so that the people can gain economic independence lifting them out of poverty
Income Poverty:	Refers to someone whose income is not sufficient to keep up with the rate of inflation or more specifically the cost of living
Loanee:	Refers to a borrower; someone who is loaned something
Micro Insurance:	Refers to the provision of insurance to low income households.
Microcredit:	It involves the provision of credit to the poor
Micro finance:	In this document it refers to the non-formal lending institutions such as women groups that practice table banking not regulated by the Central Bank of Kenya.
Micro-savings:	A microfinance service that allows impoverished individuals to safeguard money and other valuables items and even earn interest
Petty trade-based business:	A business that is privately owned by an individual and operated with one or two employees and has relatively low volume of sales due to the low capital it is set up with
Unbankable:	Refers to individuals who cannot be offered banking services as they lack collateral etc.
Village bank:	refers to the micro-finance bank tailored to meet the needs of the poor households in rural area

ABSTRACT

Globally, at least 80% of humanity lives on less than $1.0 per day accounting for 4.8 billion people. This is despite many studies carried out by various researchers on the effects of Microfinance on Socio-Economic Status on households. However despite this effort by Microfinance institutions on empowerment of women entrepreneurs in rural setting on this study remains largely unexplored in Kenya. This study aimed to close the gap by establishing the effects of microfinance on social economic status of women loanees in Limuru Constituency of Kiambu County in Kenya. The study adopted a concept of equilibrium of poverty theory by Chambers (1983) Chambers assumed that, gains made from the efforts of the poor people to disentangle themselves from shackles of poverty are quickly lost as a result of their vulnerable conditions. For the methodology the Study adopted mixed method research methodology with the population consisting all women under an MFI's financial support in Limuru Constituency Kiambu County of Kenya. The sample of the study consisted of 91 women who have accessed financial support from MFIs in Limuru Constituency who were selected using purposive sampling technique. The target population for this study consisted of all women who have received microcredit from Pamoja Women Development Group (PAWDEP), who were 2,000 women (PAWDEP Records, 2018). Structured questionnaires comprising of closed and ended questions were used to collect data from the selected respondents. For Focus Group Discussions and Key Informant Interviews, Purposive Sampling Technique was used. The primary data was gathered using structured questionnaires and interview. The collected data was analyzed through the help of Statistical Package for social Sciences (SPSS Version 22) which was of great importance in generating the descriptive statistics and also to generate trends results. The study provides recommendations that clear financial management strategies should be put in place to address key critical financial difficulties facing women. The Study also recommends that no interest should be charged on the loan and payment should commence after results have been realized since women groups who had participated in microfinance, the study found that 70% of the women who took the loan had not benefitted.

CHAPTER ONE

1.0 Introduction

This chapter highlights the background of the study, the problem statement, purpose of the study, research objectives, research questions, significance of the study, assumptions of the study, limitations and delimitations of the study. In addition, it highlights the theoretical and conceptual framework and gives definitions of key terms.

1.1 Background to the Study

The effects of MFI's as a tool for financials empowerment has created great interest to the researchers and policy makers in our society today. According to many researchers MFI's help women groups to increase their earnings and leading power within household. However more than 70% of these women are unable to service their loans and end up disposing what they placed as collateral in banking institutions and SACCOs, hence making increasing socioeconomic vulnerability within the household. (Bateman M.2010)

Poverty is defined as a multidimensional phenomenon which encompasses poor people's inability to satisfy basic needs, lack of control over resources, lack of education and poor health (Dave Richardson, 2010). Poor people are mainly vulnerable as they have few buffers or resources to cope with hazards or shocks (UNFPA, 2013). Yunus (2007) defined poverty as a social condition that affects almost every part of the world. According to Yunus (2007) there are different definitions of poverty ranging from regions and countries. For instances a Country like Bangladesh people lead a very poor life that is totally different from their poor counterparts in the United States who are classified as poor. In Phillipine, poverty refers to the lowest income below which one cannot buy goods and services considered necessary for basic survival. Yunus (2007)defined a poor person as one who cannot afford the necessities of life including food, clothing and housing. Despite various definitions of poverty all converge at a common point. That is poverty is a condition where low income earners cannot live a decent human life. This condition is caused by lack of resources or capabilities to utilize existing resources in order to acquire basic needs.

However this vulnerability of the poor prevents them from developing their capacities and using the available opportunities, while exposing them to risks and difficulties that erode their possibilities of escaping from poverty. This paper broadly acknowledges that poverty is not limited to low incomes only but to poor consumption and inadequate living standards (Ferreira, 2011)

According to World Bank report (2008) a person is in extremely poor condition if he/she consumes less than $2 a day (World Bank, 2008). World Bank current statistics place the poverty to nearly half of the world's population where more than 3 billion people are believed to live on less than a USD 2.50 a day. More than 1.3 billion live in extreme poverty, that is, on less than USD 1.25 a day, while 80% of the world population lives on less than USD 1 per day (World Bank, 2008).

However the percentage of poor Africans has been declining with the latest World Bank estimates reporting a drop from 56% in 1990 to 43% in 2012. Despite the progress that has been made in reducing poverty, the number of people living in extreme poverty in the region remains unacceptably high.

In Kenya's population of about 40 million according to Population Reference Bureau estimates (Kenya population, 2016) 50 % of Kenyan population live below poverty line (CIA, 2000). This was supported by UNICEF (2013) which reported that forty two percent of Kenya's population lives below the poverty line. Despite the country having reported a steady growth of the economy, more than a half of the country's population still lives on less than one US dollar a day (UNICEF, 2013). Furthermore, Kenya is ranked 152 out of 177 countries on the 2006 Human Development Index in the world's 30 poorest countries (HRD, 2012). In a bid to alleviate poverty in the country, the Kenyan government has adopted the Sustainable Development Goals (SDGs) that were introduced by United Nations in September 2015. SDGs one and two are directly related to poverty as they seek to end poverty in all its forms in every place and to end hunger by achieving food security, improved nutrition and promote sustainable agriculture.

The theme of the UN Commission on the Status of Women in 2017 is "Women's Economic Empowerment in the Changing World of Work". This theme is geared towards improving

women's economic empowerment by engaging in fields that traditionally were preserves for men. The theme also aims at poverty eradication among women, who are the backbone of the society. The commission contributes to women's economic and social empowerment by promoting their active participation in the economy, thereby preventing economic exploitation (CSW, 2017). However, various measures have been put in place in an effort to reduce poverty and improve the living standards of the poor people. For a long time, formal financial institutions have routinely avoided providing loans to poor people due to a lack of collateral (Reeves,R.V et al 2016)

Women may have a higher and more stable income either as an independent entrepreneur or as an employed worker. Entrepreneurship is often problematic even with a relatively high or irregular income. However women are not able to choose between waged employment and salaried employment, but they have limited options or no options at all. In support of this view Chant (1997) agrees that women are more disadvantaged in the poor market than men because they have fewer financial resources to operate small-scale business, their skills are primarily domestic and their morbidity is lower than men's. On the other hand women's share in the global labor force has risen down the years. Factors believed to affect this are the expansion of the tertiary sector, the rising level of women's education and lower fertility. The size of the female force often increases during recessions among the urban poor in consequence of the effort to maintain the level of the household income. A study carried out by Carter (1992) clearly revealed that women have problems raising startup for business than men and that women encounter credibility problems when dealing with bankers. This view is supported by women Entrepreneur Summit held by the organization for Economic Cooperation and Development (OECD) held in 1997 where accessibility to credit facilities was raised as a problem for the promotion of women entrepreneurship and business advancement. That is why supplying Credits to small and micro-enterprise is important for reasons that: first it has to do with market imperfection where banks do not favour lending to small enterprises.

On the other hand MFI favor the development of private sector, where the promotion of women and the implementation of community development by private initiative help to reduce poverty and contribute to a fairer income distribution. According to UNICEF 2013 it is the product of women's comparative lack of educational opportunities so reinforcing their women's rights

might include challenging traditions, ensuring that education is available, providing legal help and making business capital available. It is worth noting that the increasing evidence that not only women are over represented among the poorest people but are also more likely than men to spend their incomes on the welfare of their children dependents. Therefore poverty reduction programs which target women are likely to be more effective. Again there is much evidence that in microfinance there is higher repayment and savings discipline among women than men. Empowering women is the second stated goal of microcredit summit campaign. There is also evidence of significant potential microfinance to enable women to challenge and change gender inequalities at all levels (Mayoux, 2001). Microfinance stimulates micro enterprise, empowers women and lifts families from conditions of poverty to beings self-sufficient. Microfinance stepped in to the picture following the neglect of the needy people by commercial banks and other mainstream institutions. Many countries in Africa and other parts of the developing countries continued to suffer from poverty, illiteracy, malnourishment, ill health and hunger. This is what drove Muhammad Yunus (2006) to set up the Grameen Bank, the first microfinance institution (MFI), which provided credit for the un-bankable as one of means of combating poverty.

1.1.1 Microfinance Institutions (MFIs)

The history of MFIs dates back to 1976, when Muhammad Yunus set up the Grameen Bank, as an experiment, on the outskirts of Chittagong University campus in the village of Jobra. The vision of the MFI founder was to take poverty to the museum: "May be our great-grandchildren will go to museums to see what poverty was like" (Kirkpatrik, Clarke and Charles, 2002).

The borrowers were supposed to organize themselves in solidarity groups of five people and meet once in a week in order to repay their loans. Grameen Bank soon spread to other villages in Bangladesh. Today, the Bank has distributed over US $7.28 billion since its inception, and has a loan recovery rate of 98.08% in the country. Since MFIs have been perceived as the solution to poverty eradication, many countries especially the developing countries have started MFIs with a similar view.

In Kenya microfinance can be traced back in mid 1990s and it spread out to other parts of the country around the same time. By 2006, 12000 households had obtained microcredit from five

microfinance institution in Limuru namely Kenya women finance trust, Pamoja women development Group, Jamii Bora, Rafiki Microfinane and Faulu Kenya. In Kenya, the microfinance industry has experienced major transformations over the past twenty years, growing from a fledgling concern dominated by a few donor and church-based NGOs to a vibrant industry increasingly driven by commercial sustainability (Muganga,2010). Microfinance is a general term used to describe financial services offered to those who are poor, unemployed and un-bankable or who would otherwise have no other means of gaining financial services (Muganga,2010)

Microfinance provides tiny loans to poor individuals who establish or expand a simple income-generating activity, thereby supposedly facilitating their eventual escape from poverty (Bateman, 2010). Microfinance institutions are based on the notion that the poor are capable of lifting themselves out of poverty if given access to financial services. Microfinance has increasingly been positioned as one of the poverty reduction strategies in both developing and transition economies. Its appeal is based on the widespread assumption that simply 'reaching the poor' with microcredit will automatically establish a sustainable economic and social development trajectory animated by the poor themselves (Bateman, 2010).

According to Muganga,(2010) if some borrowers can satisfy all their borrowing needs from the formal sector at lower interest rates, there will be less demand for informal credit. However where monopoly in a competitive market has an upper hand with free entry and one money lender as an imperfect substitute for another, a subsidy in the formal credit market may cause interest rates to rise in the informal sector because the induced new entry drives up the marginal enforcement of lending in the latter.

Most of micro Finance institutions (MFI's) lend to women groups as it is believed that women are disadvantaged both sociologically as well as economically. It could be possible that women are chosen for these loan because of their non-migratory behavior or for their being perceived as more family oriented and responsible compared to their male counterparts. Other scholars assert that some MFI's are pushed to lend women because they have frequent meetings of women groups making them disciplined than men hence standing a better chance of trust. However if these are the irreducible reasons to select women for loan disbursements, it is even more

important to raise a question as to whether indeed providing loans to the poor women is resulting in women empowerment as suggested and followed by several microfinance institutions in their mission statements (Muganga,2010)

According to Muganga,(2010), during the launch of Microcredit summit Campaign for achieving development goals 2015, in order to reach 175 million of the world's poorest families especially women of those families, credit for self-employment must be made available and other financial and business services so as to lift 100 million families above the US$1 a day threshold. Borrowers are likely to make productive investments if MFI's meet their demand for loan by allowing more flexibility in loan disbursement and repayment schedules (Gopal,S.2013)

1.1.2 The Effect of Microfinance

Various researchers have held on the view that microfinance schemes spreading in many developing countries across the world have yielded some positive results. (Gopal, S.2013) It is through this process that United Nation Development Fund has been established as the channel for UNDP to fund microfinance interventions. Many of microcredit programs have targeted women as they pose to be the most vulnerable groups in the society and who live in households which own little or no assets by providing opportunities for self-employment.

Microfinance have also received accolades from many researchers who argue that microfinance products have significantly improved the economic standing of the poor as well as increasing women's security, self-confidence and status within households (UNICEF,2013) According to these studies if microcredit is to play a strong role in development then certain requirement need to be fulfilled. The most crucial requirement is to perceive microcredit lending as part of a comprehensive program of support to small scale enterprise sector, the consultative group to assist the poor and it constitutes an active base for strengthening the private sector in developing countries. This would ensure that governments of developing countries formulates plans and programs to support small enterprises of which microcredit should be an integral part.

Shah A. (2013) confirms two ways in which women's income earning activities can affect the situation of a woman and her family. Firstly is the enhancement of the overall command of the household and the second is an increase in the woman's share of the household command. Earning can give woman a clearer perception of her individuality and wellbeing or a higher contribution to the economic position of the family. According to Shah A. (2013) access to finance has several potential benefits that reduce poverty. These include; (i) long lasting increases in income through higher investments in income generating activities, and a more diversified livelihood; (ii) asset accumulation and consumption smoothing; (iii) empowerment of women through expansion of economic opportunities and enhancement of social status; and (v) through spillover effects that extend beyond the borrowers.(Shah A. ,2013)

However Bateman, (2010) disagree these findings on the ground that the instrumentation strategy is inappropriate and important explanatory variable are omitted. Kirkpatrick H, (2002) are also not optimistic about the impact of microfinance since it is they find that it is the better-off rather than the core poor who benefit from microfinance process. Therefore the poor increasingly continue becoming poorer, in more debts, social structures weakened important reserves of solidarity, mutuality and cooperation thrashed out, human dignity and respect lost (Bateman, 2010). In severe cases where they are unable to repay the loan individuals have been forced to commit suicide.

There is substantial evidence that MFIs have been quite destructive of sustainable development and poverty reduction (Bateman, 2010). One reason attributable to MFI's failure is because of their commercialization. A 'new wave' microfinance model emerged in 1990s replacing the Grameen Bank model (Bateman, 2010), which was characterized by unethical profiteering, greed and irresponsible risk takers motivated to attain financial self-sustainability as well as attain profits. Classic examples are available in both developed and developing economies. The Thatcher UK government was forced to discontinue an Enterprise Allowance Scheme– a quasi-microfinance programme, which was designed to address rapidly growing unemployment (Robinson, 1995). Its discontinuation was due to damagingly high displacement effects which meant that almost no net employment opportunities were being generated in practice.

In developing countries, failure of MFIs has never been truer elsewhere than in the native country of Yunus. As early as 1984, Ahmad and Hossain astutely reported that the seemingly positive initial results of microfinance in just one village were simply an illusion (Ahmad and Hossain, 1984). They found out that the approach by Grameen Bank of just providing credit and leaving the loanees on their own cannot be a viable idea for alleviating poverty.
International bodies like Consultative Group to Assist the Poor continue to send money in most African countries to finance microfinance institutions yet majority use less than $1.0 per day. What happens to this credit obtained from the microfinance?

Various assumptions showing that MFIs have led to poverty eradication have been fronted. Despite the rising increase in the number of MFIs, there is no solid evidence that MFIs have eradicated poverty. Consequently microfinance has been moving increasingly towards profit making ventures that focus on relatively richer clientele. Though studies in a wider context have been carried out on areas of microfinance, no study have actually been carried out on the effects of microfinance on household in Limuru constituency, which is the focus of this study despite various microfinance institutions emerging rapidly such as Kenya Women Finance Trust, Jamii Bora, Faulu Kenya, Pamoja Women Development Group and Rafiki Microfinance. Most of these MFIs mainly target women groups because they are consistently better in promptness and reliability of repayment of credit (Mwenda and Muuka, 2004). The literature confirms that microfinance programs do not serve the interest of poorest according to Bateman,(2010). However some institutions are believed to do so and the poorest can definitely benefit from microfinance in terms of increased incomes and reduced vulnerability.

1.1.3 Microfinance on Household in Limuru Constituency

Limuru constituency is a town and one of the twelve constituencies in Kiambu County in the central Province of Kenya with a population of more than 164,187(KNBS,2009).Most of the people in Limuru are Kikuyu speaking community. Like in many part of the country the unemployment rate in Limuru is ballooning and a matter of worry to many.

In Limuru there are few or no opportunities at all for illiterate and semiliterate since the biggest population is educated and jobs opportunities are few. This puts the lives of women in rural household at stake. These women are left with no other option than to earn a living through

informal sector. It is in this sector that women form groups and in their large numbers visit micro finance institutions for financial backup. These women are unable to access credit facilities according to Chant, (2010) and it is a huge impediment towards improvement of their economic situations. This is where MFI's try to intervene through a variety of customized financial products. The main reason for microfinance is to intervene by providing resources both at the present time and in future to the women entrepreneur. This is geared at making women achieve their financial objectives.

1.2 Problem Statement

The concept of microfinancing has been successful in a number of countries and has been propagated as one of the major ways of boosting the social and economic well-being of women as a means of raising their income, and subsequently their ability to support their households.
However, the economic freedom expected to be attained is solely dependent on the investment of capital acquired from MFI's in entrepreneurial or income generating activities. Any other alternative usage that doesn't involve direct investment into such activities can have a negative effect on the social and economic well-being of the target beneficiaries. (Kiiru, 2007)

The study sought to establishing why the MFIs products and facilities are not having the originally intended effects (economic freedom and financial independence) on the target beneficiaries because they are generally expected to provide capital for entrepreneurial and income generating activities.

1.3 Purpose of Study

The purpose of this study was to assess the effects of micro financing on the socio-economic status of households living in Limuru constituency, Kiambu County, Kenya.

1.4 Objectives of the Study

1.4.1 General Objective of the Study

The general objective of this study was to determine the effects of micro financing on the socio-economic status of loanee households living in Limuru constituency, Kiambu County, Kenya.

1.4.2 Specific Objectives of the Study

The specific objectives of the study were to:

i. Identify the reasons women acquire credit from micro finance institutions in Limuru constituency, Kiambu County, Kenya.
ii. Establish the effects of micro finance institution loans on the socio-economic status of women loanee households living in Limuru constituency, Kiambu County, Kenya.
iii. Find out the factors affecting loan repayment capabilities of women loanees in Limuru constituency, Kiambu County, Kenya.
iv. Identify potential solutions to the challenges faced by both the micro finance institutions and the women loanees to ensure a mutually beneficial micro finance system in Limuru Constituency, Kiambu County

1.5 Research Questions

The study was guided by the following research questions:

i. What are the reasons individuals obtain credit from microfinance institutions in Limuru constituency, Kiambu County, Kenya?
ii. What effects does the credit facility have on the loanee socioeconomic status in Limuru constituency, Kiambu County, Kenya?
iii. What are the factors affecting the loan repayment abilities of loanees to MFI's in Limuru constituency, Kiambu County, Kenya?
iv. What are the potential solutions to the challenges faced by both MFI's and loanees to that can ensure a mutually beneficial financial system in Limuru Constituency, Kiambu County, Kenya?

1.6 Significance of Study

Sustainable Development Goals (SDGs) one seeks to end poverty in all its forms in every place and to end hunger by achieving food security, improved nutrition and promote sustainable agriculture. However, the SDGs cannot be realized because strategies set to eradicate poverty have not been effective. This study will provide insight into how MFIs are contributing to the SGD on poverty reduction and also on possible bottlenecks that need to be dealt with in order to unlock potential of MFIs in improving welfare of households.

The following study is important as it will determine the effects that MFIs have had on the poor people, Further, the study will serve as a springboard from which further research can be conducted in effective conflict management, policy makers will also stand to gain significantly from the findings in that they will have at their disposal vital information on credit financing towards women empowerment in Kenya. Small and medium Businesses are very vital to the development of Kenyan's economy. Therefore the government should put in place policies which will create an efficient and easy working environment for small medium business.

1.7 Scope

The study was conducted in Limuru constituency of Kiambu County, Kenya. The area harbors many MFIs such as Kenya Women Finance Trust, Jamii Bora, Faulu Kenya, Pamoja Women Development Group and Rafiki microfinance with the leading MFIs that give women credit in Limuru constituency as KWFT and PAWDEP.This prompted the need for the researcher to assess the effects of MFIs on the poor households. The study involved all women in Limuru Constituency who have received microcredit from MFIs. However, the researcher's main focus was on PAWDEP which is a non-formal microfinance institution not regulated by the Central Bank of Kenya.

1.8 Delimitations of the Study

The study targeted only women groups who had received microcredit from MFIs in Limuru Constituency Kiambu County of Kenya. The study assessed the effects of micro financing on the socio-economic status of households living in Limuru constituency, Kiambu County, Kenya. The success of the study was facilitated by the existence many women groups such as 'Chamas' who formed the target population. To address the delimitation, the study would have been carried in other counties across Kenya.

1.9 Limitations of the study

Some respondents were not willing to participate in the interviews since they felt it is a waste of time exercise interfering with their day today activities. To overcome this limitation the researcher informed the respondents in advance so that they could make time for filling the

questionnaires. Some of the respondents were not willing to divulge some information due to fear of intimidation by their superiors particularly in the Microfinance banks and Sacco. This was resolved through explanation of the benefit of the study in advance to the respondents.

1.9 Summary

This chapter has outlined the background of the study, problem statement, purpose, objectives, significance of the study and scope. Information in this chapter lays out the foundation on which the rest of chapters are anchored. Its aim is achieving the objective of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter deals with the summaries of recognized authorities and previous researches done on the effects of Microfinance institutions on social economic status on household in Limuru constituency of Kiambu County. These are broadly covered under the following subheadings: poverty which is viewed from Global, Regional and Kenya's statistics of the poor, poverty level in Limuru constituency, effects of poverty, MFIs and their effects, commercialization of MFIs, a scholarly presentation of a theoretical and conceptual framework and finally a summary of the reviewed literature.

2.1 Poverty

Studies have defined poverty as a multidimensional phenomenon which encompasses poor people's inability to satisfy basic needs, lack of control over resources, lack of education and poor health (Ferreira, 2011). This view was supported by Yunus (2007) who saw poverty through the eye of social condition that affects almost every part of the world. For instances in Bangladesh people lead a very poor life that is totally different poor people in United States of America. Different researchers agree that Poor people are mainly vulnerable as they have few buffers or resources to cope with hazards or shocks (UNFPA, 2013). This could be seen through an example given by Gulli, (1998) of Philippine where poverty refers to the lowest income below where one cannot buy goods and services considered necessary for basic survival (Gordon, 2007). Bateman M, (2010) agree with the fact that a poor person is the one who cannot afford the necessities of life including food, clothing and housing. Despite various definitions of poverty all converge at a common point. That is poverty is a condition where low income earners cannot live a decent human life. This condition is caused by lack of resources or capabilities to utilize existing resources in order to acquire basic needs.

According to the researcher the vulnerability of the poor prevents them from developing their capacities and using the available opportunities, while exposing them to risks and difficulties that

erode their possibilities of escaping from poverty. This paper broadly acknowledges that poverty is not limited to low incomes only but to poor consumption and inadequate living standards (Reeves,2016)

World Bank report (2015) depicts poverty as a person in extremely poor condition if he/she consumes less than $2 a day (World Bank, 2015). According to World Bank current statistics nearly half of the world's population is believed to live on less than a USD 2.50 a day. Where, more than 1.3 billion live in extreme poverty, while 80% of the world population lives on less than USD 1 per day (World Bank, 2008)

The researcher also noted that the percentage of poor Africans has been declining with the latest World Bank estimates reporting a drop from 56% in 1990 to 43% in 2012. Despite the progress that has been made in reducing poverty, the number of people living in extreme poverty in the region remains unacceptably high. (World Bank, 2008)

In Kenya's population of about 40 million live below poverty line according to Population Reference Bureau estimates (KNBS, 2016) this view was supported by UNICEF (2014) which reported that forty two percent of Kenya's population lives below the poverty line. Despite the country having reported a steady growth of the economy, more than a half of the country's population still lives on less than one US dollar a day (UNICEF, 2013). Furthermore, Kenya is ranked 152 out of 177 countries on the 2006 Human Development Index in the world's 30 poorest countries. In a bid to alleviate poverty in the country, the Kenyan government has adopted the Sustainable Development Goals that were introduced by United Nations in September 2015. SDGs one and two are directly related to poverty as they seek to end poverty in all its forms in every place and to end hunger by achieving food security, improved nutrition and promote sustainable agriculture.

According to UN Commission on the Status of Women theme (CSW61) in 2017 is "Women's Economic Empowerment in the Changing World of Work". This theme is geared towards improving women's economic empowerment by engaging in fields that traditionally were preserved for men. The theme also aims at poverty eradication among women, who are the

backbone of the society. The commission contributes to women's economic and social empowerment by promoting their active participation in the economy, thereby preventing economic exploitation (CSW, 2017).

2.1.2 Poverty in Kiambu County

Kiambu County has a population of 1.5 million with 53 per cent of the county population living below the poverty line (KNBS, 2013). According to Kenya County Fact Sheets report published by the Commission on Revenue Allocation in 2011, Kiambu County was ranked the second richest area in Kenya with Kajiado being the first. However, a spotlight check in 2006 revealed that poor people living in the region accounted for 21.8% of the total population (KIHBS, 2005). Most of its inhabitants live below the poverty line, go without food and depend on manual jobs to eke a living (KIHBS, 2006). Thousands of residents are employees in tea and coffee estates earning as low as less than 2$ per day (East African Standard News, 9th July 2013). This is as a result of case poverty which exists in pockets where an affluent community harbours pockets of poverty within it as opposed to mass poverty which exists in a widespread phenomenon where almost everybody in a certain community is considered poor (Mulwa, 2012).

2.2 Effects of Poverty

The study indicated that Poverty is a multidimensional phenomenon which encompasses poor people's inability to satisfy basic needs, lack of control over resources, lack of education and poor health (Murali and Oyebode, 2004). Poor people are mainly vulnerable, as they have few buffers or resources to cope with hazards or shocks (UNFPA, 2013). This vulnerability of the poor prevents them from developing their capacities and using the available opportunities, while exposing them to risks and difficulties that erode their possibilities of escaping from poverty.

According to the study Poverty is associated with deprivation of health, education, food, knowledge, influence over one's environment and many other things that make the difference between truly living and merely surviving. The study was also able to that establish that Poor people are typically marginalized from society and have little representation or voice in public and political debates, making it even harder to escape poverty.

2.3 Microfinance Institutions (MFIs)

Microfinance institutions are some of the most popular new technical tools for economic development and poverty reduction made famous in 1976 by the Grameen Bank in Bangladesh. Studies have established that 'microfinance' refers to the provision of diverse financial services to people who may have no access to such financial services from formal banks. According to the study the major idea of MFIs is to loan small amount of money to people who that they can obtain things they need to increase their economic rewards. These financial services often go beyond providing credit and include, amongst a myriad of products, training clients in entrepreneurial and vocation skills, promoting other income generating activities (for example livestock rearing); educating members on the importance of technical skills in their field of operation; and providing social safety nets to poor people such as food grain subsidies, and basic health care (Yunus, 2007)

Inaccessibility to Credit and lack of training has been cited by Kenya Women finance Trust as the major setbacks to women entrepreneur in Limuru Constituency. Some researchers also reported that limited purchasing powers especially on women household, lack of managerial skills, physical infrastructure were key setbacks for accessing financial support. This was evident from the fact that for a long time, formal financial institutions had avoided providing credit to the poor as they lacked collateral.

Microfinance is perceived as the provision of financial and non-financial services by micro finance institutions (MFIs) to low income groups without tangible collateral but whose activities are linked to income generating ventures (Christen and Rosenberg,2004). These financial services include savings, credit, payment facilities, remittances and insurance. The non-financial services mainly entail training in micro enterprise investment and business skills (Christen and Rosenberg,2004).

Studies have indicated that Microfinance has existed in various forms for centuries and even longer in Asia, where informal lending and borrowing stretches back for several thousand years. However, the birth of 'modern' micro-finance is said to have occurred in the mid-1970s in rural Bangladesh, when Muhammad Yunus set up the Grameen Bank, as an experiment, on the

outskirts of Chittagong University campus in the village of Jobra. The vision of the MFI founder was to take poverty to the museum: "Maybe our great-grandchildren will go to museums to see what poverty was like" (Kirkpatrik, Clarke and Charles, 2002). The world is full of many poor and near-poor households and provision of microfinance credits was seen as an act of empowering the poor to gain economic independence and get out of poverty.

The study established that in Kenya MFIs often target women groups because they are consistently better in promptness and reliability of repayment of credit (Mwenda and Muuka, 2004). However, there is no solid evidence that MFIs have eradicated poverty in the long run.

MFIs assume that poor people can become micro-entrepreneurs if only they were given a chance through credit; and that once the credit is granted, there is a vibrant market for goods and services and that it is possible for micro-entrepreneurs to get linked up to markets for their products (Kiiru, 2007).

Previously, success of MFIs has been solely gauged on repayment rate which has led to the assumption that since the poor can repay at market interest rates or slightly above market rates it is a good indication that they are improving their financial status and therefore it is a sign of good impact of microfinance (Kiiru, 2007). Although, MFIs enable households to start income generating enterprises, development economists argue that not every informal self-employment translates to economic growth or the reduction of poverty (Ac, 2006). Households are trapped in micro-sole proprietorships as they continually get involved in survival entrepreneurship instead of opportunity entrepreneurship. A glaring absence of markets for diversified goods and services and in a bid to meet strict debt regulations, rural microfinance participants compete in over supplied and fast moving products but with marginal returns, resulting in exerting a downward pressure on product prices and therefore profitability, and the overall ability to raise household incomes (Ac, 2006).

2.4 Women Capacity Building

Women Entrepreneur training is of great significance as it would provide the skills and experience needed for Business (Kiiru, 2007). Women who start business have been seen to

undergo various problems such as inadequate working capital, poor managerial skill, and lack of market techniques, lack of security and basic structures, hostile business environments, poor planning skills and ignorance (Gay, 1992). According to some studies, training and tertiary education have positive effect on enterprise performance (Gay, 1992) Lack of basic accounting skills, insufficient technical and business managerial skills as well as socio-cultural constraints lenders women to major constrains. Training is a critical tool which rural women entrepreneurs learn useful skills. Through Microfinance, women entrepreneurs get a chance to earn an income independent from their spouses. This makes them partners towards contribution to their family wellbeing and communities they live in. by getting access to loans women can expand their businesses and put to better use the profits generated to service the loans. Through this women will grow and increase their earning power. (Kiiru, 2007).

2.5 Group Collateral

Many researchers such as Kiiru (2007) observed that one of the characteristics of credit obtained from MFI's is that it does not require collateral such as properties or title deeds. Belonging to a group is the only qualification required. This in turn enables women from poor economic households to obtain credit because one is only required to belong to a group and qualify for credit. Members co-guarantee each other and, therefore, there is social pressure from fellow members to pay the loan. However, group collateral has its own risks because if one member defaults, the rest of the members have to repay the loan. As such, members are ready to go to every length so as to recover from a defaulting member. (Acs, 2006)

2.6 Short Grace Period

Previous studies observed that Credit obtained from MFIs lacks a grace period as loans are expected to start repaying after only one week once they have received the credit. This does not consider the fact that business requires sometime before it becomes established and bring forth profit. Grace period would ensure that the business is already established and can comfortably cater for the loan. However without a grace period this cannot be achieved making most of the loans to default. Acs, (2006) reported that women who received credit from NGOs and other micro-credit schemes such as MFIs were only given a grace period of one week to start paying back. The women complained that this was a very short period for them to be able to pay back

the loan in addition to the weekly compulsory savings that they were supposed to deposit. They are compelled to save because it is one of the conditions before obtaining loan.

2.7 High Interest Rates

Another characteristic of credit from MFIs is the high interest charged. MFIs charge high interest rates to lenders who are taking little amounts. This is because the lending institution has to recover the high processing cost incurred. They are therefore forced to transfer the costs to the borrower. This ends up raising the interest rate charged on small amounts as compared to higher amounts. Acs, (2006) reported that the credit loaned to the respondents attracted high interest rate which ended up inflating the amount to be repaid by the loanee.

2.8 Low Principal Amount

Some researchers observed that some Principal amount loaned by MFIs is characteristically small such that it cannot start any meaningful business. (Mahammoud, 2006) reported that women were receiving "chop money" (little money) from the NGOs in Ghana which could not relate to any meaningful business. He further explained that when a hungry person receives money, whether credit or otherwise, the person has a tendency of quenching his or her hunger first before doing anything else. This ends up contributing to low recovery rate of the credits and therefore giving such credit might never aid in alleviating poverty.

2.9 Benefits of Credit Obtained from MFIs

Various studies have reported positive and significant socioeconomic effects on poor households and particularly among women. Guerin (2006) reported that MFIs have succeeded in poverty reduction and women's empowerment. When women obtain credit from such institutions, they are able to start enterprises and the income they generate can be used to provide essential basic services. These lead to improved family livelihoods. Many women had become breadwinners courtesy of the credit and therefore gave them an opportunity to be involved in decision making processes as they do not have to solely depend on help from their husbands.

Another benefit accruing from obtaining credit from MFIs is gaining self-employment. Women who obtain such credit are in a position to be self-employed. As such, they are able to fully

depend on themselves instead of waiting for formal employment. This is despite the fact that most people are jobless owing to the lack of jobs. Women become empowered through self-employment.

2.10 Empirical Review

2.10.1 Commercialization of MFIs

Researchers observed that most of developing countries have increasingly become poor, accumulated hefty debts, and weakened social structures despite MFIs intervention (Bateman, 2010). Many researchers hold that there is substantial evidence that MFIs have been quite destructive of sustainable development and poverty reduction for most of the poor women do not appear to have escaped from poverty but instead they have become trapped in a situation of wasteful microenterprise entry and exit; an overemphasis upon no-growth, petty trade-based activities; and eventually extremely high levels of personal indebtedness to boot (Bateman, 2011). This negative outcome increasingly seems to be the norm right across the most microfinance-saturated countries and regions.

Bateman, (2010).reports how loans are invariably being spent on buying either a sewing machine or a TV, repaying other loans, paying bills or general consumption. Before long, the benefits of the loan disappear, but the debts remain accumulating interests.

In sub-Saharan Africa, Europe, country studies all point to quite a small percentage of the clients using microcredit for microenterprise establishment and expansion purposes. In Uganda (where microfinance is now ubiquitous) it was only 15 per cent, and in Tanzania virtually the same Guerin (2006). The overview study concludes that 'The main reason for borrowing money is to buy food. Thereafter, funerals, school fees and medical expenses become the most pressing needs' (Guerin, 2006)

Various reasons have been attributed to the failure of MFIs. One major factor is the commercialization of MFIs. In 1990s, a 'new wave' microfinance model emerged which replaced the Grameen Bank model (Bateman, 2010). It was characterized by unethical profiteering, greed and irresponsible risk takers motivated to attain financial self-sustainability as

well as attain profits. The ‘new wave’ microfinance model has penetrated in both developing and developed economies with the same usual effects.

Robinson (1995) evaluates the impact of Microfinance institutions in United Kingdom, where he found that Thatcher UK government was forced to discontinue an Enterprise Allowance Scheme (EAS) a quasi-microfinance programme which was designed to address rapidly growing unemployment (Robinson, 1995). The EAS had an overarching ideological purpose, which was to support the microenterprise sector as the future low-wage, non-unionized employment replacement for high-wage, unionized forms of employment. However, it led to damagingly high displacement effects which meant that almost no net employment opportunities were being generated in practice.

In Mexico the initial public offering (IPO) of Banco Compartamos in Mexico, a medium-sized microfinance with about 750, 000 members in 2007, exposed to the general public quite dramatic levels of greed, excess and inefficiency in an organization that very many had been led to believe was the quintessential best-practice MFI (Bateman, 2010). There were no admirable levels of sustainable poverty reduction among its mainly female client base, but instead quite stunning levels of private enrichment enjoyed by a small coterie of managers and directors (Bateman, 2010). This personal enrichment came from charging its poor female clients interest rates around 130%. Many analysts asked how an organization established to benefit the local poor, and especially women in deep poverty, and capitalized by the international donor community as well, could so quickly and easily transform into an organization essentially driven by the personal enrichment goals of its own managers and directors. This led to the conclusion that the promotion of more microenterprises and self-employment was generating and perpetuating high levels of poverty and underdevelopment, not the proximate solution to these problems (Bateman, 2010).

On the other hand, in Bangladesh MFIs have not only failed in developed economies but also in developing ones. Best describing this situation is the famed village of Jobra in Bangladesh, the starting point for Muhammad Yunus’s experiments with micro-credit in the late 1970s, and so the effective springboard for the entire microfinance movement (Chowdhury, 2007). In

Bangladesh, many women choosing to access a micro loan find themselves trapped in a regime of intense social pressure to repay on time. Moreover, their chosen microenterprises have all too often failed outright, or else failed to generate an income flow sufficient to extricate themselves from debt (Bateman, 2010). Thus, these women find themselves at a disadvantage because of coming into contact with microfinance. Growing extent of social violence and public humiliation deployed to enforce high repayment rates in Bangladesh's main MFIs, especially in Grameen Bank has been reported (Karim, 2008). These studies showed the negative effects of microfinance institutions in reduction of poverty.

As early as 1984, Ahmad and Hossain astutely reported that the seemingly positive initial results with microfinance in just one village were simply an illusion (Ahmad and Hossain, 1984; Osmani, 1989). They found out that the approach by Grameen Bank of just providing credit and leaving the loanees on their own cannot, therefore, be a viable idea for alleviating poverty. Quasem later showed that most local income generated by new microfinance-induced traders was mainly a transfer of income from those already operating (Quasem, 1991) leading to competition.

Reports by Daily Star indicated that 45 million Bangladeshis still live below poverty line, of which 25 million are living in extreme poverty (Saturday, October 8, 2011,The Daily Star). Further, Gopal (2013) observed that although the country was making good progress in the socio-economic field such as increasing the literacy rate, improving expectation of life, increasing food production and decreasing infant mortality and total fertility, poverty reduction progress was very slow.

Andhra Pradesh district in India experienced a microfinance crisis in 2006 which was characterized by poor individuals in possession of multiple loans, rising defaults, complaints of aggressive loan collection tactics and reports of suicides of those most indebted (Ghate, 2007). In October 2010, there rose a major crisis in the microfinance industry in the district following the suicides of a number of rural borrowers who faced insurmountable debts and suffered aggressive collection tactics from institutional lenders. This lead the state government to place a moratorium on the collection of loan repayments which precipitated a collapse in repayments to MFIs and the

future of microfinance in India was characterized as being under threat (Polgreen and Bajaj, 2010).

These adverse outcomes were a clear signal that the profit-driven growth of the microfinance sector had the potential to inflict serious damage on the poor, and that it needed to be brought under some sort of control. The most important factor precipitating that microfinance crisis, however, appeared to be the increasingly aggressive loan recovery techniques that begun to spread fear and unrest throughout many of the poor communities in Andhra Pradesh that had found themselves in serious debt. The very worst outcome of these aggressive loan recovery techniques was a new round of debt-related suicides. Summing up the increasingly out-of-control situation and the motivations driving poor people to such levels of despair that they decide to take their own life, the chief minister of Andhra Pradesh stated, "What started off as an initiative for social and economic uplift of [the] rural poor has now morphed into a highly competitive business with the sole aim of making profits. People are getting caught in debt traps and they see no way out" (Polgreen and Bajaj, 2010). The expansive and powerful microfinance industry that had emerged in Andhra Pradesh turned into a systemic threat to the poor, not their salvation.

Bolivia is an excellent example of the effects emanating from commercialization-driven expansion of microfinance. It has produced pretty much the opposite of what was originally promised by the microfinance industry. Dazzled by high repayment rates and the large profits enjoyed by Bolivia's MFIs, Bolivia's light industrial and agricultural structures were very effectively being starved of capital on appropriate terms and maturities, and so were gradually disintegrating. These valuable foundations were steadily replaced by a microfinance-induced bazaar economy, alongside the continuation of primitive subsistence agriculture for the majority of Bolivians. In short, commercialized microfinance appears to have undermined the long-term fight against poverty and underdevelopment in Bolivia (Bateman and Ellerman, 2005). For example, in 2006 real GDP per capita was actually lower than in the late 1970s with more than half of the population living below the poverty line (CIA, 2006).

Bolivia was forced into an economic crisis. Due to the very rapid profit-driven expansion in the supply of microfinance in the late 1990s. At the outset, as happens in all speculative episodes,

the profit-driven overselling of microfinance created an atmosphere of progress and euphoria. In essence, the poor had more money to spend on consumption goods and probably a little could go into income generating activities. Progress was made and the 'new wave' microfinance advocates were principally pleased with the success. However, the inevitable happened. High default rates arose as many poor people were not able to repay their loans. By 2000 the entire financial sector in Bolivia had plunged into crisis. Decline in domestic investment happened at an alarming rate. Hard hit were MFIs concentrating on high-profit consumer microloans. As a result, Bolivia's microfinance sector, and the wider financial sector, began to stumble. Two of the largest MFIs, Banco Sol and Prodem, lost 25% and 45% of their clients, respectively, between 1999 and 2000. Showing no significant progress in terms of sustainably reducing poverty led the Bolivian economy and society to crumble under the pressure of the immediate withdrawal of the supply of microloans. The longer-term result of this commercialization-driven approach is that it gravely undermined the modest light industry and agricultural production and processing base that Bolivia had painfully built up from the 1950s through to the 1970s.

Generally, Bolivia's more-than-twenty-year experiment with commercialized microfinance has no independently verifiable positive evidence of eradicating poverty. On the contrary, with poverty levels rising and industrial and agricultural disintegration accelerating during microfinance's rise to ubiquity, and then a commercialization-induced 'oversupply' crisis the almost inevitable consequence, the massive increase in the supply of microfinance appears to have done far more damage than good.

In Nigeria Sinclair (2012) in his book "confessions of Microfinance heretic" exposed the shocking tale of a system which was increasingly being focused on maximizing profits in the largest MFI in Nigeria. He accounts the details of how the MFI charged high interests in excess of 100% p.a. the MFI charge very little on savings amounting to 6% pa whereas more than 100% is being charged on the loans. In addition to these, endless fees and commissions are charged to its mainly poor women clients. More shocking is how Sinclair reveals the miscalculations present in their IT system. The system is deliberately corrupted a software commonly used by MFIs so as to under calculate the savings while increasing the interests rates. Further

compounding the problem is that all this happened as a result of help from Grameen Foundation, one of the funding organizations of the MFI.

In Ghana Mahammoud (2006) reported that women were receiving chop money from the NGOs which could not relate to any meaningful business. He further explained that when a hungry person receives money, whether credit or otherwise, the person has a tendency of quenching his or her hunger first before doing anything else. This ends up contributing to low recovery rate of the credits and therefore giving such credit might never aid in alleviating poverty. On the contrary, if the MFIs would provide a considerable amount of money then it would be possible for the clients to start a meaningful business where they can be able to better their lives and repay the credit comfortably.

This is also replicated in Kenya where availability of microfinance has massively increased in recent years although the end result still remains very disappointing. The East African Standard reported that most businesspersons were shunning MFIs loans citing high interest rates and strict repayment conditions which make it hard to service the loans (The East African Standard, 3rd September 2012).

Most MFIs in the country charge interest rates that range from 21-30 percent per year. This interest is higher than that of most commercial banks whose lending rates are between 21-24 percent per year. Whereas the commercial financial institutions lowered their interest rates after Central Bank of Kenya (CBK) reduced its benchmark lending rate in July 2012, the MFIs did not. (The East African Standard, 13th July 2012). Ondoro (2014) carried a study on the effects of microfinance institutions on poverty in Kenya. The study intended to cover credit facilities provided by MFI and client perception on income improvement or reduced levels. The study was descriptive survey design where the target population was 9 staff and 46 clients of PAWDEP. The study employed stratified sampling technique to select staff of the MFIs and clients where a both qualitative and quantitative data analysis method was used. The study established that microfinance is a strategy of poverty reduction and the way credit can reach the poor. If well managed and fair policies instituted, microfinance institutions are useful tools for poverty alleviation.

MFIs in Limuru constituency include Kenya Women Finance Trust (KWFT) Jamii Bora, Faulu Kenya, Pamoja Women Development Group (PAWDEP) and Rafiki microfinance. The largest microfinance bank in Limuru with highest membership is KWFT.

2.11 Research gap

The study seeks to identify solutions to the challenges faced by both the microfinance institutions and the laonees to ensure a mutually beneficial microfinance system in Limuru Constituency. Previous research has not addressed how MFI's can stop auctioning women who have defaulted and women loanees to come up with ways of repaying their loans on time.

2.12 Theoretical Framework

The study adopted a concept of equilibrium of poverty theory as cited by (Chambers, 1983) According to Chambers; the concept advances the assumption that gains made from the efforts of the poor people to disentangle themselves from shackles of poverty are quickly lost as a result of their vulnerable conditions.

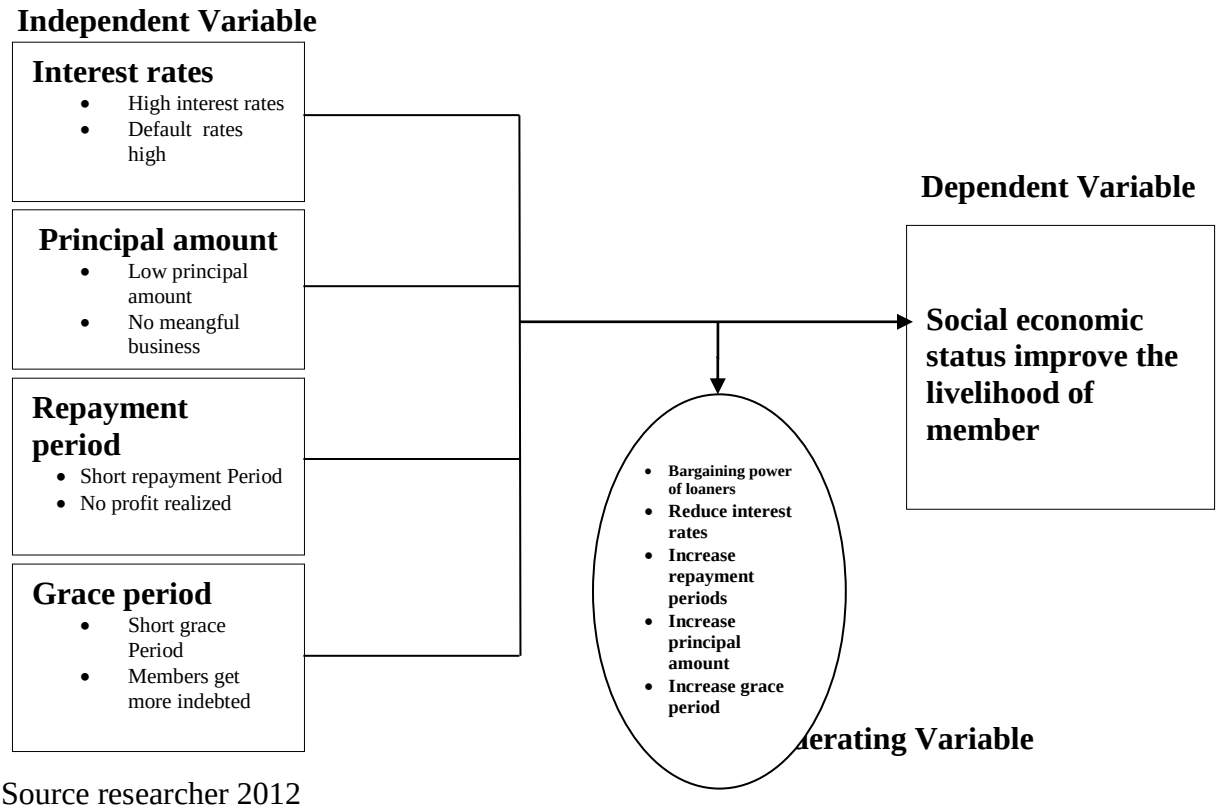
The concept of equilibrium of poverty advocates that the more the poor people try to create wealth for themselves, the more they lose as a result of social, economic structures of exploitation, and natural calamities characteristic of their vulnerable living conditions that often render them perpetually impoverished and powerless. For instance, a poor person intending to start a business may not operate beyond the break-even point owing to the usually enormous cost of servicing the business loan. Other pressing costs that drain any savings among the poor may include paying for medical bills, transport, food bills, clothing, family shelter and school fees among others. This is how loan obtained by the poor people for investment often turns out to be liabilities as opposed to assets. It becomes difficult and more often impossible to repay outstanding debts. This is how eventually a poor person often finds himself trapped in indebtedness beyond his ability to pay. This often leads to loss of any productive assets in his possession. This theory is relevant to this study in that it found out that majority of the women who took the loans used for other purposes like meeting medical expenses hence they were not able to generate income as had intended. What they did was to meet the immediate need.

The second theory was by (Coleman, 1988) who refers social capital as resources that are inherent in social relations thereby facilitating collective action. They include norms, trust and networks of association that represent any group gathering consistently for a common purpose. One of the characteristics in a culture that advances social capital is reciprocity, which encourages compromise, bargaining and pluralistic politics. Another characteristic is the understanding that all citizens are equal hence promoting formation of cross-cutting groups. Poor people more often adhere to social capital theory by forming networks of association to perform a certain goal. The theory fits well in this study because women from poor households form groups through which they obtain credit from MFIs. They ought to have mutual trust for one another if the group is to achieve its goals.

The study adopted the theory as it relate to MFIs. The study therefore attempted to find out to what extent the Concept of Equilibrium of Poverty was applicable in indicating factors that make women who have taken loans from MFI get more indebted. Based on this theory it is hoped that solution could be realized.

2.13 Conceptual Framework

Figure 2.1 was the conceptual framework that guided the study. The effects of microfinance were conceptualized to be independent variables with social economic status of women household in Limuru as Dependent variable. The conceptual framework shows how the independent variables interact to affect the dependent variable.



Source researcher 2012

Figure 1 Conceptual framework

Women participation in microfinance programs and their ability to access services such as; microcredit, micro savings, micro insurance, and non-financial services from the micro finance have an effect on their socio-economic status which eventually influences their wellbeing.

The study attempted to find out the effects of Microfinance on social economic status on women loanee in Limuru Constituency. The study had four variables that the researcher found critical to women economic empowerment. Interest rates, principle amount, repayment period and grace period were selected as key variables to the study. The dependent variable of the study is improvement of the social economic status of the livelihood of women. This will be brought about by the moderating variables which include: the bargaining power of loanees, reduction of interest rates, increasing repayment periods, increased principal amount and increasing grace period.

2.13 Summary of Literature Reviewed

The chapter has pointed out literature associated with poverty and MFIs. Many studies have shown that micro entrepreneurs living below the poverty line experience lower percentage income increase after borrowing than those above the poverty line. Some studies show that there are limit to the use of credit as an instrument for poverty eradication, including difficulties in identifying the poor and targeting credit to reach the poorest. It has been observed clearly that the poor are usually not in a position to undertake economic activities partly because they lack business skills and motivation. The assumptions raised are the fact that the MFIs institutions have the tendency of raising the interest rates, giving low Principal amount, reducing the grace payment period and introducing short payment periods. All these lenders the poor incapable of servicing their loans in time hence facing constraints to the extent of losing their assets to pay the loan. The study has also demonstrated that poor households who live abject poverty tend to use the loans for consumption purposes to a greater extent than households above the poverty line. Thus their income should be expected to increase less (Gulli,1998).

The research findings have shown that poor households are likely to use loans for consumption purposes yet their loan repayment rates are higher than repayment rates for the formal financial institutions, which are normally used by the rich in the society (Ghatak et al.1999).

In Limuru Constituency majority of women live under conditions of abject poverty. As it was observed majority of these women are casual workers in flowers and tea pickers in tea picking zones, small scale farmers and small business entrepreneur where they rent out sheds Limuru market. With families to feed, children to educate, and struggle for a decent life make women in Limuru work harder. However it was observed that several attempts have been made to alleviate poverty levels. This is through formation of self-help groups where women join contributes a little percentage of their income on daily, weekly or even monthly. The pooled contributions are given to members on a merry go round basis hence helping women to lift themselves from the poverty line. Upon realizing their potential Microfinance institutions (MFIs) have been established in many parts of Limuru and Kenya as a whole. Studies on Microfinance have shown both negative and positive impact on women. Positive impact has been; increased income and improved status within household and the entire community. Negative impact has been;

increased workload, indebtedness and vulnerability to domestic violence (Mayoux, 1999). From the available data, there is no study done in the Limuru County in reference to the effects of Microfinance on social economic status on household in Limuru Constituency in the aim of alleviating poverty.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the procedure followed in the event of conducting the study. It included the research design, scope of study, target population, sampling method, research instruments, reliability and validity, data presentation. It also includes the method that was used in collecting data and a model for analysing data in order to find answers to the research questions.

3.2 Research Design

A research design refers to a systematic plan to be used to study a scientific problem. The researcher adopted a Mixed Method Research Design which is a combination of both qualitative and quantitative approaches to adequately address the research problem.

The study involved collecting data from a sample population of women loanees who are beneficiaries of loans from microfinance institutions (MFIs) with a view to determine how credit from MFIs had impacted their social and economic wellbeing.

3.3 Scope of the Study

The study was carried out in Limuru constituency, Kiambu County, Kenya. Limuru is a town in central Kenya. It is also the name of a parliamentary constituency and an administrative division. The population of the constituency as of 2017 is 164,000 persons. (KNBS, 2013) Limuru is a town located on the eastern edge of the Great Rift Valley about 40 kilometers (25 mi), by road, northwest of Nairobi, the capital and largest city in Kenya. Limuru is dominated by Kikuyu speaking a person who forms the bigger group although there are others communities living and working there. The native language of most people in Limuru is Kikuyu, with Swahili and English widely spoken.

Most of the area of Limuru is agricultural lands what was previously known as the "white highlands", a rich agricultural land just south of the equator. The British settled in large numbers with the support of the colonial government, establishing coffee and tea plantations, cereal farms

and ranches. Limuru is widely known in Kenya for the large amounts of tea it produces. The tea plantations established around Limuru from 1903 onwards were the foundation of Kenya's largest export industry, which produces some of the world's highest quality tea. Limuru is home to BATA Shoe Company, the largest shoe factory in East and Central Africa. The research selected Limuru as an area of study because it has many microfinance institutions such as Saccos and banks. There are also many women groups in Limuru who go to these Microfinance institutions for loans, hence the researcher sought to find out how the loans affected the women economically. The choice of Limuru Constituency was also informed by the high poverty levels within the poor household who are the beneficiaries of the Microfinance credits.

3.4 Target Population

Target population is defined as all the members of a real or hypothetical set of people, events or objects to which a researcher wishes to generalize the results of the research study (Borg and Gall, 1989). The target population for this study consisted of all women who have received microcredit from Pamoja Women Development Group (PAWDEP), a local MFI in Limuru who are a total of 2,000 (two thousand) women (PAWDEP Records, 2018). Purposive Sampling was used for Key Informant Interviews (KIIs) and Focus Group Discussion (FGD) participants.

3.5 Sample Size Calculation

Sampling means selecting a given number of subjects from a defined population as representative of that population. Any statements made about the sample should also be true of the population (Orodho, 2002). The formula below for calculating sample sizes for finite populations (Israel, 1992) was used for the research:

$$n = \frac{N}{1 + N(e)^2}$$

Where: n is the sample size;

N is the Population size and

e is the desired confidence level

The population of women loanees under MFIs is two thousand (2,000). The researcher desired a 90±5% confidence level and thus:

N = 2,000 and e = 0.1. Substituting in the formular above to calculate sample size (n):

$$n = \frac{2,000}{1 + 2,000(0.1)^2}$$

$$= \frac{2,000}{1 + 2,000(0.01)}$$

$$= \frac{2,000}{1 + 20}$$

$$= \frac{2,000}{21}$$

$$= 95.24 \text{ respondents}$$

$$\approx 95 \text{ respondents}$$

The sample size was 95. For purposes of ensuring that the researcher achieves the intended number of respondents, a margin of 10% of the total sample size (10) was added to the 95 to have a total of 105 to account for challenges in the field such as spoilt, incomplete and unreturned questionnaires.

3.6 Data Collection Method and Tools

3.6.1 Data Collection Methods

The main data collection methods used during the study were interviews with loanees at individual level through administering questionnaires; key informant interviews with senior management of the target MFI's using KII guides and Focus group discussions. Three groups were considered for the study each group consisted of 40 members. Key informant were 13 comprising of; PAWDEP Manager, three chairladies of the groups, three secretaries of the group, three treasurers and facilitators of the three groups from PAWDEP. Three FDGs were formed

with each comprising of 10 members each group comprised of the chairlady, secretary and treasurer of each group and 7 members. To get the 7 members purposive sampling was used.

3.6.2 Data Collection Tools

The data collection tools for this study were Questionnaires, Key Informant Interviews (KIIs) and Focus Group Discussion (FGD) guides. The main tools of data collection for this study were questionnaires and interviews. There were open as well as closed questions in the questionnaires. A closed ended question helps minimize time wastage. They also kept data collection processes consistent. In additional closed ended questions make it easy to analyze data. On the other hand open ended questions encourage responded giving deeper and more detailed responses. Data collection instruments helps to eliminate bias while standardizing it collection.

The questionnaire comprised five sections: Section one collected general demographic information of the target respondents living in the study area. Section two addressed the reasons individuals acquire credit from micro finance institutions; section three the impact of micro finance institution loans on the socio-economic status of loanee households; section four the factors affecting loan repayment capabilities of loanees; and section five, potential solutions for the challenges faced by both the micro finance institutions and the loanees to ensure a mutually beneficial micro finance system.

An interview guide helped the researcher to be systematic when asking questions. Interview has an advantage over other tools of data because it can probe further. The data obtained from interviews was recorded manually for further content analysis.

3.7 Data Analysis and Presentation

Once the questionnaires were received, they were cross-checked for accuracy. This was done by checking whether the responses were legible, all important questions had been answered, the responses were complete and whether all contextual information was included, which is a critical step emphasised in research (Kombo and Tromp, 2006). A serializing system was used to find to organize the questionnaires and ensure accurate input and analysis of data. The researcher used Statistical Package for Social Sciences (SPSS) version 22 to analyze the data obtained from questionnaires. Descriptive statistics such as percentages were used to convey the essential

characteristics of the data so that it could be interpreted. Data was then presented using tables and pie-charts. Once the findings were established, conclusions and recommendations were made.

3.8 Reliability and Validity of the Study

3.8.1 Reliability

Mugenda and Mugenda (1999) define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trial. A pilot study was successfully conducted and confirmed that the data collection tools and methods would adequately address all the objectives and research questions that the researcher intended to achieve and answer by undertaking this study. From the pilot study conducted the questions that were ambiguous were corrected and it gave a clear approach to the study. However the results of the pilot study were not included in the final study results.

3.8.2 Validity

Validity is defined as the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda & Mugenda, 1999). In other words, validity is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Validity, according to (Borg and Gall, 1989) is the degree to which a test measures what it purports to measure. All assessments of validity are subjective opinions based on the judgment of the researcher (Wiersma, 1995). The pilot study aided in improving face validity of the instruments. According to Borg and Gall (1989) content validity of an instrument is improved through expert judgment.

3.9 Ethical considerations

For this research to be carried out successfully all the protocols were followed. An introduction letter from St. Paul's University was issued authorizing the research to be undertaken. A letter from National Commission for Science Technology and Innovation (NACOSTI) was acquired.

The letters were presented to all involved in the research study and explained the purpose of the study and sought permission and cooperation where necessary.

The researcher gave assurance to the respondents that information sought was for the purpose of research only and will be treated with utmost confidentiality. The respondents were asked to fill the questionnaires voluntarily and not to fill their names for privacy purposes.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents the analysis and findings of this study. The objective of this study was to determine the effects of Microfinance on social economic status on women loanee households in Limuru Constituency. Descriptive and inferential statistics were used to discuss the findings on the study.

Questionnaires, Key Informant Interviews (KII) guide and Focused Group Discussion guides were the research tools used to collect data. A total of 105 questionnaires were administered to collect data from the target population, ninety one (91) of which were accurately filled. Three (3) FGDs were conducted. The chapter is divided into several parts. The first part describes the socio-demographic information of respondents, while the other parts are tied to the four objectives with an aim of addressing all the research questions. Finally, the results are discussed and conclusions and recommendations made.

4.2 Demographic Information

The study sought to determine the effects of credit from MFI on socio-economic status of women loanee households in Limuru constituency, Kiambu County, Kenya. In order to achieve this, women respondents who had received credit from MFIs were targeted.

A total of 91 respondents were involved in this study living in the following locations: Kwa Mbira, Tigoni, Kamandura, Mutarakwa and Rironi location. One of the socio-demographic information determined was age. Respondents were asked to give their age which was tabulated as shown in Table 4.1 below.

Table 4.1: Age Distribution of Respondents

Age Bracket	Frequency	Percent
Between 20 - 30 Years	10	11.0
Between 30 - 40 Years	20	22.0
Between 40 - 50 Years	41	45.1
Above 50 Years	20	22.0
Total	**91**	**100.0**

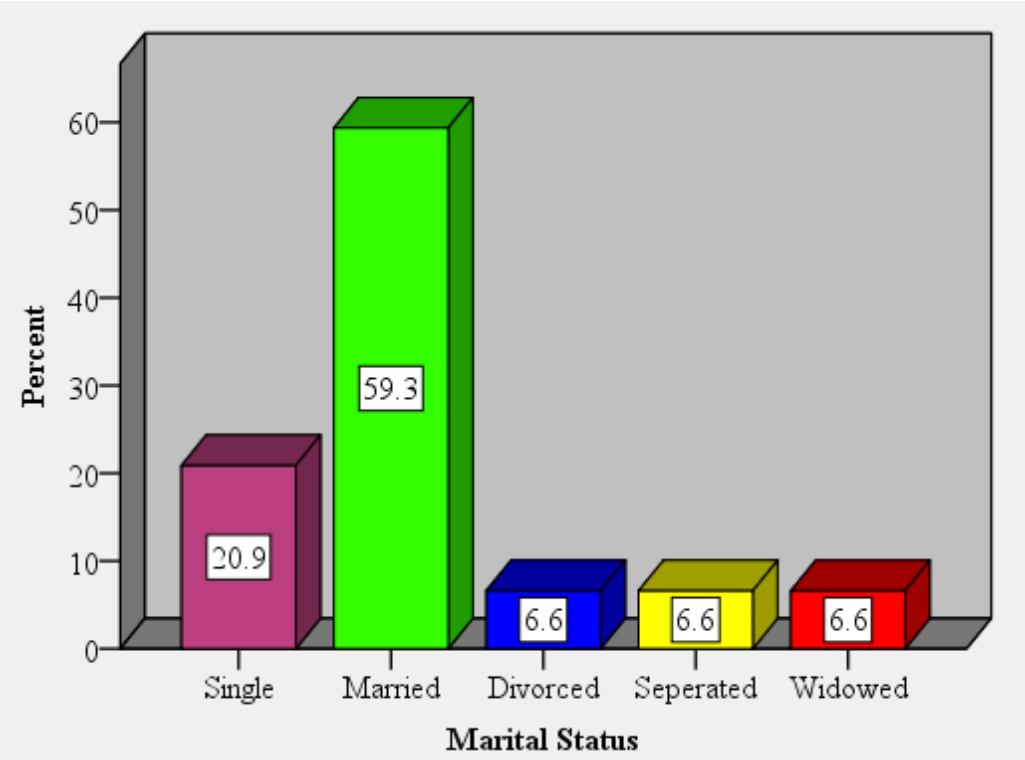
Source: Author, 2018

The study found out that the majority of the respondents were in the age bracket of between 40-50 years accounting for 45.1% (41) of all the respondents while those aged between 31-40 years and above 50 years followed accounting for 22.0% each (20). Respondents whose age bracket was between 20-30 years accounted for 11.0% (10).

Majority of the respondents are between 41-50 years. This is an indication that most of the respondents are in the reproductive age and therefore have several dependents which could be the reason they take credit from MFIs. Those dependents look up to them for provision of basic needs such as food, clothing, education etc. and thus ought to be financially stable. Therefore, it can be concluded that majority of the women who undertake credit from MFIs are those in the reproductive age whose main motivation is to increase their income.

Socio-demographic information this study investigated is marital status. The respondents were to state their marital status and the results obtained tabulated in Figure 4.1 below.

Figure 4.1: Marital Status of Respondent



Source: Author, 2018

The study found out that majority of the women involved in the study was married as reported by 59.3% (54). The rest were either widowed, accounting for 6.6% (6); single were 20.9% (19); separated 6.6% (6); or divorced 6.6% (6).

Whereas majority of the respondents were married (59.3%), about 20.9% of the respondents were in single-parent set-ups which were mainly female-headed. This leaves them as the sole bread-winners and must be obtaining some income so as to sustain their families. This can be one of the reasons why they seek credit from MFIs.

The other socio-demographic information investigated in this study was the level of education. Level of education was determined as an indicator of the socioeconomic status of the respondents involved in this study. Table 4.2 gives these findings.

Table 4.2: Level of Education

Level of Education	Frequency	Percent
No Response	1	1.1
Primary	49	53.8
Secondary	39	42.9
Tertiary	1	1.1
None	1	1.1
Total	**91**	**100.0**

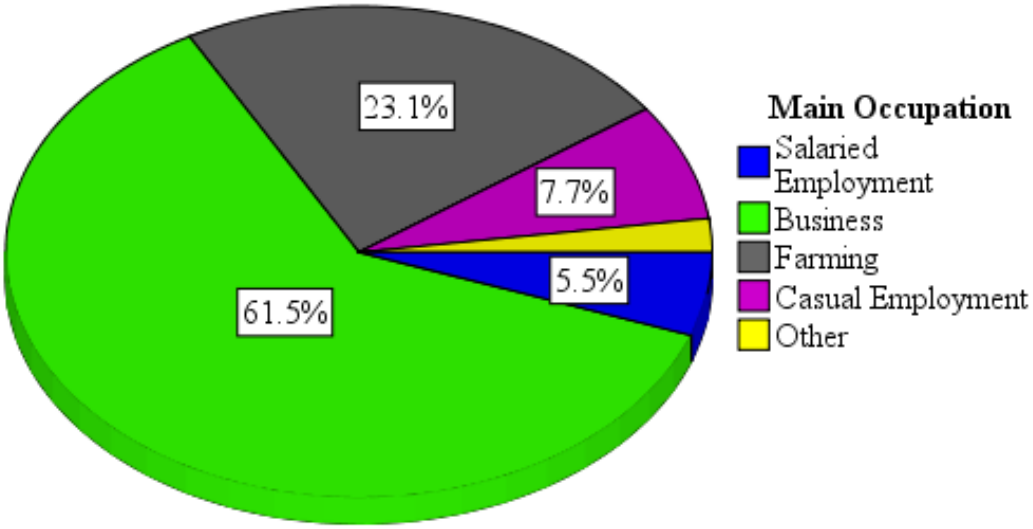
Source: Researcher, 2018

The study found out that the majority of the respondents were educated to primary school level which accounted for about 53.8% (49) followed by those with secondary level education (42.9%). Tertiary education had 1.1% (1); no education had 1.1% (1) and 1.1% (1) did not disclose the level of education.

From these findings, it is clear that most of the respondents had only acquired basic education. The low education status can be a major hindrance to attaining any formal employment which to a great extent affects their economic status. According to Annual Poverty Indicators Survey carried out in Philippines, it was reported that about two-thirds of the heads of families that belonged to the bottom 30% income stratum, tended to be less educated as compared to heads of families in the upper 70% income stratum. The bottom 30% represented the poor (PSA, 2008). A similar trend was exhibited in this study where most of the respondents were illiterates indicating that the study population mainly comprised of the bottom strata.

The other socio-demographic information that study sought to identify was the main occupation of the respondents. The results obtained were analyzed and tabulated in Figure 4.2 below.

Figure 4.2: Main Occupation of the Respondents



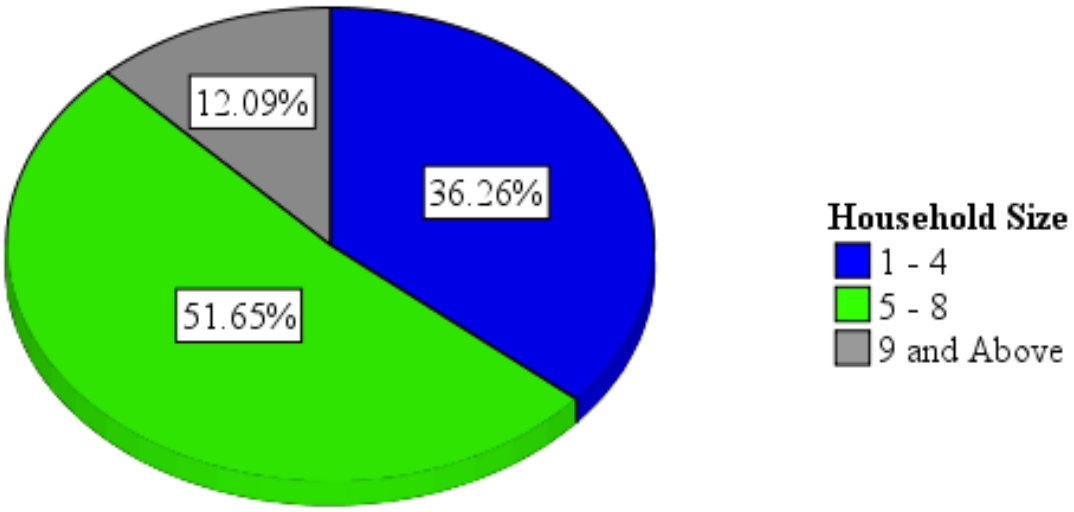
Source: Author, 2018

Majority of the respondents were those operating businesses and accounted for about 61.5% (56) while those who were casually employed accounted for 7.7% (7); those with farming as their main occupation accounted for 23.1% (21); those with salaried employment accounted for 5.5% (5); and other (housewives and those dependent on husband) accounted for 2.2% (2) of all the respondents.

From the above results, only about 5.5% had regular income meaning that about 94.5% were depending on an irregular income. Lacking regular income can be financially destabilizing at times and could explain why the respondents involve in this study would obtain credit from MFIs as a means of ensuring financial stability.

Household's size was the other socio-demographic data that was collected during this study. Figure 4.3 below displays the information.

Figure 4.3: Respondent's Household Size



Source: Author, 2018

About 51.6% (47) of the respondents had a household size of 5-8 and were the majority. About 36.3% (33) had a household size of 1-4 and 12.1% (11) had a household size of 9 and above.

This clearly indicates that the bulk of the respondents had many dependants who required food, clothing, health care, and education among other basic needs and therefore the respondents were forced to search for extra income so as to cater for their needs. It is in such situations that credit from MFIs comes in handy.

According to (Sidigui & Hamid, 2003) large household sizes increases the likelihood of being poor or remaining poor.

The type of house that the respondent lived in was amongst the information that was collected during the study and is displayed in table 4.3 below.

Table 4.3: Type of House Respondent Lives In

Type of House	**Frequency**	**Percent**
Permanent House	35	38.5
Semi-Permanent	56	61.5
Total	**91**	**100.0**

Source: Author, 2018

The study found out that most of the respondents were living in rental houses. About 38.5% (35) lived in permanent houses (that they had built, bought or rented) and the remaining 61.5% (56) lived in semi-permanent houses. Semi-permanent houses are mainly made of timber walls and iron sheets.

As can be seen from the above findings, majority of the respondents involved in this study do not have their own houses while those living in their own premises have built semi-permanent structures. This is an indication that they are not well-up since they cannot afford to rent or own permanent houses. This can be attributed to the little income that they receive which is not enough to cater for their needs in addition to building permanent houses. In an effort to reduce their expenditure, they end up renting low costs houses. Similarly, even those who had built their own houses could only afford temporary ones which were mostly mud walled and grass-thatched on traditionally inherited land. This clearly depicts the low economic status of the bulk of the respondents involved in the study.

Another way that the socio-economic status of the respondents was investigated is with regards to the assets they owned. The type and the number of assets owned by an individual can be a useful way of determining his/her socio-economic status. Often, rich people have a lot of assets such as buildings, farms, vehicles, livestock etc. while on the other hand, and poor people lack assets. In relation to this study, most of the poor people cannot access credit from the formal financial institutions because one of the requirements is collateral. Assets such as buildings, vehicles, title deed and livestock can serve as collateral. This requirement ends up locking out the poor people as they do not have assets and makes MFIs more attractive to them as they do not require any collateral.

4.3 Reasons individuals acquire Credit from Micro Finance Institutions.

Amongst the objective of this study was to establish the reasons individuals acquire credit from MFIs. It was considered important to first identify whether the respondents had received credit

from MFIs and it was found out that 100.0% of the respondents had taken MFIs loan. The study further identified how much money they had obtained from MFIs. Table 4.4 below summarizes these findings.

Table 4.4: Distribution of Amount borrowed by Respondent

Amount Borrowed	Frequency	Percent
Below KES. 5,000	9	9.9
Between KES. 5,000 - 10,000	2	2.2
Between KES. 10,000 - 15,000	13	14.3
Above KES. 15,000	67	73.6
Total	**91**	**100.0**

Source: Author, 2018

The study found out that those who had obtained credit below Kshs 5,000 accounted for 9.9% of the respondents, those between Kshs 5001-10,000 were 2.2%; Between Kshs 10,001-15,000 accounted for 14.3%; while above Kshs 15,000 accounted for 73.6% of the respondents who were the majority.

From these results, majority of the respondents obtained credit between Kshs 5000-15,000. With such kind of an amount, they cannot engage in any meaningful business as it is very little. However, this proportion of the respondents was clear that it was a subsequent loan having received another loan which was less than Kshs. 15,000.

MFIs have a policy where a clients' savings is tripled if they want a loan therefore, the more the savings the more the amount of loan. This is an indication that most of the respondents had saved little money and that is the reason they qualified for small loans.

In order to identify the prompting factors, respondents were asked why they applied for the loan from MFIs. It was found out that they either obtained the loan for investment purposes or non-investment purposes. The findings were as shown in table 4.5 below.

Table 4.5: Reason for obtaining Credit from MFI

Reason for Obtaining Loan	Frequency	Percent
School Fees	12	13.2
Meet daily Household Needs	1	1.1
Debt Repayment	1	1.1
Business	38	41.8
Medical Reasons	2	2.2
Start Income Generating Project	35	38.5
Farming	2	2.2
Total	**91**	**100.0**

Source: Author, 2018

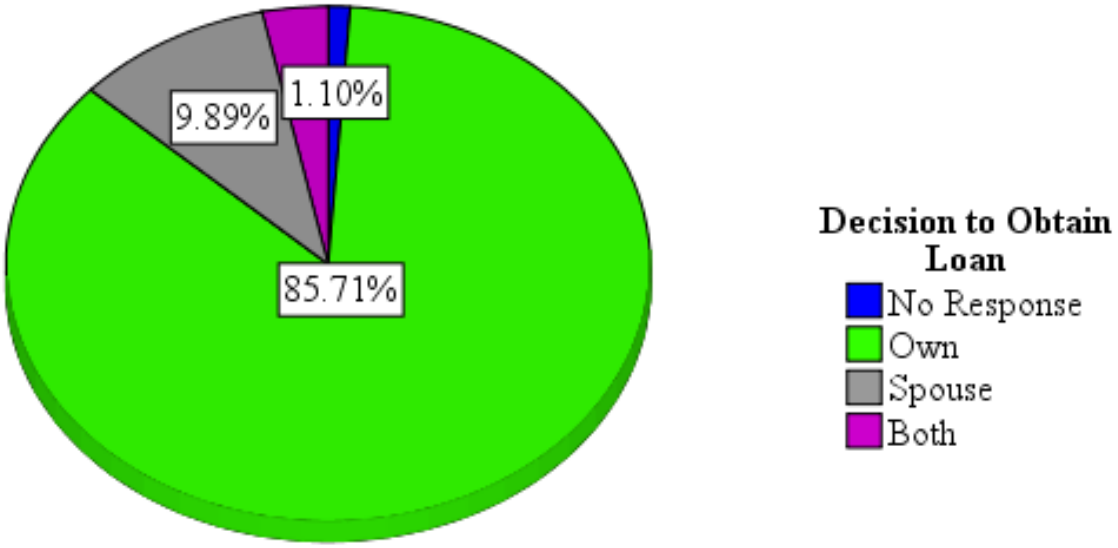
As can be seen, 80.3% of the respondents obtained the loan with intent for investment purposes while 19.7% for non-investment purposes. Although one of the qualification before obtaining MFI loan is that it has to be either to start or expand a business, 19.7% of the respondents did not fall in any. The researcher was interested in knowing the reasons behind the non-investment purposes. From table 4.8, the study found out that 13.2% of the respondents used it for school fees; 1.1% for meeting daily household needs; 1.1% debt repayment; 2.2% for medical reasons; and 2.2% for farming.

The implication of using the money for non-investment purposes with the full knowledge that it will be repaid demonstrate the desperate state of the respondents. Upon receiving the loan, the respondents are faced with needs which require immediate attention. As such, they are left with few options other than to use loan for the unintended reasons. Since these non-investment

purposes do not accrue any income, it is almost certain that they will have problems repaying the loan.

With regard to obtaining the loan, the respondents were asked who made the decision to apply for the loan. The findings are represented in figure 4.4 below.

Figure 4.4: Decision to obtain Loan from MFIs



Source: Author, 2018

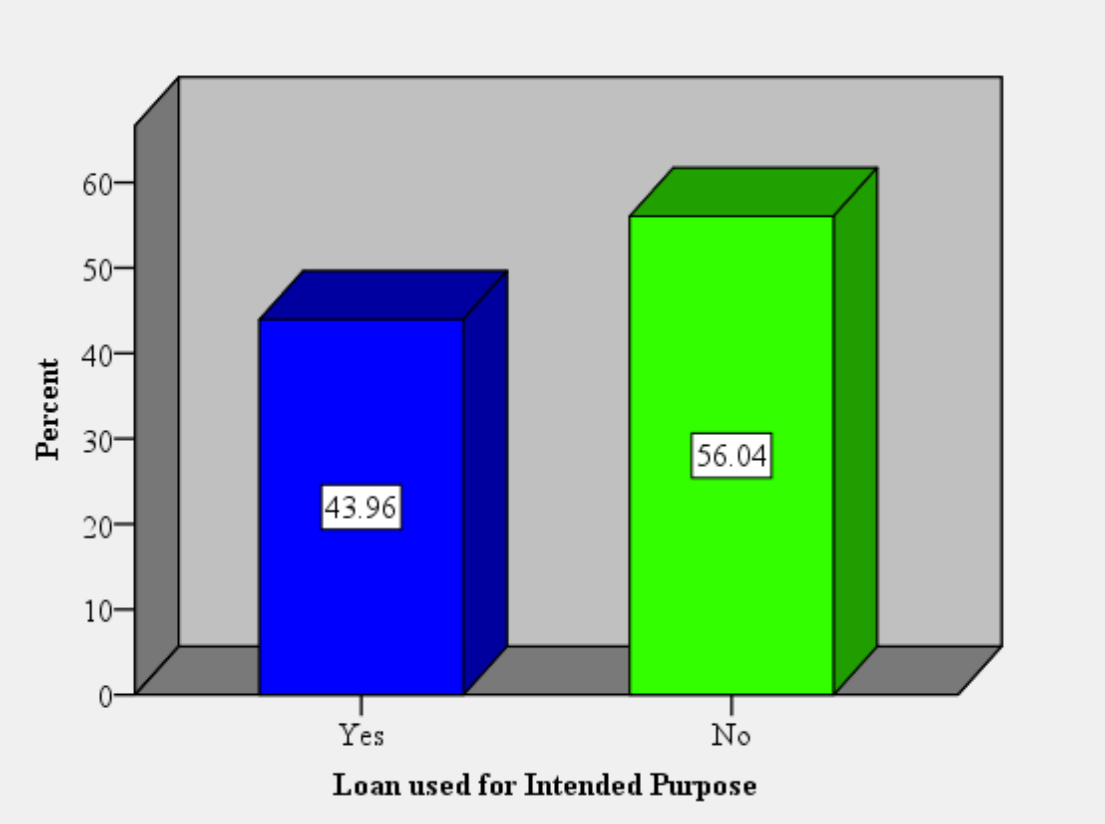
Majority of the respondents (85.7%) agreed that they are the ones who decided to obtain the loan. Spouse accounted for 9.9% while an agreement between both parties accounted for 3.3%. It can be seen that in most cases the decision was made by the respondents meaning that they are not forced or coerced by the spouses.

4.4 Impact of Micro Finance Institution Loans on the Socio-Economic Status of Loanee Households

The researcher also had the objective of determining the impact of MFI loans on the socioeconomic status of the loanee household. In order to establish this, the respondents were

asked whether they used the loan for its intended purpose and the results are presented in figure 4.5 below.

Figure 4.5: Loan used for Intended Purpose by Respondent



Source: Researcher, 2018

As it can be seen from figure 4.5 above, more than half (56.04%) of the respondents did not use the loan for its originally intended purpose; whereas the remaining 43.96% used the loan for what they intended to.

This implies that many of the respondents are likely to find themselves straining financially because of diverting the loan to other uses which are not income generating.

The researcher also sought to establish the reasons why the loan was not used for its intended purpose. The results are presented in table 4.6 below.

Table 4.6: Reason Loan not used for Intended Purpose

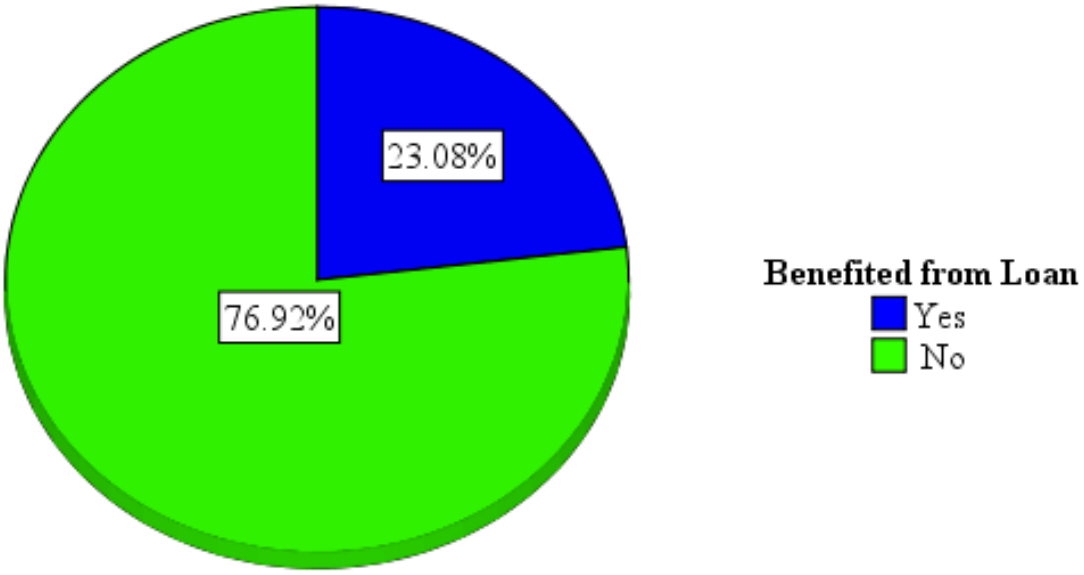
Reason Loan not used for intended Purpose	Frequency	Percent
Not Applicable	40	44.0
Debt Repayment	6	6.6
Gave Spouse	5	5.5
Medical Reasons	10	11.0
Spent on Daily Household Needs	13	14.3
School Fees	16	17.6
Business Failed	1	1.1
Total	**91**	**100.0**

Source: Author, 2018

This wasn't applicable to 44% of the respondents who had used the loan for the intended purpose. 6.6% of the respondents acquired the loan and used it for debt repayment; 5.5% gave to their spouses; 11.0% diverted the loan to getting medical assistance; 14.3% spent it on daily household needs; 17.6% spent it on school fees; and 1.1% diverted because of failed business. As can be seen from Table 4.6 above, all the uses that the loans were diverted to are not income generating, meaning it is obvious that a majority of the respondents are likely to experience socioeconomic difficulties by increasing liability.

The researcher also asked the respondents whether they feel they had benefitted from the loans obtained from the MFIs. 76.9% said they had not while the remaining 23.1% felt they had as shown in figure 4.6 below.

Figure 4.6: Respondent benefited from Loan



Source: Author, 2018

In the course of establishing whether respondents benefitted from the loans or not, the researcher also asked the respondents rate the extent to which they had benefitted from the loans acquired from MFIs. The results are presented in table 4.7 below.

Table 4.7: Extent of Benefit from Loan

Extent of Benefit	Frequency	Percent
Great Extent	4	4.4
Moderate Extent	7	7.7
Little Extent	10	11.0
Not Applicable	70	76.9
Total	**91**	**100.0**

Source: Author, 2018

As can be seen from table 4.7 above, this matter wasn't applicable to 76.9% of the respondents who felt they hadn't benefitted from the MFI loans. 4.4% felt they had benefitted to a great extent; 7.7% to a moderate extent; and 11.0% to a little extent.

The study found out that there were both positive and negative effects emanating from MFIs. Some of the respondents reported that they were able to start a business such as kiosks, M-pesa shop, saloon etc. Another benefit cited was expanding an already running business through increasing stock, opening a new branch etc. Other positive effects included clearing accrued bills, becoming financially stable, increased income and increased assets such as land, livestock, buildings etc.

However, some of the respondents reported that they had not benefitted. Some of the negative effects reported included increased debt which happened when one defaulted and their property had to be auctioned leaving them poorer. Ways in which they had become poorer is having one meal per day and previously they would afford two meals, not able to afford entertainment and luxuries services as repaying the loan had made them to become financially strained. Another negative effect was incurring other debts to repay the loan. They explained that this was the case because the credit was to be repaid immediately and since they had already used it, they were forced to look for other means resulting in more debts. It was reported that some women had ended up taking more than 2 loans from different MFIs in an effort to ensure that they repaid promptly. Subsequently, this would leave them in more debts. Another negative effect of loan from MFIs was that respondents would become financially stressed as a result of obtaining loan from MFI and not being in a position to repay the loan. Other respondents had developed complications such as high blood pressure and stomach ulcers due to being stressed. Other effects of credit from MFIS included causing strife among group member against members who had defaulted or were not repaying on time and families breaking down.

For those respondents who reported that they had not benefited, they were asked to note ways which characterized this state. Table 4.8 below gives those findings.

Table 4.8: Reason Respondent feels they did not benefit from Loan

Reason	Frequency	Percent
I am in More Debt	15	16.5
My Properties were Auctioned	38	41.8
Caused Strife among Group Members	1	1.1
I Am More Financially Stressed	11	12.1
Not Applicable	21	23.1
Family Broke Up	3	3.3
Got Sick	2	2.2
Total	**91**	**100.0**

Source: Author, 2018

Majority (76.9%) of the respondents reported that they had been negatively affected socioeconomically as a result of the credit they had obtained from MFIs. Some reported that before the credit, they would afford at least 2 meals a day but presently they were only affording one meal a day. Others reported that they could not afford entertainment and luxuries services as repaying the loan had made them to become financially strained.

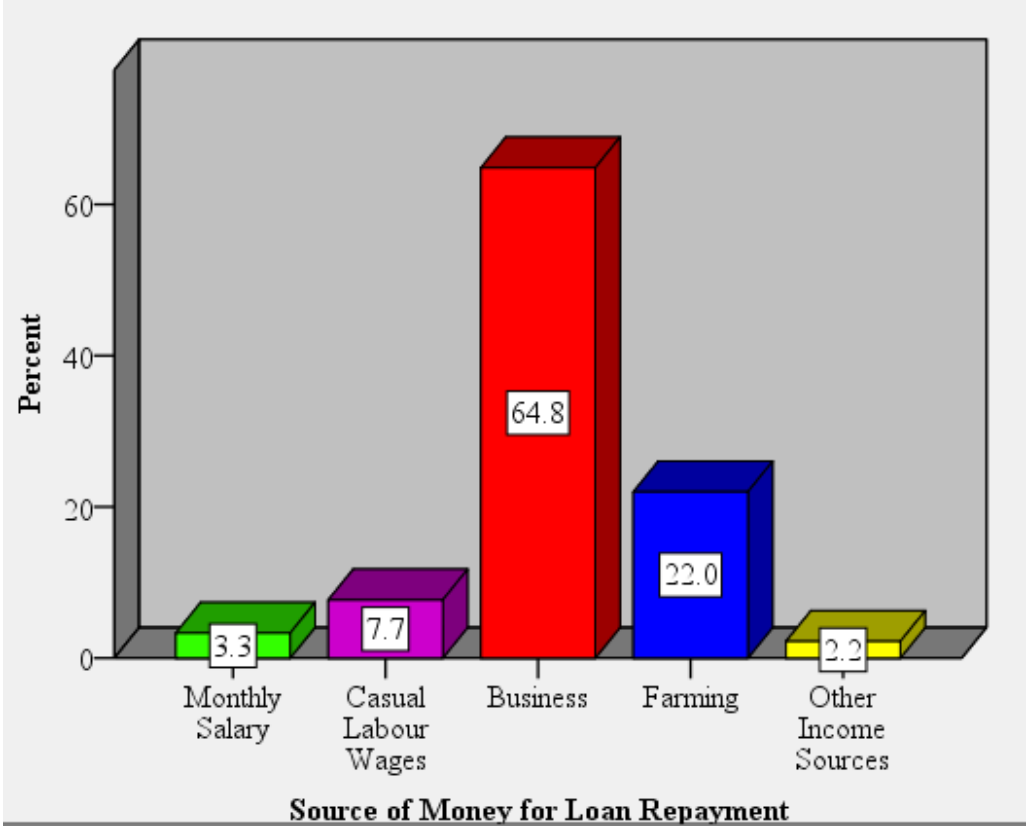
Another thing that was cited by 16.5% of the respondents was that they had ended up incurring other debts to repay the loan. They explained that this was the case because the credit was to be repaid immediately and since they had already used it, they were forced to look for other means resulting in more debts. It was reported that some women had ended up taking more than 2 loans from different MFIs in an effort to ensure that they repaid promptly. Subsequently, this would leave them in more debts However; this method is not effective as it pushes the respondents further into financial debts. Another effect of loan from MFIs was that respondents would become financially stressed as a result of obtaining loan from MFI and not being in a position to repay the loan. This was especially the case when an individual was expected to repay the money but was not in a position. Respondents reported that some women had ended up committing suicide as a result of being financially stressed. Other respondents had developed complications such as high blood pressure and stomach ulcers due to being stressed. They were expected to repay the loan yet did not have the money as reported by 2.2% of the respondents.

Other effects of credit from MFIs included auctioneering of properties if one defaulted as reported by 41.8% of the respondents, caused strife among group member against members who had defaulted or were not repaying on time (1.1%) and 3.3% had families breaking up.

4.5 Factors affecting Loan Repayment Capabilities of Loanees

To understand why most the loanees were facing challenges repaying the loans, the researcher looked into a number of factors that affected loan repayment capabilities. The first was the source of money the loanee depended on for repayment. This information is as shown in figure 4.7 below.

Figure 4.7: Respondents' Source of Money for Loan Repayment



Source: Researcher, 2018

Majority of the respondents (64.8%) depend on business to repay the loan; followed by 22.0% who depend on farming; 7.7% depend on casual labour wages; 3.3% on monthly salaries; and 2.2% depend on other income sources (mostly housewives who depend on assistance from spouses).

As can be seen from the information above, very few loanees (3.3%) have a predictable source of income whereas the rest have very unpredictable sources. This implies that there are very high possibilities of defaulting due to the unstable nature of the source loanee depended on for loan repayment.

According to Elizabeth,(2012) one of the indicators of socio-economic status is the level of income. An income of less than $1.25 per day per head of purchasing power parity is defined as extreme poverty. Using these estimates, about 32.7% percent of Indians are extremely poor (World Bank, 2008). Poverty is measured based on income level where a person is considered poor if his/her income level falls below some minimum level meant to meet basic needs. The respondents were asked to state their monthly level of income. The results were tabulated and presented in Table 4.9 below.

Table 4.9: Respondents' Average Monthly Income

Average Monthly Income	Frequency	Percent
Below KES. 5,000	69	75.8
Between KES. 5,000 - 10,000	17	18.7
Between KES. 10,000 - 15,000	2	2.2
Above KES. 15,000	3	3.3
Total	**91**	**100.0**

Source: Author, 2018

The results showed that about three-quarters of the respondents (75.8%) were receiving an income of less than Kshs 5,000. About 18.7% of the respondents had an income of between Kshs 5,000-10,000. Those who earned between Kshs 10,000-15,000 accounted for 2.2% while above

Kshs 15,000 accounted for 3.3%. As can be seen from these results, majority of the respondent earn less than Kshs 5000 per month. This shows that they live on less than 1.25$ per day, an indication that majority of the respondents are low income earners and could be termed as poor. Most MFIs target the poor people in the community since they cannot obtain credit from the formal institutions such as commercial institutions as they would require some form of collateral (properties, title deeds, log books etc.) World Bank (2008) terms anyone earning less than 1.25$ per day as a low income earner. From the above results, majority of the respondents fall under this category and therefore are low income earners. As such, they are most likely to default loan payments due to such challenges.

To further investigate the socio-economic status of the study respondents, they were asked what expenses take up most of the earnings. According to Bureau of Labour Statistics, poor people spend a huge proportion of their income on basic needs such as food and utilities (Elizabeth,1994). They direct their attention to immediate concerns. As a result, most poor people spend their money on what will keep them alive. On the other hand, rich people spend a much larger share of their budget on basic necessities such as food, utilities, education, health care and savings because they can afford. Respondents were asked how they spend their income and tables 4.10, 4.11, 4.12, 4.13 and 4.14 summarize these findings.

Table 4.10: Percentage of Income Spent on School Fees

Percentage of Income Spent on School Fees	Frequency	Percent
0%	19	20.9
10%	11	12.1
20%	3	3.3
30%	21	23.1
40%	11	12.1
50%	6	6.6
60%	2	2.2
70%	11	12.1
80%	7	7.7
Total	**91**	**100.0**

Source: Author, 2018

As can be seen in table 4.10 above, 20.9% of the respondents didn't spend any of their income on school fees; 12.1% spent 10%; 3.3% spent 20%; 23.1% spent 30%; 12.1% spent 40%; 6.6% spent 50%; 2.2% spent 60%; 12.1% spent 70%; and 7.7% spent 80%.

School fees not being an income generating activity yet taking a significant portion of the respondents' income greatly affects their loan repayment capability.

The researcher also investigated the percentage of respondents' income spent on food. The results are presented in table 4.11 below.

Table 4.11: Percentage of Income Spent on Food

Percentage of Income Spent on Food	Frequency	Percent
10%	4	4.4
20%	12	13.2
30%	15	16.5
40%	7	7.7
50%	18	19.8
60%	10	11.0
70%	18	19.8
80%	4	4.4
100%	3	3.3
Total	**91**	**100.0**

Source: Author, 2018

From table 4.11 above 4.4% of the respondents spent 10% of their income on food; 13.2% spent 20%; 16.5% spent 30%; 7.7% spent 40%; 19.8% spent 50%; 11.0% spent 60%; 19.8% spent 70%; 4.4% spent 80%; and 3.3% spent 100%.

As can be seen from the above table, more than half of the respondents spent more than 50% on food which is a basic need and thus takes priority over loan repayment, an indication of a very great possibility of defaulting loan payments.

The researcher also investigated expenditure on luxuries such as entertainment. The results are as shown in table 4.12 below.

Table 4.12: Percentage of Income Spent on Entertainment

Percentage of Income Spent on Entertainment	Frequency	Percent
0%	91	100.0

Source: Author, 2018

None of the respondents could spare any percentage of income to spend on entertainment. This can mainly be attributed to the very low income they get which can only be spent basic and more urgent needs.

During the study, the researcher also asked the respondents what percentage of their income they spent on investments that could generate some income. The results are as shown in table 4.13 below.

Table 4.13: Percentage of Income Spent on Investments

Percentage of Income Spent on Investment	Frequency	Percent
0%	58	63.7
10%	7	7.7
20%	6	6.6
30%	4	4.4
40%	8	8.8
50%	3	3.3
60%	4	4.4
80%	1	1.1
Total	**91**	**100.0**

Source: Author, 2018

A very high percentage (63.7%) of respondents did not spend anything from their income for investing in income generating activities. 7.7% spent 10%; 6.6% spent 20%; 4.4% spent 30%; 8.8% spent 40%; 3.3% spent 50%; 4.4% spent 60%; and 1.1% spent 80%.

Given that majority of the respondents earn very low income, they can't afford to spare anything for investment and the few who can do so, due to the small size of income can only manage to invest very little in small businesses that cannot generate any significant amount of money to enable them comfortably repay their loans thus an indicator of a great possibility of defaulting loan payments.

The researcher also assessed the respondents' expenditure on other things not considered basic needs. The response is presented in table 4.14 below.

Table 4.14: Percentage of Income Spent on Other

Percentage of Income Spent on Other	Frequency	Percent
0%	71	78.0
10%	7	7.7
20%	7	7.7
30%	2	2.2
80%	2	2.2
90%	2	2.2
Total	**91**	**100.0**

Source: Author, 2018

More than three quarters of the respondents (78.0%) did not spend anything on other items with the remaining 7.7% allocating 10%; 7.7% allocating 20%; 2.2% allocating 30%; 2.2% allocating 80%; and 2.2% allocating 90% of their monthly income to things or activities that are not basic needs or obligatory requirements.

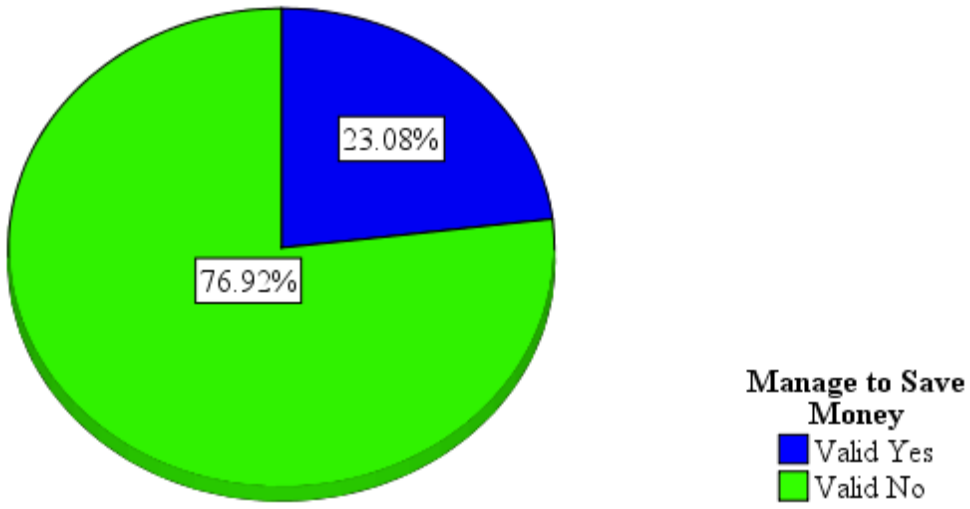
It was found out that the main expenses incurred by the study respondents was food (58.3%) followed by school fees (28.6%). Other expenses included entertainment (0.0%). Expenses such as buying clothes, paying rent was classified under others and accounted for about 22.0%. Basic needs (food and school fees) accounted for more than 80.0% of all the expenses. From the findings, the study respondents comprised of poor people because they concentrated on expenses that will keep them alive. Basic necessities such as food took a huge portion of their spending.

As it can be seen from the above information, majority of the respondents did not spend their income on investments or activities that can generate money hence and indicator of high chances of defaulting loan payments.

In order to determine whether they had a saving policy to help during emergency times or for future security, the respondents were asked whether they were saving. Research has shown that people who experience poverty often lack financial resources such as assets, savings and wealth.

Classic economic theory, the 'life-cycle model', suggests that savings help smooth consumption and provide a buffer against economic shocks over the life course. More recently the theory of asset-based welfare has been developed as a pathway to poverty alleviation. This theory also suggests that owning assets changes the way people think. They become more responsible and forward looking a term referred to as 'asset effect'; the extent to which owning an asset provides additional benefits or opportunities over and above their pure financial value. In this study, the respondents were asked whether they were saving so as to aid in smooth consumption and also act as a buffer against economic shocks. Figure 4.8 below gives these findings.

Figure 4.8: Respondent manages to Save Money



Source: Author, 2018

As can be seen, only small fraction (23.1%) of the respondents was in a position to save. For those who had saved, the study identified how much they had saved. Table 4.15 outlines these results.

Table 4.15: Respondents' Monthly Savings

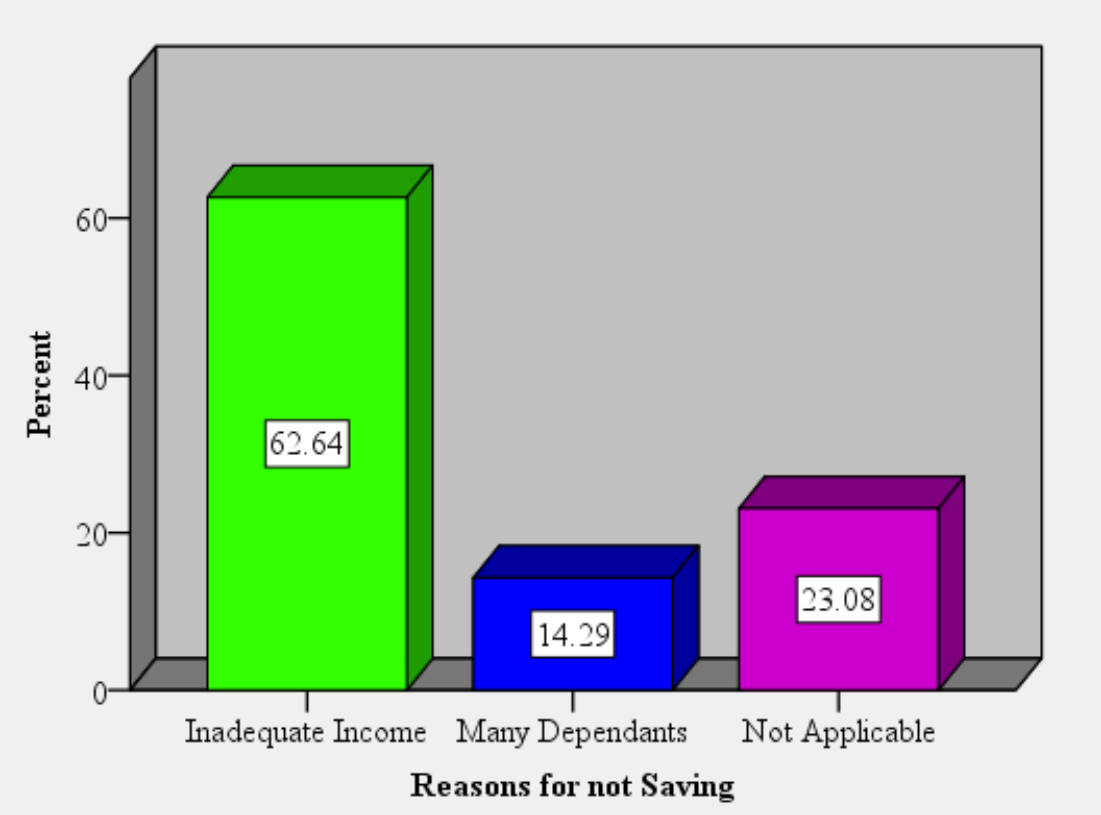
Amount of Savings per Month	Frequency	Percent
Below KES. 5,000	21	23.1
Not Applicable	70	76.9
Total	**91**	**100.0**

Source: Author, 2018

Although there is a percentage of the study respondent that was saving, it can be clearly seen that the savings were little. Only 23.1% of the respondents saved and their savings were below Kshs. 5,000. It is possible that poor people's savings are low simply because the formal saving institutions are not attractive to them. For the poor people to find them attractive, they need to be non-expensive where they feel that they are not charged exorbitantly. Also, the institutions need to have saving policies that are reliable and are easy to understand as most poor people are illiterate. Access to suitable financial instruments can help the poor to be regular and interested savers.

For those respondents who reported that they were not saving, the study sought to determine the reasons behind this practice. The responses are presented in Figure 4.9 below.

Figure 4.9: Reasons for respondents not Saving Money



Source: Author, 2018

The results showed that most of the respondents (62.6%) were not saving because they did not have adequate income. They were not saving as they did not have enough money to pay their bills and still have some money remaining to save. During the FGDs, the respondents explained that they lived from hand to mouth. Although they agreed that there are benefits of saving, they were not able to pay their expenses from meager income they obtained. Another reason fronted was the many dependents present in the respondents' household. They therefore could not keep or save their money and increased the cost of living.

The researcher also asked the respondents whether they were given a grace period when they took loans from MFIs; the length of the grace period and if they felt that this grace period was enough. These results are presented in Table 4.16, figure 4.10 and figure 4.11 respectively.

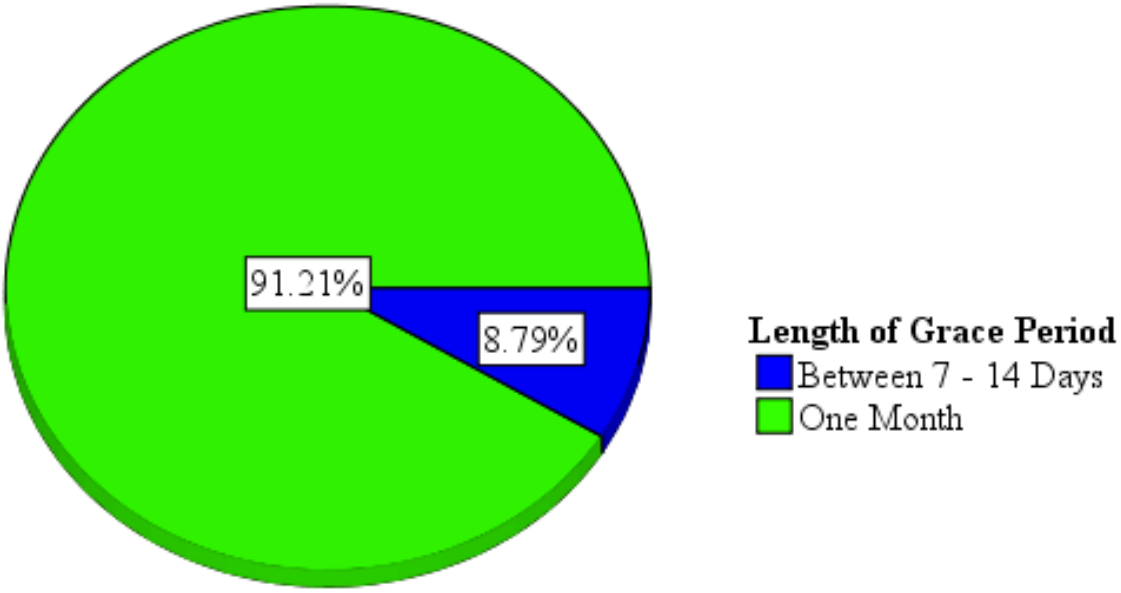
Table 4.16: Grace Period offered by MFIs

Grace Period Offered	Frequency	Percent
Yes	91	100.0

Source: Author, 2018

As it can be seen, all the respondents were given a grace period on the loans acquired.

Figure 4.10: Length of Grace Period by MFIs



Source: Author, 2018

The length of grace period was one month for 91.2% of the respondents and between 7 to 14 days for 8.8%.

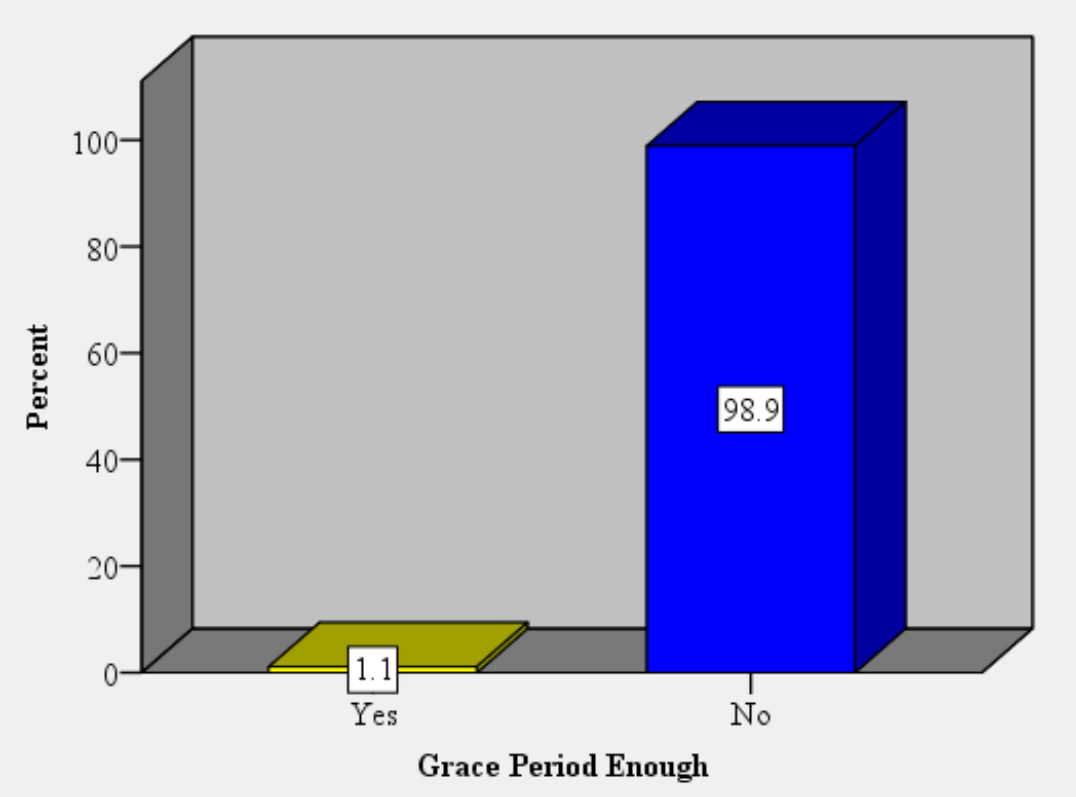


Figure 4.11: Grace Period enough for Respondent

Source: Author, 2018

Majority of the respondents (98.9) felt that the grace period offered by the MFIs was not enough. Only 1.1% felt it was adequate.

The researcher also asked respondents the percentage of interest charged on loan and their opinion ratings of the interest. This information is presented in tables 4.17 and 4.18 respectively.

Table 4.17: Interest charged on Loan by MFI

Interest Rate of the Loan	Frequency	Percent
Between 5 - 10%	1	1.1
Between 10 - 15%	83	91.2
Above 15%	7	7.7
Total	**91**	**100.0**

Source: Author, 2018

Majority of the respondents (91.2%) were charged an interest rate of between 10 – 15%; followed by 7.7% who were charged above 15% and 1.1% charged between 5-10%. However, all the respondents found these rates to be too high as shown in table 4.18 below.

Table 4.18: Respondents' Opinion on Interest Rates

Opinion on Interest Rate	Frequency	Percent
Was Too High	91	100.0

Source: Researcher, 2018

4.6 Potential Solutions for the challenges faced by both the Micro Finance Institutions and the Loanees to ensure a mutually beneficial Micro Finance System

The researcher engaged a number of respondents in a series of focus group discussions (FGDs) and conducted some key informant interviews (KIIs) to document their thoughts on what could be the potential solutions to the problems being faced by the concerned parties to ensure a mutually beneficial financing system.

From the key informant interviews, potential solutions were: increasing the grace period for the borrowers; the MFIs to train the borrowers on entrepreneurship, investment and savings; individualizing payments so that the guarantors who mostly are the group members of the borrowers do not suffer; and encouraging savings so that individuals can be given loans depending on their savings.

The focus group discussion participants were of the opinion that: grace period be increased from thirty (30) to ninety (90) days to for the borrowers to at least prepare themselves adequately; group collateral to be ended such that each borrower takes full responsibility of the loans they get from MFIs; introduction of a system where borrowing is done against individual savings; and MFIs to start businesses for members and give them a long grace period of about six (6) months for them to pay back the invested capital.

4.7 Discussion of the Findings

The following sub-chapter presents the discussion of this study

4.7.1 Socio-Economic Status of the Respondents

Respondents involved in this study were mainly in the low-income strata. Due to their low income, they are forced to look for extra income from other sources so as to comfortably meet their needs. Most MFIs target the poor people in the community since they cannot obtain credit from the formal institutions such as commercial banks. This is because other formal financial institutions are not ready to give them credit given the high transactions costs involved. In addition, lending to the low income earners involves a higher risk forcing most of the formal institutions to shun away from this group.

With regards to assets, most financial institutions require their clients to have assets which can be used as collateral. However, most low income earners lack assets like buildings, vehicles etc. which can be used as collateral. On the other hand, rich people have acquired a lot of assets such as buildings, farms, vehicles, livestock etc. which can be used as collateral to acquire credit. This requirement ends up locking out the poor people as they do not have assets and makes MFIs more attractive to them as they do not require collateral.

How the respondents spent their income was another way that was used to determine the socio-economic status. According to Bureau of Labour Statistics, poor people spend a huge proportion of their income on basic needs such as food and utilities (Elizabeth, 1994) They direct their attentions to immediate concerns. As a result, most poor people spend their money on what will keep them alive. On the other hand, rich people spend a much larger share of their budget on basic necessities such as food, utilities, education, health care and savings because they can afford. The study found out that respondents concentrated on expenses that will keep them alive. Basic necessities such as food took a huge portion of their spending. A lot of money was also spent on education which could be explained as a result of free education being offered by the government and therefore encouraging parents to incur other education-related expenses such as uniforms, books etc. Other expenses took only a small proportion of their budget as the respondents did not have enough money to comfortably cater for all their expenses. This

conforms to earlier studies which have reported that most of low income earners live from hand to mouth. Most of their spending is on immediate needs and basic necessities.

Further, most respondents were not having regular savings. A saving policy is important especially in the event an emergency occurs. Previous studies have reported that people who experience poverty often lack financial resources such as assets, savings and wealth. Classic economic theory, the 'life-cycle model', suggests that savings help smooth consumption and provide a buffer against economic shocks over the life course. When incomes are small, tools to manage them become vitally important; without them, a relatively small shock can trigger a crisis (Elizabeth, 1994) These shocks, big and small, mean poor people have to cope with not knowing whether they will be able to put food on the table or pay school or medical fees, and with the possibility of failed harvests. Even the most simple of savings groups can help reduce the stress they experience, so increasing mental wellbeing. More recently the theory of asset-based welfare has been developed as a pathway to poverty alleviation. This theory also suggests that owning assets changes the way people think. They become more responsible and forward looking. This is called an 'asset effect': it is the extent to which owning an asset provides additional benefits or opportunities over and above their pure financial value. In this study, the respondents were asked whether they were saving so as to aid in smooth consumption and also act as a buffer against economic shocks.

Lack of saving policy among the poor people could be explained to be as a result of several factors. One reason is because they are not able to pay their bills and still have some money remaining to save. The respondents explained that they lived from hand to mouth. Although they agreed that there are benefits of saving, they were not able to pay their expenses from meagre income they obtained. Another reason is that poor people do not value the importance of saving and therefore rarely save part of their income. Other reasons were many dependents that increased the cost of living, poor health where either the respondent or a dependent was in a poor state of health which led to increased hospital bills.

4.7.2 Prompting Factors

The study found various factors prompted the respondents to obtain credit from MFIs, as opposed to other financial institutions like banks, SACCOs or non-formal such as friends and relatives. The study found out that most of the respondents obtained credit from because they do not require collateral such as properties and land as the case is in formal financial institutions. The only qualification is to belong to a group which enabled women from poor economic households to obtain credit. Therefore, one reason for choosing MFIs can be attributed to lack of collateral.

The other factor that appealed to the respondents to obtain credit from MFIs was the ease of obtaining the loan. The procedure involved was simple as one was only required to belong to a group and qualify for credit. Members would co-guarantee each other. Therefore, it can be deduced that ease of obtaining loan was one of the factors prompting respondents to obtain credit from MFIs.

Another factor that the study investigated was the ease of loan repayment. However, majority of the respondents disagreed that the process of loan repayment was easy. They complained that on the contrary they had to struggle to repay the loan without defaulting. Members co-guarantee each other and therefore there is social pressure from fellow members to pay the loan. At times, it has caused strife among members and in times resulted in collapse of the group. Further, members can use unorthodox means to recover the money from a defaulting group. During the FGDs, the respondents reported how a member of a certain group had defaulted and the rest of the members removed the roof top so as to sell and recover their credit. Group collateral has its own risks because if one member defaults, the rest of the members have to repay the loan. As such, members are ready to go to every length so as to recover from a defaulting member.

Although obtaining credit from MFIs proved a suitable method of accessing credit by the poor, lack of grace period loan was not a factor prompting the respondents to take a loan. The study found out that there was no any grace period after one had received the money. A loanee was required to start repaying immediately. Whereas the money given is supposed to help an individual start a business, one fact that most MFIs are blind to, is that business requires

sometime before it becomes established and can bring forth profit. It is expected that the profit accruing from the business will be used to comfortably cater for the loan. However without a grace period, individuals are forced to look for alternative sources of obtaining the money. Most of them end up taking another loan from a different MFI to repay the former one. If by bad luck, the business does not bring enough profit, it is highly likely that he/she will default the loan. The group members will be forced to take some assets even if it is the stock in the business so as to recover the money. This leaves poor people poorer since the business did not fare well and therefore they are stressed because of the pressure to repay the loan. Without a grace period, it is highly unlikely that obtaining loan from MFIs might help the poor out of poverty shackles.
On the contrary, if the MFIs would provide a considerable amount of money then it would be possible for the clients to start a meaningful business where they can be able to better their lives and repay the credit comfortably.

Another factor that did not prompt the respondents to take credit from MFIs was the high interest charged. MFIs charge high interest rates to lenders who are taking little amounts. This is because the lending institution has to recover the high processing cost incurred. There are therefore forced to transfer the costs to the borrower. This ends up raising the interest rate charged on small amounts as compared to higher amounts. Therefore, low interest rate was not the reason why MFIs are preferred as compared to other financial institutions.

Similar findings were reported by Bateman,(2011) who observed that the credit loaned to the respondents attracted high interest rate which ended up inflating the amount to be repaid by the loanee. Notwithstanding the fact that they have not been able to invest the money as it was used to pay for essential services.

The following study also determined whether the principal amount offered was the reason why they preferred MFIs. It was found out that the principal amount offered was very little and therefore could not be used to start any meaningful business. It can therefore be interpreted that principal amount was not a factor appealing to the study respondents to undertake credit from MFIs. Similar findings have been reported by various studies. (Mahammoud, 2006) reported that women were receiving “chop money” (little money) from the NGOs in Ghana which could not relate to any meaningful business. He further explained that when a hungry person receives

money, whether credit or otherwise, the person has a tendency of quenching his or her hunger first before doing anything else. This ends up contributing to low recovery rate of the credits and therefore giving such credit might never aid in alleviating poverty.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

The purpose of this study was to determine the effects of micro financing on the socio-economic status of women loanee households living in Limuru constituency, Kiambu County, Kenya. To identify the reasons individuals acquire credit from micro finance institutions in Limuru constituency, Kiambu County, Kenya. Respondents involved in this study were obtained from women groups in the area who had already obtained credit from MFIs. Majority of the respondents were mainly in the low-income stratum as they lacked properties such as vehicles, title deeds, few livestock and small farms.

The second objective was to establish the impact of micro finance institution loans on the socio-economic status of loanee households living in Limuru constituency, Kiambu County, Kenya. Many of the respondents had faced many problems arising from these loans including properties being auctioned; being in more debt especially those who obtained credit for debt repayment and non-investment purposes such as school fees, daily household use etc.; more financial stress as a result of increased debt; strife amongst group members and conflicts at family levels. Majority also reported not benefitting much from the MFI loans. This means that the MFIs are not having the intended effect of financial freedom of members but are causing financial stress.

The third objective was to find out the factors affecting loan repayment capabilities of loanees in Limuru constituency, Kiambu County, Kenya. The study established that most of the respondents depended on very unstable sources or avenues for acquiring money for loan repayment. Most of them were also very low income earners, with a bulk of their expenditure directed to meeting basic needs such as food and other obligatory expenses such as school fees with little or none of their income invested in income generating activities. A great percentage of the respondents also were not in a position to save, citing many dependents and inadequate income as the main deterrents of this behaviour. The interest rates were also perceived to be very high by respondents with the grace period offered till start of repayment being too short. Therefore the loanees are more likely to default payment as a result of these factors.

The fourth objective was to suggest potential solutions for the challenges faced by both the micro finance institutions and the loanees to ensure a mutually beneficial micro finance system in Limuru Constituency, Kiambu County. Amongst the proposed solutions included: increase of grace period from the current thirty (30) days to ninety (90) days to allow loanees ample time to make arrangement to repay the loans; doing away with the issue for group collateral so that each individual is responsible for the effects of defaulting loan payments; encourage individual systems and put in place a system for borrowing based on the savings an individual has; training of all the MFI members on financial management and entrepreneurship so that they are able to invest the loans obtained properly so as to attain financial freedom and enjoy the full benefits of the MFI product packages. This will definitely make the entire MFI system mutually beneficial to all the parties involved.

5.2CONCLUSIONS

According to the study the increase of grace period from the current thirty (30) days to ninety (90) days to allow loanees ample time to make arrangement to repay the loans; doing away with the issue for group collateral so that each individual is responsible for the effects of defaulting loan payments; encourage individual systems and put in place a system for borrowing based on the savings an individual has; training of all the MFI members on financial management and entrepreneurship so that they are able to invest the loans obtained properly so as to attain financial freedom and enjoy the full benefits of the MFI product packages. This will definitely make the entire MFI system mutually beneficial to all the parties involved.

If the MFIs are negotiated with the leaders of loanees both the MFIs can benefit and loaners and the livelihood of the loaners can be improved. Have a mutual financial system. Encourage the loaners to take loans against their days.

5.3 RECOMMENDATIONS

5.3.1 Training of MFI Members on Entrepreneurship and Sound Financial Management

Based on the findings of the study, it is evident that most of the loanees lacked capacity for engaging themselves in profitable entrepreneurial activities and practicing sound financial

management behaviours. The researcher therefore recommends that MFIs make arrangement for training their members on the abovementioned areas so as to increase their knowledge on financial and investment matters. This will help the MFIs to recover their money and increase the capacity of their members to borrow more and repay in good time thus improving their overall socioeconomic status while the MFIs make more profits and expand in return.

5.3.2 Reducing Interest Rate

The study found out that the credit loaned to the respondents attracted a very high interest rate compared to interest rates of formal financial institutions. This interest ended up inflating the amount to be repaid by the loanee. Considering that they have not been able to invest the money as it was used to pay for essential services. As such, if the credit is to be beneficial to the loanee households it needs to be scrapped off. The study recommends that the government should bear the administrative costs that cause the interest charges to be high if the credit is to serve its intended purpose.

5.3.3 Extending Grace Period

The study found out that due to inadequate grace period, loan was not a factor prompting the respondents to take a loan. A loanee was required to start repaying immediately after receiving it. The respondents complained that the time is very short for them to repay back the loan in addition to savings they have to continue depositing. The researcher recommends that there should be a grace period of about six months within which a loanee will have started a meaningful business while at the same time use the profit obtained to repay the loan.

5.3.4 Government Intervention

The government should put in sound policy and legal framework to safeguard poor people`s money, promote competition, develop technical expertise of their supervisors and regulatory authorities. This is to encourage accountability from those entrusted with people's money. This means there should be a governing authority monitoring and evaluating the running of MFI to ensure the clients are traded with dignity.

5.3.5 Other Recommendations

The government should fund microfinance that will in return fund women groups to run various enterprises. The loans should not earn any interest and loan repayment should start only after the projects started have matured; the private sector can assist women by funding microfinance which is giving back to the community; donor groups should also fund microfinance and follow them up to find out if they are being ran effectively; the government should support productive instruction that develop mechanism and products to meet client needs; strong microfinance NGO`s must continue to be strengthened and their success replicated whenever possible in our country it may mean using national distribution networks of selected state banks or credit unions; and the microfinance can also encourage members to submit savings monthly so that their loan is multiplication of their savings. This will encourage ownership of the microfinance's since members are shareholders.

5.3.6 Recommendation for Further Study.

A study should be carried out to find out how African communal bond can be used to build up big companies with high economic power which can be used to improve the overall socioeconomic status of households.

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APPENDICES

Appendix I: A Transmittal letter

A letter of introduction was obtained from St. Paul's University and taken to the National Council of Science and Technology to apply for research permit. A structured questionnaire was administered to respondents. It was administered in such a way that it was able to capture the necessary information for the stated objectives. Interview schedules were used to guide face-to-face interviews.

Appendix II: Questionnaires

EFFECTS OF MICROFINANCE ON SOCIO-ECONOMIC STATUS ON LOANEE HOUSEHOLDS IN LIMURU CONSTITUENCY, KIAMBU COUNTY-KENYA

This research is meant for academic purpose only. It seeks to determine the effects of MFI on socio economic status on households in Limuru constituency, Kiambu County, Kenya. You are kindly requested to provide answers to these questions as honestly and precisely as possible. Responses to these questions will be treated as confidential as possible. Please do not write your name or that of your group anywhere on this questionnaire. Please tick [√] where appropriate or fill in the required information on the spaces provided.

Section One: Background Information

1. What is your age?

   Below 20 years ☐ Between 20-30 years ☐ Between 30-40 years ☐

   Between 40-50 years ☐ Above 50 years ☐

2. What is your marital status?

   Single ☐ Married ☐ Divorced ☐ Separated ☐

   Other (specify)…..…….

3. What is your level of education?

   Primary ☐ Secondary ☐ Tertiary ☐ None ☐

   Other (specify)……..……

4. What is your main occupation?

   Salaried Employment ☐ Business ☐ Farming ☐

   Casual Employment ☐ Other (specify)…….…….

5. What is your household size?

   1 – 4 ☐ 5 – 8 ☐ 9 and above ☐

6. What type of house do you live in?

   Permanent house ☐ Semi-permanent ☐ Mud – walled ☐

   Other (specify)……

Section Two: Reasons for acquiring Credit from Micro Finance Institutions

7. How much did you borrow?

   Below KES.5,000 ☐ Between KES.5,001-10,000 ☐

   Between KES.10,001-15,000 ☐ Above KES.15,000 ☐

8. Why did you obtain the loan?

   School Fees ☐ Daily Household needs ☐ Debt repayment ☐

   Business ☐ Help a Friend ☐ Medical Reasons ☐

   Start an income generating project ☐ I have Collateral ☐

   Favourable Interest Rates and Repayment Terms ☐

   Other (specify)……...

9. Whose decisions was it to obtain loan?

   Own ☐ Spouse ☐ Both ☐

Section Three: Impact of Micro Finance Institution loans on the socio-economic status of loanee households

10. Was the loan used for its intended purpose? Yes ☐ No ☐

11. If No, explain why

    ……

    ……

    ……

12. Did you benefit in any way from the loan? Yes ☐ No ☐

13. If so, to what extent do you think you have benefitted?

Great Extent ☐ Medium Extent ☐ Little Extent ☐ No Effect ☐

14. If not, why do you think you have not benefitted?

I am in more debt ☐ My properties were auctioned ☐

Caused strife amongst group members ☐ I am more financially stressed ☐

Any other (specify) ……...

Section Four: Factors affecting loan repayment capabilities of loanees

15. What is your main source of money for loan repayment?

Monthly Salary ☐ Casual Labour Wages ☐ Business ☐

Other source (specify)…….

16. What is your average monthly income?

Below KES.5,000 ☐ Between KES.5,001-10,000 ☐

Between KES.10,001-15,000 ☐ Above 15000 ☐

17. What percentage of your money do you spend on:

School Fees ☐ Food ☐ Entertainment ☐

Income Generating Activities ☐ Other ☐

18. Do you manage to save money? Yes ☐ No ☐

19. If Yes, how much per month?

Below KES.5,000 ☐ Between KES.5,001-10,000 ☐

Between KES.10,001-15,000 ☐ Above 15000 ☐

If No, what are your reasons?

Inadequate Income ☐ Lack of saving culture ☐ Many dependants ☐

Poor health ☐ Other(Specify)……..

20. Was there any grace period offered after receiving the loan? Yes ☐ No ☐

21. If so, after how long were you supposed to start repaying the loan?

Less than 7 Days ☐ Between 7 – 14 Days ☐ One Month ☐

Three Months ☐ More than Three Months ☐

22. Was the grace period enough? Yes ☐ No ☐

23. What was the interest rate for the loan?

Below 5% ☐ Between 5-10% ☐ Between 10-15% ☐ Above 15% ☐

24. How do you feel about the interest rate?

Was Too Low ☐ Was Affordable ☐ Was Too High ☐

Appendix III: Key Informant Interview (KII) And Focus Group Discussion (FGD) Guide

KII GUIDE

1. How many members does PAWDEP have?
2. How many members make one group?
3. What is the present interest rate and is it fixed?
4. What percentage of members manage to pay back their loans without defaulting?
5. What challenges do you face and what are the solutions to these challenges?

FGD GUIDE

1. What is your take on the role PAWDEP plays in your socioeconomic status?
2. What are the reasons for your answers in (1) above?
3. What are the problems and challenges you experience with PAWDEP?
4. What do you think can be done to address these problems and challenges?

Appendix iv: Research Authorization