AN ASSESSMENT OFFACTORS AFFECTING GROWTH OF INFORMAL MICRO FINANCE GROUPS (CHAMAS) (A SURVEY OF SELECTED CHAMAS IN MACHAKOS TOWN CONSTITUENCY-MACHAKOS COUNTY).

By;

Gilbert Kyongo Mutinda

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ABSTRACT

Growth and transformation of former informal institutions into fully pledged formal financial institutions with restrictive tendencies unfavorable to the low income and majorly marginalized population has led to their further financial exclusivity. Individuals have formed themselves into informal micro finance groups commonly referred to as “Chamas” in order for them to explore a possibility of developing their home grown solutions to the challenges of lack of access to finance which is seen to have contributed to low levels of economic development and lack of growth and expansion of their micro enterprises. Nevertheless, there has been a challenge in terms of realization of actual growth of these informal groups even after some have existed for more than seven years. The living standards of most of their members remain the same while there is little growth of the group in terms of their portfolio of investment assets, capital base, loan portfolio or growth in size and volume of transactions.The study sought to assess factors affecting growth of informal micro finance groups in Machakos town constituency-Machakos County with a view to establishing whether access to financial products, the extend of influence which tailor-made financial products specific for consumption by the group, as well as levels of information technology literacy and financial literacy affected growth of the informal micro finance groups.The study adopteddescriptive survey design whereby Primary data was used and a sample of 147 was used in the study. The data was gathered exclusively using questionnaires as the research instrument. To enhance quality, the collected data from all the respondents, was analyzed using the Statistical Package for Social Sciences (SPSS) version 20 for Windows. The results were then presented in form of frequency tables, percentages, correlations and Chi-square tables and charts. The study found that access to financial services especially credit products due to lack of information, was a major obstacle in the growth of informal investment groups in Machakos town. Some of the groups didn’t find specific products from the financial institutions that were able to meet their needs. Information technology literacy level and financial management literacy levels were found to be quite low hence denying groups the opportunity to make use of modern technology in accessing financial products from financial institutions and making proper and sound decisions in running their groups effectively.

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