EFFECTS OF MICRO CREDIT ON THE PERFORMANCE OF WOMEN-OWNED INCOME GENERATING PROJECTS: A SURVEY OF MICROFINANCE FUNDED PROJECTS IN ELDAMA RAVINE TOWN

MARGARET M. WACHIRA

GMB/NE/0464/05/10

A Research Project Submitted to the School of Business Studies in Partial Fulfillment of the Requirement for the Award of the Degree of Master of Business Administration (Finance) of Kabarak University.

October, 2012

Approval

This research project is my original work and has not been presented for a degree in any other university or academic institution for the purposes of examination or academic award.

Signature...................................... Date..

MARGARET M. WACHIRA GMB/NE/0464/05/10

This research project has been submitted with our approval as University Supervisors.

Signature...................................... Date..

PROF. PETER K. KIBAS
PROFESSOR OF ENTREPRENEURSHIP, KABARAK UNIVERSITY

Signature...................................... Date..

DR. AQUILLARS KALIO
SENIOR LECTURER, EGERTON UNIVERSITY

Acknowledgment

I express my sincere gratitude to God, without whom I would not have come this far. His Grace, strength and abundance have helped me accomplish this.

I am very thankful to my supervisors; Prof Peter K. Kibas and Dr. A.M. Kalio for their guidance and input towards this project. I am thankful for their time, effort and encouragement. I appreciate Mr. Biwott, Mr. Tanui and Mrs. Irene of the Kenya Institute of Management for their assistance.

I acknowledge the management and staff of KWFT, KADET, Faulu Kenya, and JIWEZE MFIs all of Eldama Ravine branches who allowed me interview their clients and also assisted me greatly in getting acceptance from the clients. I acknowledge the moral support and encouragement given by Lilian K. and Carol C.

I thank all the respondents that agreed to give me their views on my research area and hence enabled me complete my research successfully.

Abstract

Microcredit is important in increasing income activities, creates employment opportunities and also leads to better living standards of people. It has assisted many, especially women who are unable to get loans from traditional banks and who lack the collateral required by the banks. The purpose of the Study was to evaluate the effects of micro credit on the performance of women-owned Income Generating projects. The specific objectives were: to assess the effects of micro credit level of funding on the performance of women-owned income generating projects, to establish the level to which micro credit terms affect the performance of women-owned income generating projects, to assess the contribution of micro credit skills empowerment programs on the performance of women-owned income generating projects and to find out the level to which group based lending affects the performance of women- owned income generating projects. The study utilized survey study approach in order to enable the researcher carry out in-depth investigations of the effects of micro credit on the performance of women-owned IGPs. The target population was 1250 women members of MFIs with a sample size of 125 MFI women members. The study utilized the stratified random sampling method and simple random sampling to determine the final sample. The strata were the MFIs located in Eldama Ravine town. The researcher collected data through assisted self-administered questionnaires to the respondents. The results were analyzed in terms of descriptive statistics (frequencies and percentages) followed by inferential statistics (correlation) on the independent and dependent variables. Presentation of data was done using tables and graphs. The findings of the study show a positive relationship between micro credit and the performance of the women-owned income generating projects. There was a strong positive correlation of 0.743 between amount borrowed and period of membership. A correlation coefficient of 0.529 was found between the repayment period and change in profits per month. The research findings will be useful to the policy makers and the MFIs in their future action plan. The researcher recommends that the MFIs should fully fund the projects, lower their interest rates, increase the repayment period and offer training programs to ensure their clients increase their performance in terms of profits, revenues and growth.

KEY WORDS: Micro credit, Microfinance, Women Owned Income Generating Projects, Performance, Eldama Ravine.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

Operational Definition of Terms

Microfinance-A variety of financial services such as credit insurance, savings and remittances provided to the poor entrepreneurs.

Microcredit-Extension of very small loans to those in poverty designated to spur entrepreneurship.

Income Generating Projects- Any project started for purposes of generating income**.**

Group Based Lending- Lending done on the basis of group membership. Group members act as the guarantors.

Abbreviations

MFIs- Microfinance Institutions

MSEs- Micro and Small Enterprises

IGPs- Income Generating Activities

KWFT- Kenya Women Finance Trust

NGOs- Non Government Organizations

UNDP- United Nations Development Program

ROSCAs- Rotating Savings and Credit Associations

SACCOs- Savings and Credit Cooperative Organizations

KADET- Kenya Agency for the Development of Enterprise Technology

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Micro credit is part of Microfinance; which is the provision of a wider range of financial services to the very poor. Micro credit has successfully enabled extremely impoverished people to engage in self employment projects that allow them to generate income and in many cases, begin to build wealth and exit poverty. Micro credit is increasingly gaining credibility in the mainstream finance industry and many traditional large finance organizations are contemplating micro credit projects as a source of future growth, even though it had been earlier disguised in its likelihood to succeed (Yunus, 2008). Micro-credit, symbolizes small loans extended to the poor for undertaking self-employment projects that would generate income and enable them to provide for themselves and their families (Yunus, 1999).

Working women contribute to national income of the country and maintain a sustainable livelihood of the families and communities throughout the world as they face many socio- cultural attitudes, legal barriers, lack of education and personal difficulties. Traditionally, women have been marginalized; they are rarely financially independent and are often the more vulnerable members of society. About 70% of world's poor are women yet they have no access to credit and other financial services (UNDP, 1995). Microfinance is a critical tool to empower women from poor households. Particularly women get benefit from microfinance institutions as many microfinance institutions target only women, to empower them.

Microfinance is a type of banking service which provides access to financial and non financial services to low income or unemployed people. Microfinance is a powerful tool to self empower the poor people especially women at the world level and especially in developing countries. Microfinance activities can give them a means to climb out of poverty. The problem of women's less access to credit was given a particular concentration at the First International Women Conference in Mexico in 1975. The evolution of microfinance is from Bangladesh since late 1970s.

Microfinance services lead to women empowerment by positively influencing women's decision making power at household level and their overall socioeconomic status. By the end of 2000, microfinance services had reached over 79 million of the poorest of the world. As such microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihood and better working conditions for women (ILO Geneva). It has been well documented that an increase in women resources or better approach for credit facilities results in increased well being of the family especially children. (Maoux, 1997; Kabeer, 2001).

Microfinance, which emphasizes granting small loans to the poorest of the poor without requiring collateral, rests upon the notion that most impoverished people in developing countries typically do not otherwise have access to traditional financial services but that they do possess modest survival skills that make them creditworthy. Credit programs can offer the poor access to small amount of capital, and in turn they use these loans for self employment projects, to generate income and eventually be self reliant (Yunus, 2008).

Poor people do not generally own property, making them unable to offer the necessary collateral needed to secure loans. Most have no credit record, most lack education or a formal employment record. Many live in rural areas beyond the reach of traditional banks. Many cannot read or write or sign their own names. Women are often further deterred since some societies stipulate that a man should make all the decisions including accepting whether one should or should not borrow any loan. Banks, on the other hand, do not allow very small loans due to high transaction costs. The poor therefore are mostly left with no choices outside of being exploited by the local money lenders (Yunus, 2008).

According to the poverty reduction strategy paper (PRSP) of 1999, a large number of Kenyans derive their livelihood from the (Micro and small Enterprises) MSEs. The development of this sector therefore represents an important means of creating employment, promoting growth and reducing poverty in the long run.

On account of a high level of transactions costs incurred in lending to the poor, formal lending agencies often leave the poor without banking services (Yunus, 1999).

The scheme of micro credit that emerged with the establishment of Grameen Bank was aimed at addressing these problems in certain innovative ways. The defining criteria used are thus the size of loans and the targeted population comprising micro entrepreneurs, particularly women micro entrepreneurs, from low-income households. These loans are generally offered without any collateral.

The scheme of micro credit as conceived by Grameen Bank has been based on innovative financial practices and attempts to resolve the problem of targeting either directly by specifying the member's eligibility requirement on the basis of asset ownership or indirectly by making the loan amount small and laying down other conditions, such as attendance at the weekly member meetings, so that the non-poor are discouraged from borrowing. The scheme attempts to overcome the screening problem through group formation. The concept of group borrowing is driven by the idea that solidarity among like-minded people living in similar social and economic conditions is crucial to the success of this program. This group can be used to understand the character and proposed loan use of each of the members. Moreover, the loans are given only for activities that cannot go wrong in terms of repayment of the loan or it turning into a bad investment (Hulme and Mosley, 1996).

Finally, the problem of monitoring the loan usage and enforcement is taken care of individually as well as through the group. The microfinance institution insists on putting the loan to the use specified by the borrower strictly. Further, it follows a system of weekly repayment of small amounts. This is done as parting with large amount of cash at the end of a loan period is often psychologically trying for the borrowers (Yunus, 1999).

1.2 Statement of the Problem

Working women contribute to national income of the country and maintain a sustainable livelihood of the families and communities throughout the world. According to the UNDP report (1995), about 70% of the world’s poor are women yet they have no access to credit and other financial services. Most of the Microfinance Institutions often target women. The poor do not own property that could be used as collateral for getting credit.

Small enterprises provide employment and supplement income as well as empowering women. The employment opportunities provided by the MFIs funded projects are minimal, with limited growth of the projects. Many income generating activities started by women especially in less developed economies seldom succeed. This has not been an exception for the projects started by women in Eldama Ravine through micro credit. This study sought to find out why the projects started by women in MFIs perform the way they do and whether micro credit influences the performance in any way.

1.3 Objectives of the Study

1.3.1 General Objective

The purpose of the study was to evaluate the effects of micro credit on the performance of women -owned Income Generating projects.

1.3.2 Specific Objectives

The specific objectives were:

i. To assess the effects of micro credit level of funding on the performance of women- owned income generating projects in Eldama Ravine town.
ii. To establish the level to which micro credit terms affect the performance of women- owned income generating projects in Eldama Ravine town.
iii. To assess the contribution of micro credit skills empowerment programs on the performance of women- owned income generating projects in Eldama Ravine town.
iv. To find out the level to which group based lending affects the performance of women -owned income generating projects in Eldama Ravine town.

1.4 Research Questions

In order to meet the above objectives, the following research questions were asked.

i. How does micro credit level of funding affect the performance of women- owned income generating projects in Eldama Ravine town?
ii. What is the level to which micro credit terms affect the performance of women- owned income generating projects in Eldama Ravine town?

iii. What is the contribution of micro credit skills empowerment programs on the performance of women- owned income generating projects in Eldama Ravine town?

iv. How does group lending affect the performance of women -owned income generating projects in Eldama Ravine town?

1.5 Significance of the Study

This study evaluates the effects of micro credit on the performance of women- owned income generating projects within Eldama Ravine town. The study will be of benefit to the government, the MFIs and all stakeholders in coming up with policies that will enable better performance of the women-owned income generating projects.The findings of this study will also create awareness to the policy makers on the factors that need to be looked into to ensure that MFIs are more effective and assist the women in improving their income generating ventures. Generally, researchers will find the study useful as it gives highlights on areas for further research and also contribute to new knowledge.

1.6 Scope of the Study

The study confined itself to the MFIs women customers located in Eldama Ravine Town. The study was carried out between the months of May and September 2012. Data collected was on the basis of several conditions before and after credit.

1.7 Limitations of the Study

The study findings are limited to the MFIs and the findings may not be generalized to cover other credit facilities offered by formal banks, non government organizations and the Rotating Savings and Credit Associations (ROSCAs). The MFIs bureaucracies were also a hindrance in terms of time for the collection of data in that some of them were not willing at first to share any information about their organization without proof that the research was meant for academic purposes alone. However, the researchers gave them a letter of introduction that convinced the respondents that the research was meant for academic purposes and any information that they gave would be treated with utmost confidentiality.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter covers the empirical and theoretical literature review as well as the conceptual framework.

2.2 Theoretical Literature Review

Financial management theories comprise of large complex strategies for administration, maintenance of financial operations and minimizing risk involve in different aspects of such operations. By using financial management theories and principles, it becomes easy for executives to figure out the right way to handle various affairs of an organization. Some of the theories of financial management that are applicable to run an organization include the Agency theory, Signaling theory and the Pecking Order Theory and Framework (POF).

2.2.1 Agency Theory

Agency theory deals with the people who own a business enterprise and all others who have interests in it, for example managers, banks, creditors, family members, and employees. The agency theory postulates that the day to day running of a business enterprise is carried out by managers as agents who have been engaged by the owners of the business known as principals who are also known as shareholders. The theory is on the notion of the principle of two-sided transactions which holds that any financial transactions involve two parties, both acting in their own best interests, but with different expectations. This theory has problem of information asymmetry associated with it. Moral hazard is another problem with this theory in which due to information asymmetry, authorized people try to accumulate wealth through unfair means. Adverse selection or bias selection of employees is another major problem associated with this theory. (Emery et al., 1991)

2.2.2 Signaling Theory

Signaling theory rests on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finance is made available to the enterprise. In other words, flows of funds between an enterprise and the capital market are dependent on the flow of information between them. For example management's decision to make an acquisition or divest; repurchase outstanding shares; as well as decisions by outsiders like for example an institutional investor deciding to withhold a certain amount of equity or debt finance. The emerging evidence on the relevance of signaling theory to small enterprise financial management is mixed. Until recently, there has been no substantial and reliable empirical evidence that signaling theory accurately represents particular situations in SME financial management, or that it adds insights that are not provided by modern theory. (Emery et al., 1991)

2.2.3 Pecking Order Theory and Framework (POF)

This is a finance theory which suggests that management prefers to finance first from retained earnings, then with debt, followed by hybrid forms of finance such as convertible loans, and last of all by using externally issued equity; with bankruptcy costs, agency costs, and information asymmetries playing little role in affecting the capital structure policy. A research study carried out by Norton (1991b) found out that 75% of the small enterprises used seemed to make financial structure decisions within a hierarchical or pecking order framework .Holmes (1990) admitted that POF is consistent with small business sectors because they are owner-managed and do not want to dilute their ownership. Owner-managed businesses usually prefer retained profits because they want to maintain the control of assets and business operations.

Kabeer (2008) emphasizes that the ability to exercise choice incorporates three interrelated dimensions: resources (defined broadly to include not only access, but also future claims, to both material and human and social resources); agency (including processes of decision-making, as well as less measurable manifestations of agency such as negotiation, deception and manipulation) and achievements (well-being outcomes).

Resources do not only include material resources but also various human and social resources, which serve to enhance the ability to exercise choice. In this broader sense resources are acquired through a multiplicity of social relationships conducted, in the various institutional domains, which make up a society (such as family, market, community). Access to such resources will reflect the rules and norms, which govern distribution and exchange in different institutional arenas and the ability to define one's goals and act upon them. It is more about observable action; it also includes the meaning, motivation and purpose, which individuals bring to their activity, their sense of agency, or the power within.

Kabeer (2008) further stresses that it is resources and agency together that constitute what Sen (1990) refers to as capabilities: the potential that people have for living the lives they want, of achieving valued ways of being and doing which are valued by people in a given context. Mohanty (1991) criticizes the underlying assumption of feminists in the Western world that women in the developing world have similar aspirations and empowerment needs. Such an interpretation, he suggests, does not take into account social relations and institutions. In contrast, Nussbaum (2000) refutes the arguments from culture, diversity and paternalism to construct a universal framework to assess women's quality of life.

2.3 Empirical Literature Review

There is a variety of literature on impact evaluation of microfinance on different aspects of community and members. Similarly, a number of studies have been undertaken on women empowerment, focusing on methodological issues, empirical analysis and measures and tools of empowerment.

2.3.1 Micro Credit Focus On Women

Microfinance plays a major role in gender and development strategies because of its direct relationships with both poverty alleviation and women empowerment. As women are the poorest of the poor, greater financial security allows the women to become more empowered in household and community affairs.

Access to resources alone does not empower women but also, access to material (credit, property, and money), human and social resources (education, business) also matters. Microfinance affects women's decision making ability and self-confidence which are closely linked with knowledge, women's status and gender relations in the household. Microfinance programs strengthen women's economic autonomy and give them means to pursue nontraditional activities. Through these programs, women escape from abusive relationships. Microfinance programs also impact the political empowerment and women rights.

Malhotra, Schuler &Boender, (2002) constructed a list of the most commonly used dimensions of women’s empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women’s empowerment needs occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, women may be empowered within one of these sub-domains. They give the example of socio-cultural dimension which covers a range of empowerment sub-domains, from marriage systems to norms regarding women’s physical mobility, to non familial social support systems and networks available to women.

Cheston and Kuhn (2002) stated that microfinance programs have the potential to transform power relation and to enhance women empowerment. Although women’s access to financial resources has been substantially increased, loans given to women differ in sizes. It has been shown that just to provide the access to financial resources is not enough to empower women and improve their well-being. Microfinance does not address all the barriers to women empowerment but if they are properly designed, then they can do important contribution in women empowerment. The study discussed the empowerment indicators and measurement techniques and revealed that relationship between microfinance program, empowerment, family planning and cultural norms exists.

The effects of the men and women participation in microfinance programs in rural Bangladesh, on women autonomy and gender relations within the household are analyzed by Pitt, Khandker, Chowdhury, and Millimet (2003).

The study concluded that women participation in micro-credit programs helps to increase women empowerment. Micro credit supports women to take a greater role in household decision-making, having greater access to financial and economic resources, having greater social networks, having greater bargaining power compared with their husbands and having greater freedom of mobility. Female credit also tended to increase spousal communication in general about family planning and parenting concerns. On the other hand, male credit had a negative effect on several areas of women's empowerment, including physical mobility, access to savings and economic resources and power to manage some household transactions.

2.3.2Women Empowerment and Better Living Standards

The mechanics of microfinance in Bangladesh has been focused by Rehman and Khan (2007). From client's perspective, they attempted to explore how microfinance helps poor people to improve their living standards. They concluded that provision of microfinance in the form of collateral free loans, is an effective mechanisms for poverty reduction, to improve health, education, legal rights, sanitation and other living standards. Microfinance programs target women, the most vulnerable part of society who live within households with no assets. By providing them opportunity for self employment, these programs can improve the women's security, autonomy, self-confidence and status within the household which in turn improves their empowerment.

Asim (2008) evaluated the impact of micro-credit programs on women empowerment in urban slums of Lahore (Pakistan). The study chose specialized institutions focusing on women. The author constructed preference-based indicators including child-related and health-related decisions, economic decisions, social mobility decisions, resource allocation decisions, and autonomy-based indicators including household purchase decisions.

To explore the link between women empowerment and micro-credit participants, the author used three different estimates; simple parametric framework of conditional mean independence, randomization of treatment and bivariate probit model. The results showed that micro-credit intervention has no impact on child-related, health-related, and economic and social mobility decisions. On average, women in treatment group were no more independent or autonomous than the control group in small household purchases. Participation in micro-credit program was found to be insignificant in explaining all the outcome indicators of empowerment.

Chaudary and Nosheen (2009) explain that women empowerment is one of the important issues of development policies in under-developed countries. Since empowerment is a multidimensional concept, it is determined by many socioeconomic factors and cultural norms. The authors attempted to explore the determinants of women empowerment using regression analysis. The data was collected from Southern Punjab, especially from rural and tribal areas. The status of women was found much vulnerable in rural and tribal areas and they have very limited access to all basic facilities. For women empowerment, four indices were developed in making a cumulative index. The results show that age, marital status and having Islamic views show statistically positive impact on women empowerment.

Empowerment signifies increased participation in decision-making and it is the process through which people feel themselves to be capable of making decisions and the right to do so (Kabeer, 2001). Personal empowerment can lead to changes in existing institutions and norms, however, without the collective empowerment, the personal empowerment and choices are limited, as Sen (1990) explains. The nature of empowerment can be diverse, depending upon the parameters that define the lack of power within the institutional framework in operation. The World Bank defines empowerment as the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets. Thus, as the World Bank (2001) report confirms societies that discriminate on the basis of gender pays the cost of greater poverty, slower economic growth, weaker governance and a lower living standard of their people. The World Bank also identifies four key elements of empowerment to draft institutional reforms: access to information; inclusion and participation; accountability; and local organizational capacity. Empowerment is also related to the concepts of social capital and community driven development with which it is sometimes confused.

According to Krishna (2003) empowerment means increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome. Social capital, on the other hand, features social organization such as networks, norms and inter-personal trust that facilitate coordination and cooperation for mutual benefit. Community Driven Development (CDD) is a methodology of undertaking development enterprises that gives control of decisions and resources to community groups. It is by nature an activity. Connecting these three, Grootaert (2003), points that building social capital facilitates empowerment. Social capital and empowerment are multilevel concepts and facilitate the link to poverty reduction, whereas CDD is a manifestation of social capital and empowerment. Krishna (2003), points that these three concepts need to be pursued separately.

Kabeer (2001), stresses that women's empowerment is about the process by which those who have been denied the ability to make strategic life choices acquire such ability. According to her, it is important to understand empowerment as a process and not an instrumentalist form of advocacy, which requires measurement and quantification of empowerment.

2.3.3 Micro Credit and Income Generating Projects

Kuzilwa (2005) argues that finance, through credit has been observed to be one of the more important determinants of small business success. However, lack of funding remains one of the most important barriers to MSE development in developing countries (EBRD, 1997). Loans for micro businesses are seen as a powerful weapon in the fight against poverty because they empower people to work their own way out of the poverty trap, they avoid dependency and the ‘hand out’ shame of conventional aid (Sign-Post International, 2006). By making small loans to people too poor to obtain credit from the formal banking sector at fair rates of interest, repayment of those loans are thought to become both possible and manageable; and as loans are repaid, the funds can be recycled and loaned out again as part of a self-sustainable process.

Hunt and Kasynathan (2002) described that microfinance programs for women have positive impact on economic growth by improving women’s income generating activities. The data was collected from three NGO’s in Bangladesh and one state of India. The study found that most of the women receiving credit have no control over their loans due to low access to markets.

It was further found that micro-credit has an impact on female education, marriage practice, mobility, violence against women and self-respect. Moreover, microfinance which was designed for the poorest, actually did not reach to the poorest people. Donors and NGO’s must therefore concentrate on the access of credit to the poorest people. Micro credit is a local approach that is seen as leading to economic self-sufficiency, and thereby economically efficient development.

Furthermore, credit programs have also gained popularity because they promise the possibility of cost recovery, which satisfies the ambitions for financially sustainable development. Indeed micro credit has been predicted to become the future panacea for poverty world-wide, and has been labeled the key element for the 21st century’s economic and social development (Rahman, 1999).

2.3.4 Micro Credit and Economic Status of Women

As Mitchell (2004) notes, females are often entrepreneurially motivated by a need to survival. Furthermore women, as a group, are consistently better in promptness and reliability in the repayment of credit. Targeting women as clients of micro credit programs has been a very effective method of ensuring that the benefits of increased income accrue to the general welfare of the family unit. They also note how women themselves benefit from the higher status achieved when they are able to provide new income.

Accordingly, targeting women for micro finance neatly fits the development agenda. Rahman (1999) claims that micro credit is perceived as the common missing piece that should promote women's access to finance. Consequently, it gives hope for the achievement of equitable development that is development with women as equal partners. However, despite the power of this discourse, there are some who argue against the perceived benefits. Mwenda and Muuka (2004) suggest that although credit facilities are often available, the poorest may not be having access.

The current popularity of microfinance among official aid donors, including the World Bank and more recently the Asian Development Bank, sometimes gives the impression that providing very small loans to the poor is somehow new, and, second, that microfinance is a panacea which will empower the powerless and end poverty. Unfortunately, he claims, it runs the risk, like many development fashions of the past, of being seen as a cure for all development ills (Kilby, 2001).

Weiss, Montgomery and Kurmanalieva (2003) reviewed the evidence of the microfinance impact on poverty in Asia and subsequently Weiss and Montgomery (2005) provided an update including studies using Latin American data. They reviewed only more rigorous studies and did not cover studies using qualitative or participatory approaches. Weiss and Montgomery (2005) summarized their review by saying that the conclusion from the early literature, that whilst microfinance clearly may have had positive impacts on poverty, it is unlikely to be a simple panacea for reaching the core poor.

Reaching the core poor is difficult and some of the reasons that made them difficult to reach with conventional financial instruments mean that they may also be high risk and therefore unattractive microfinance clients. Meyer (2002) reached a similar conclusion. Surveying available evidence for Asian countries, he concluded that while access to microcredit seems to have an overall positive effect on income and education, results differ substantially across countries and programs both in magnitude and statistical significance and robustness. Because income and expenditure are the basic measures of household welfare, rigorous microfinance impact evaluations almost always cover changes in these variables.

While some studies show positive impacts, other studies could not establish significant impacts. Hulme and Mosley (1996), for instance, concluded that growth in incomes of borrowers always exceeds that of the control group. They also found that the positive impacts on income are larger for better-off borrowers. Among the most cited results on the impact of microfinance on income are those reported in Khandker (1998) and Khandker (2003). Using data from a 1991/1992 survey covering Grameen Bank and Bangladesh Rural Advancement Committee microfinance programs, with appropriate controls for sample selection and nonrandom program placement; it was found that a Tk100 loan to a female borrower would result in a net consumption increase of Tk18compared with Tk11 for male borrowers. In subsequent estimates, using panel data that included a re-survey of previous respondents in 1998/1999, there was a slightly lower impact (a Tk10.5 increase in consumption).In the earlier survey, 5% of the participants were able to escape poverty annually. In the second survey, the corresponding impact was an 8.5% reduction in moderate poverty and an 18% reduction in extreme poverty.

Using data from Bangladesh, Zeller et al. (2001) estimated the impact of microfinance on household income microfinance by comparing eligible households in the Association for Social Advancement and Bangladesh Rural Advancement Committee villages. They found different impact estimates depending on the season.

The estimated annual average impact was Tk37 per Tk100 credit available. They noted the substantial difference between their estimate and that of Pitt and Khandker (1998) and explained that their measures were not only the effect of actual borrowing, but also the effect of access to credit, that is, the ability to borrow sometime in the future even if the household in the current period chooses not to borrow.

In contrast to these earlier mentioned studies, Coleman (1999) found no significant impact of access to microcredit on improving household wealth using a sample of households from northeastern Thailand. However, when the sample was broken down into general beneficiaries and committee members, Coleman (2006) found that the insignificance was limited to general beneficiaries and that a positive impact was found among committee members who received access to financing.

Estimates in Montgomery (2005) using data from Pakistan found a mild significant impact on per capita food expenditure in the months after the beneficiary first borrowed. However, access to microcredit did not have a significant impact on nonfood expenditure. Bebczuk and Haimovich (2007) used household survey data on poor households from a number of Latin American countries to undertake their analysis. They found that credit increased labor income in a statistically and economically significant manner. Access to credit increased the hourly labor income of poor individuals compared with a similar population without access to credit by 4.8 times (Bolivia at 10% level of significance), 12.5 times (Guatemala at 1% level of significance), and 4.5 times (Haiti at 5% level of significance).

2.4 Conceptual Framework

The study derived its conceptual framework through definition of relationship between independent and dependent variables. The independent variable in this study was micro credit provision in terms of: The Level of Funding of the women owned projects-Whether the projects are fully funded or partially funded by microfinance institutions. Micro credit terms constitute the interest rates charged, the repayment period and as well as the frequency of payment. The MFIs skills empowerment and support programs include programs on decision making; business management skills and investment skills. Micro credit emphasizes on group based lending and group responsibility in repaying the loans. The MFIs therefore ensure collective responsibility in case of defaulters. Group based lending also creates social networks of women in the groups.

The moderating variables are those which affect the dependent variable and no one has control over. These include the management styles, level of education of the respondents, prevailing economic conditions and the other sources of credit available to the respondents. The dependent variable in this study was the performance of the women owned income generating projects. The performance indicators were the Growth of the projects in terms of asset base and number of employees as well as expansion; revenues and the profitability of the projects are the other performance indicators used in this study.

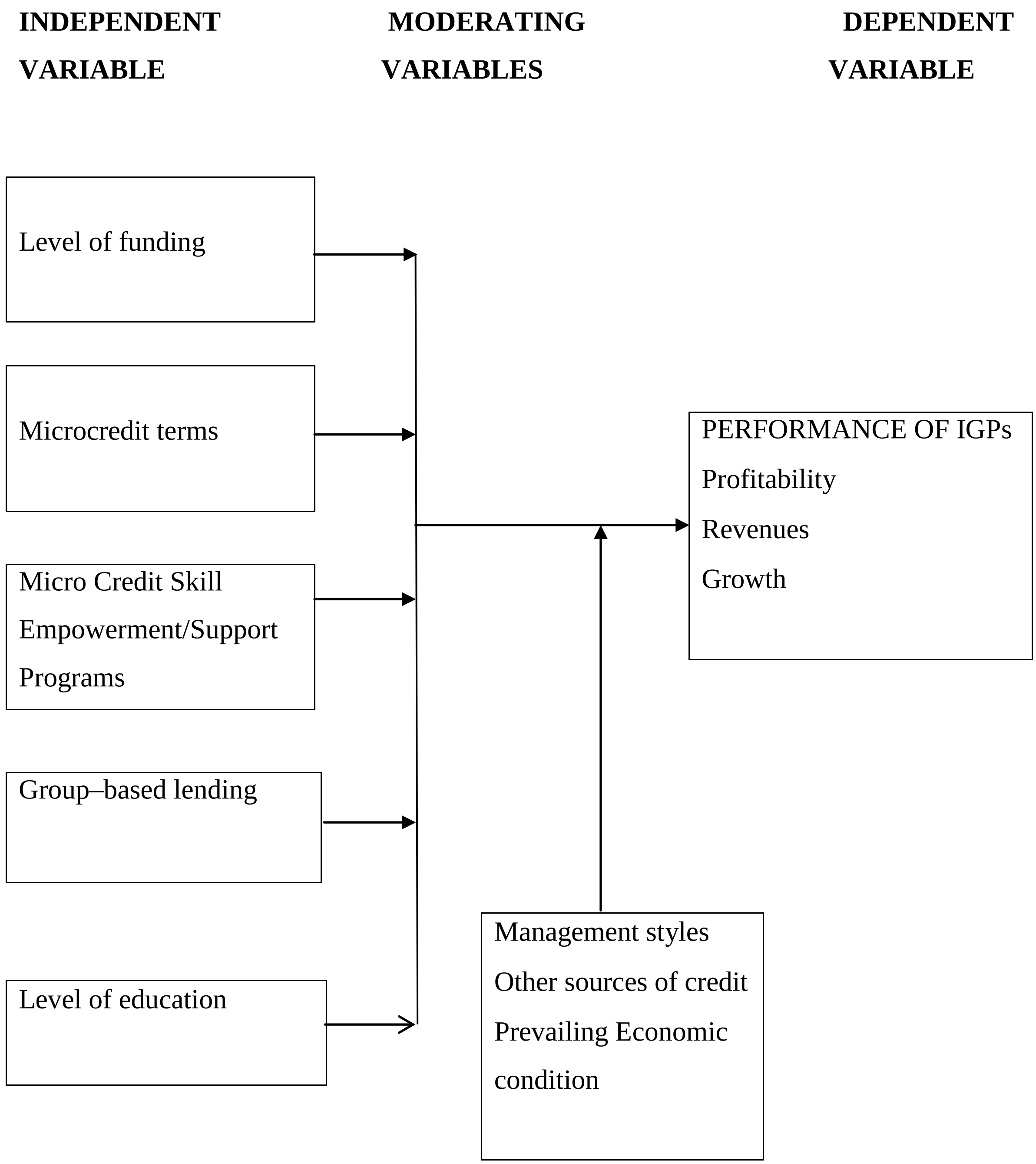


Figure 1: Conceptual Framework

Source: Researcher (2012)

2.5 Summary and Gap

There was need to do research on this area given that most studies done in Kenya and other regions were on the impact of micro credit and challenges facing women entrepreneurs but there was no research linking micro credit and performance. The need to improve the operations and performance of women owned IGPs who have over time become major employers hence improving the living standards by reducing poverty, and creating wealth should be emphasized. The findings of this research will come in handy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the design of the study, target population, sampling designs and procedures, data collection instruments, data collection method, and data analysis methods. This chapter reviews the procedure that was adopted in the study.

3.2 Design of the Study

To achieve the objectives of the study, a survey study approach was employed in order to enable the researcher carry out in-depth investigations of the effects of microcredit on the performance of women-owned IGPs. The research design that the study utilized was the descriptive method as it intended to present facts concerning the nature and status of a situation, as they existed at the time of the study and to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research (Creswell, 1994).

Descriptive design allows systematic description of facts and characteristics of a given population or sample of the population or area of interest factually and accurately (Kothari, 1999).The researcher opted to use this kind of research considering the desire of the researcher to obtain first hand data from the respondents so as to formulate rational and sound conclusions and recommendations for the study. The survey design allowed collection of large amount of data from a sizeable population in a rightly economical way. The design also gave more control of the research process to the researcher.

3.3 Study Area

The study was carried out in Eldama Ravine Town. The study focused on women who were members of groups and members of MFIs. The groups were twenty and include: Precious Self Help Group, Fuka Self Help Group, Tumaini Women Self Help Group, Hebron Self Help Group, Mwanga Self Help Group, Active Self Help Group, Prime Mass Enterprises Self Help Group, Emukana Women Self Help Group, Wema Self Help Group, Vision Self Help Group, Sweet Waters Group, One Heart Group, Fahida Project, Kazana Self Help Group, Home Net Self Help Group, Tuinuane Support Group, New Beginners Group, Fanaka Group, BadiliMawazo Self Help Group, Classic Self Help Group, Imani Self Help Group, and One Shilling Foundation Support Group.

3.4Target Population

The study targeted the members of four major MFIs in Eldama Ravine Town which include: Kenya Women Finance Trust (KWFT), Faulu Kenya, and Kenya Agency for Development of Enterprise and Technology (KADET) and Jiweze Women Development program. The target population comprised of 1250 women members.

3.5 Sampling Design and Sample Size

The sampling design deemed most appropriate was stratified random sampling for the MFIs members. This was selected to offer a proportionate opportunity to all women members of the different MFIs. According to Mugenda and Mugenda (2003), a sample size of 10% -20% of the population is representative. The researches intended to obtain information from at least 125 respondents from the four MFIs located in Eldama Ravine town. The researcher did a physical count of the MFIs within the town. Each of the MFI was taken as a stratum, 125 respondents were selected proportionately from the strata depending on the members being served by each of the MFI. Having known the proportionate number of the respondents from each stratum, and convenience sampling was used to select the final sample. The sample size from each stratum is as shown in table 1.

Table 1: Selection of Sample Size

Strata	Total	proportion
Faulu Kenya	200	125(200/1250)=20
KWFT	400	125(400/1250)=40
KADET	350	125(350/1250)=35
JIWEZE	300	125(300/1250)=30
Total	1250	125

Source: Research 2012

3.6 Data Collection Instruments

According to Koul (1993), most techniques for measuring perceptions and attitudes rely heavily on verbal material in the form of interviews or questionnaires. The instruments used in order to meet the objectives of the study were: questionnaires and interview schedules.

The research used structured questionnaires and interview schedule with both closed ended and open ended questions developed taking into consideration relevant published literature. They were used to collect information from the respondents. A questionnaire is a research tool that gathers data over a large sample (Kombo 2006). Interviews were aimed at those respondents who could not read and understand English to obtain information. The respondents were also provided with an opportunity to provide recommendations. Both primary and secondary sources of data were used in order to collect the relevant information.

Personal interviews utilized structured interviews. Personal interviews have the ability to extensively probe respondents on their impressions of a service or product, observe individual or group behavior, and this method allows for the exchange of material and/or information between the respondent and the interviewer. Advantages of this method include: very good response rate; respondents having the ability to see, feel and/or taste a product; longer interviews are sometimes tolerated; and attitudinal behavior can be best observed with this method. Supplementary information can also be collected through probing.

The questionnaires were administered randomly to borrowers visiting the microfinance institutions in question over a period of two weeks. This ensured no bias since no one can determine beforehand those who will visit those institutions during the data collection period.

3.7 Data Collection

Depending on the number of the members that each MFI had, questionnaires were distributed at each institution proportionally to be filled by the women members.

The questionnaires were self- administered by the researcher. The researcher assisted those respondents who were unable to do fill the questionnaires on their own. The filled questionnaires were then collected after a period of two weeks.

3.8 Validity and Reliability of Research Instruments

Moser and Kalton (1971) defined validity of an instrument or scale as the success of the scale in measuring what it sets out to measure so that differences in individuals' scores can be taken as representing true differences in the characteristic under study. Validity is the accuracy and meaning of inferences which are based on the research results. Validity is the degree to which results obtained from the analysis of data actually represents the phenomenon understudy (Kerlinger, 1993).According to Mugenda and Mugenda (2003); the reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials.

3.8.1 Validity

According to Mugenda and Mugenda (2003) , validity refers to the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Validity therefore, has to do with how accurately the data obtained in the study represents the variables of the study. If such data is a true reflection of the variables, then inferences based on such data will be accurate and meaningful. The instruments were rated in terms of how effectively they sampled significant aspects of the study. The content validity of the instrument was determined by the researcher through discussing the items in the instrument with the supervisors, lecturers from the department and colleagues. Advice given helped the researcher determine the validity of the research instruments. The advice included suggestions, clarifications and other inputs in order. These suggestions were used in making necessary changes.

3.8.2 Reliability

Kothari (1992) states that the reliability of the research tools refers to the ability of that test to consistently yield the same results when repeated measurements are taken of the same individual under the same conditions. Reliability implies the extent to which consistent results can be achieved using the same instruments with the same respondents at different intervals. To establish the reliability of the research instruments, pre-testing through piloting was done in Nakuru Town. From the results the research instruments were found to be reliable.

Feedback obtained from the pilot study assisted the researcher in revising the instrument of data collection to ensure that it covered the objectives of the study. The main reason for piloting the questionnaire was to ensure that the items would detect the kind of responses the researcher intended to get, that the items are acceptable in terms of their content, and that they adequately cover any aspects of the unit which the researcher particularly wished to explore. In a case where it was discovered that the items in the questionnaire were difficult for the respondents, they were rectified accordingly.

3.9 Data Analysis Method

The research findings were put in categories in line with the research questions. The data were checked for completeness of information at the end of every field data collection day and before storage. The data from the research instrument were coded and analyzed using the Statistical Package for Social Sciences (SPSS).Coding is the process of dividing or segmenting data into topics or categories. The different categories represented different themes. The coding procedure assisted in reducing and categorizing large quantity of data into more meaningful units for interpretation. Data was analyzed descriptively and presented in form of tables. Data analysis was facilitated by use of SPSS (Statistical Package for Social Scientist) Computer package.

Descriptive methods were employed in analyzing qualitative data where frequencies and percentages were used in interpreting the respondent's perception of issues raised in the questionnaires and interview schedule as well as inferential statistics (correlation) on the independent and dependent variables so as to answer the research questions. Data was presented in form of tables and graphs.

3.10 Ethical Considerations

Permission to carry out the study was sought from Kabarak University, and from the respondents who participated in the study. The nature and the rationale for the study were explained to the respondents by the researcher. The researcher respected the individuals' rights and also safeguarded their personal integrity. In the course of the research, the respondents were assured of anonymity and confidentiality.

CHAPTER FOUR

FINDINGS, ANALYSIS AND PRESENTATION

4.1. Introduction

This chapter represents the findings of the research that was carried out by the researcher. The findings are subsequently illustrated in tables and charts as appropriate, followed by discussion of the implications of the findings in line with the specific research objectives.

4.2. Response rate

A total of 125 questionnaires were administered to women clients of various MFIs located in Eldama Ravine town. Out of the 125 questionnaires 100 were returned but only 96 were fully filled. This represented a total rate of 77%. All the questionnaires were edited and checked for completeness and used in the analysis. The respondents were clients of Faulu Kenya, KWFT, KADET and Jiweze women Development MFIs in Eldama Ravine town as shown in Table 2.

Table 2 Response Rate

MFI	Target Population	Sample Size	Sample Size % completed
FAULU	200	20	14
KWFT	400	40	32
KADET	350	35	26
JIWEZE	300	30	24
TOTAL	1250	125	96

Source: Field Data (2012)

4.3 Personal Information

The researcher enquired about the gender of respondents, the age group, the level of education, occupation of respondents, their marital status as well as the length of time that the respondents were members of the MFI. The researcher had targeted customers who were picked from the four MFIs. Data analysis was based on the 96 fully answered questionnaires. The results of findings were as below:

4.3.1 Age of Respondents

The researcher sought to know the ages of the respondents and the findings were as shown below:

Table 3 : Age

	Frequency	Percentage
18-30	42	44
31-40	33	34
41-50	12	13
50 and above	9	9
Total	96	100

Source: Research data (2012)

Age is a factor that can influence the performance of a person in a given task. Table 4.3 shows that out of the 96 respondents, 44% were between the age of 18 and 30, 34% between the ages 31-40, 13% between 41 and 50 years while only 9% were aged above 50. From the study, the majority of the respondents were women who were above 18 and below 40 years of age which represents an age bracket in which people decide to venture into business out of interest and are likely to succeed since they are strong and vibrant.

4.3.2 Level of Education

The researcher further sought to know the education level of the respondents and the following were the findings:

Table 4: Level of Education

	Frequency	Percent
Primary	24	25
Secondary	42	44
College	30	31
Total	96	100

From Table 4, 25% of the respondents had reached primary level of education, 44% had completed secondary level and 31% had received college education. The findings therefore revealed that most of the respondents had not attained college level of education therefore possessing limited management skills. Women's education level is low due the existing discrimination against women who are normally not encouraged to further their education yet they play a great role in the society.

4.3.3 Employment

The researcher sought to find out the employment status of the respondents and the findings were as shown below in table 5.

Table 5 Employment

	Frequency	Percentage
Self-employed	90	94
Formal Employment	3	3
Unemployed	3	3
Total	96	100

Source: Research data (2012)

The results of the study indicated that 94% of the responds were self-employed, 3% in formal employment and 3% were unemployed. Majority of the respondents were self-employed. In order to access credit from the MFIs, members are required to have income generating projects in operation or an intention to start a project. MFIs normally target the poor; they have weekly meetings for clients which discourages those in formal employment from joining the MFIs explaining the small percentage of respondents in formal employment.

4.3.4 Marital Status

The researcher also sought to determine the marital status of the respondents and the results revealed that 31% of the respondents were single, 66% married and 3% of the respondents were divorced.

Table 6 Marital Status

	Frequency	Percentage
Single	30	31
Married	63	66
Divorced	3	3
Total	96	100

Source: Research data (2012)

Majority of the respondents were married. The cultural beliefs held by people of Eldama Ravine in regards to marriage is that marriage is an institution which is a life time commitment in which once in it, one is not expected to leave hence the low divorce rates.

4.3.5 Number of Children

The researcher also sought to find out the number of children that the respondents had and the findings were as shown in table 7. Majority of the respondents, 41% have less than five children while 12% have more than 7 children. This shows that respondents have responsibilities hence their need to get loans for starting income generating projects.

Table 7: Number of Children

	Frequency	Percentage
0-1	39	41
2-3	30	31
4-5	15	16
7-8	3	3
9 and above	9	9
Total	96	100

Source: Research data (2012)

4.4 Number of MFIs

Borrowing from different MFIs is one of the problems which face the clients in the sense that many borrow from one source to repay existing loans. The researcher therefore sought to know MFI membership status of respondents. The results are presented in Table 8.

Table 8 Number of MFIs

	Frequency	Percentage
1	69	72
2	24	25
3	3	3
Total	96	100

Source: Research data (2012)

The results showed that 72%were members of only one institution, 25% were members of 2 institutions and 3% were members of 3 institutions. Though the majority of the respondents were members of one MFI, a significant portion of respondents were members of more than one MFI.

4.5 Other Sources of Credit

The researcher also sought to find out what the other sources of credit of the respondents were. The results were recorded in Table 9.

Table 9 Other Sources of Credit

	Frequency	Percentage
Banks	12	12.5
Cooperative	6	6
Relatives and Friends	12	12.5
Employment	3	3
Merry-go-round	63	66
Total	96	100

Source: Research data (2012)

Many women join informal groups which constitute people of common interests and businesses. They join these groups in order to save and normally give all their contribution to one person weekly. This explains why the majority of the respondents got their credit from ROSCAS commonly known as the "merry-go-rounds". Only 12.5% borrowed from banks due to the collateral required from the banks hence discouraging most of the women who are generally poor and own no assets to be used as collateral for their loans.

4.6 Period of MFI Membership

The researcher further sought to find out how long the respondents had been members of the MFIs and the results were as shown in Table 10.

Table 10: Period of MFI Membership

	Frequency	Percentage
1	24	25
2 and above	72	75
Total	96	100

Source: Research data (2012)

The results show that the majority of the respondents had been members of MFIs for more than two years. This shows that many preferred the institutions since they were willing to continue as members for a longer period.

4.7 Loans Taken

The respondents were asked whether they had taken loans from the MFIs and how many times they had done so within the current year.

Table 11: Frequency of loans within the Year

	Frequency	Percentage
1	87	91
2	9	9
Total	96	100

Source: Research data (2012)

The results revealed that 91% of the respondents had taken loans at least once in the year 2012 while 9% had taken loans twice within the same year. This indicates that there is high availability of loans in the MFIs that are given to clients mostly with no collateral. Group membership is a mandatory requirement. It is not common to find an MFI member with no loan from the MFI hence the fact that all the respondents were servicing a loan.

4.8 Changes after Credit

The respondents were asked to compare various parameters before and after accessing credit from the MFIs and the following were the findings:

4.8.1 Income per Month

The income levels of the respondents had increased as shown in table 12. This is due to the fact that the credit given by MFI is for starting income generating projects and the clients are expected to invest the loans in profitable ventures. Majority of the respondents' income had increased by 5000-9999 shillings per month. The income levels of 9% of the respondents increased by 20000 shillings and above. The researcher found out that all the respondents had reported some increase in their incomes as a result of the credit from the MFIs.

Table 12: Change in Income per Month

	Frequency	Percentage
1000-4999	30	31
5000-9999	39	41
10000-19999	18	19
20000 and above	9	9
Total	96	100

Source: Research data (2012)

4.8.2 Savings per Month

The study showed that the savings level of the majority of the respondents had increased by 500-1999 shillings. The increase in savings levels can be explained by the fact that MFIs require that their members save a certain amount of money on weekly basis. The minimum set by most of the MFIs is 100 shillings per week. The savings accumulated by each member determines the amount of loan that can be availed to that member. The maximum loan given is 3 times of the members' savings.

Table 13: Savings per Month

	Frequency	Percentage
0-499	12	12.5
500-1999	42	44
2000-4999	18	19
5000-9999	12	12.5
10000-20000	9	9
20000-100000	3	3
Total	96	100

Source: Research data (2012)

4.8.3 Business Assets

Business growth can be measured by the amount of assets the business has accumulated. Holding high amounts of stock however is not desirable due to increased risks and holding capital that could otherwise be invested in other profitable ventures. For small businesses however, the owners struggle with getting enough stock for running their businesses.

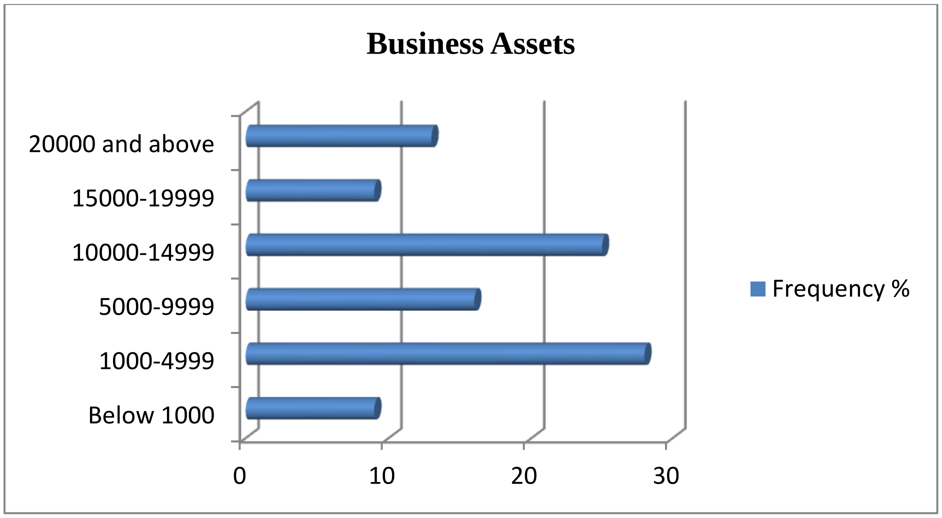


Figure 2: Business Assets

The findings of the study revealed that the majority of the respondents had increased their business assets by 1000-4999 shillings representing 28% of the respondents while 25% had increased by 10000-14999 shillings, 16% by 15000-19999 shillings and 13% by amounts of over 20000 shillings. By looking at the amounts by which the business assets have increased, it shows that most of the respondents' businesses were small.

4.8.4 Change in Profits

Profit is measured by getting the difference between the revenue incomes and the revenue expenses of the business. The profits are the owners' equity which can either be reinvested back to the business or draw from the business. Every business is started with a view to earning profits. The increase in profits indicates growth of the business. The researcher sought to find out whether there were any changes in the profits of the income generating projects of the respondents and the findings were as shown in figure 3.

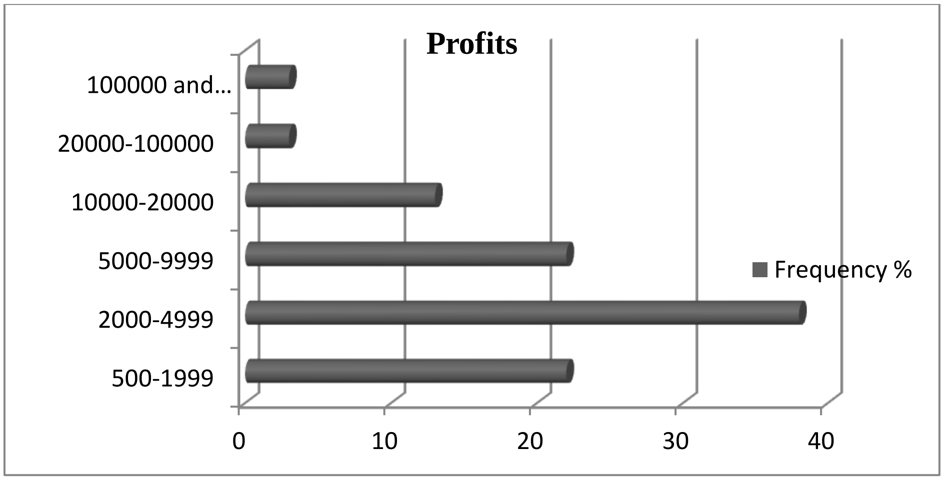


Figure 3: Change in Profits

4.8.5 Change in Consumption

The researcher also sought to find out how the consumption levels of the respondents had changed after accessing credit. The findings revealed that 28% of the respondents' consumption had remained the same even after accessing credit. This can be explained by the fact that the credit given is normally intended for business and in most cases is insufficient. Another explanation is the autonomous consumption which is the consumption at zero level of income. The results were as shown in figure 4.

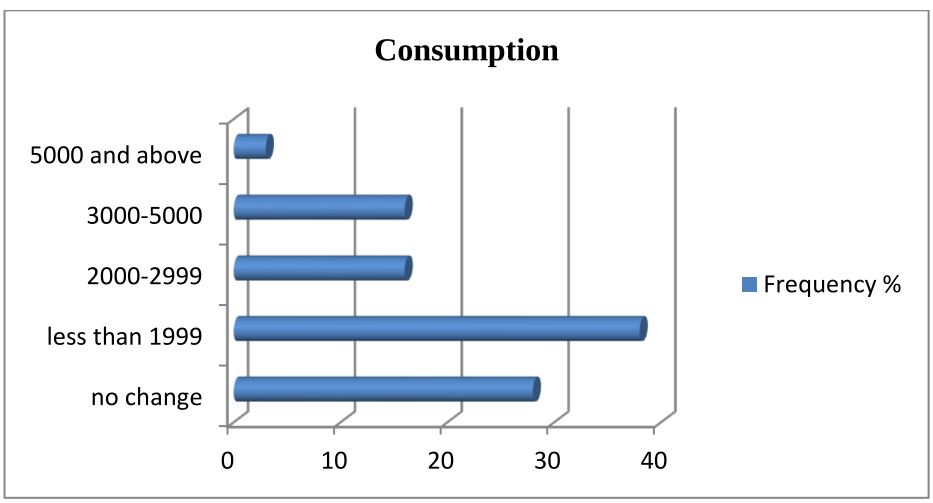


Figure 4: Consumption

Source: Research data (2012)

4.8.6 Number of Employees.

The number of employees in any business can be an indicator of growth. The researcher sought to find out how the number of employees had changed after the respondents had accessed credit and the findings revealed that 47% of the respondents did not employ additional personnel since most of them run the businesses on their own with some of the income generating projects being too small to hire extra manpower. Of the total respondents, 34% hired one more person, 16% hired two more people and 3% hired 25 more people. The number of employees for the majority was small due to the size and nature of the projects.

Table 14 Number of Employees

	Frequency	Percentage
No change	45	47
1	33	34
2	15	16
25	3	3
Total	96	100

Source: Research data (2012)

4.9 Level of Funding

The researcher sought to find out whether the IGPs were fully or partially funded by the MFIs. This was done by looking at the amount loaned and what was actually used in the IGPs.

4.9.1 Amount Loaned

The amount of funding determines the type of project that one can start. The researcher therefore sought to find out how much the respondents had received from the MFIs to start IGPs. Out of the total respondents, 60% had received less than 50000 shillings.

Those that received between 50000 and 99999 shillings were 25% of the total respondents while 13% had received between 100000 and 149999 shillings. Only 3% of the total respondents had received a loan of 200000-249999 shillings.

Table 15: Amount loaned

	Frequency	Percentage
Below 50000	57	60
50000-99999	24	25
100000-149999	12	12
200000-249999	3	3
Total	96	100

Source: Research data (2012)

The MFIs normally give small loans (micro credit) since they normally target the poor who have no collateral and mostly are not highly trained in investments or business management. The objective of the MFIs is to empower the poor especially women so that they can start income generating activities that can sustain them hence improve their living standards.

4.9.2 Type of IGP

The respondents were asked to state what type of income generating activities they had started or expanded using the amount loaned and the findings are summarized in figure 5.

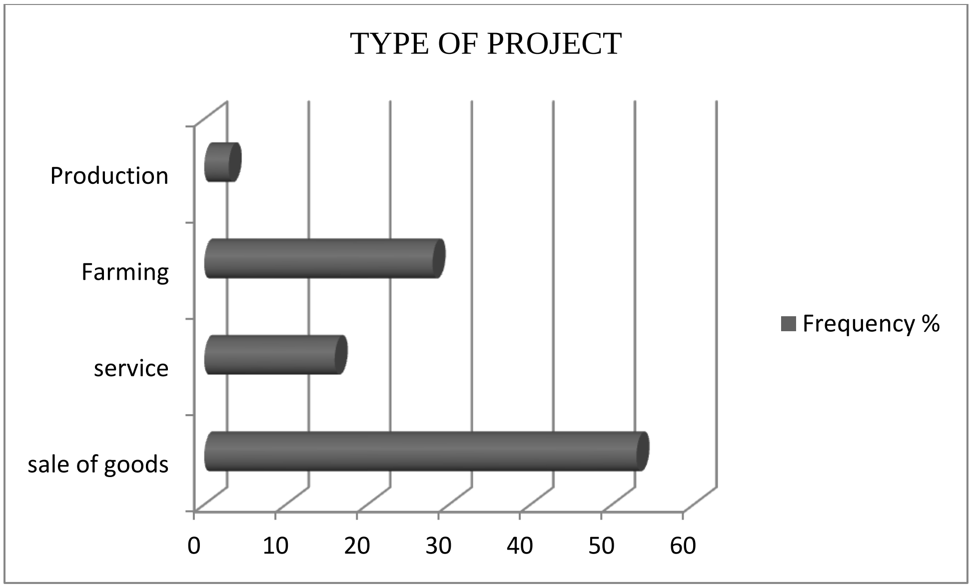


Figure 5: Type of IGP

Source: Research data (2012)

The majority of the respondents had started shops, kiosks or were vendors which represent 53% of the respondents. Out of the total respondents, 16% were in the service industry with 27% engaging in farming activities. Only 3% engaged in production activities. The type of activity started is determined by the amount of funding available.

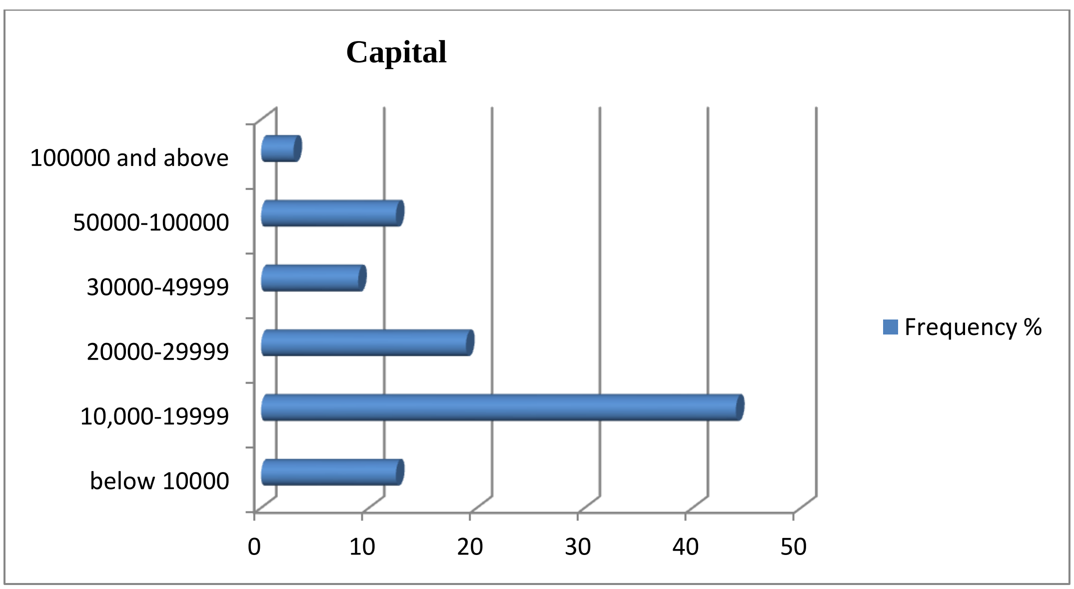


Figure 6: Change in Capital

Source: Research data (2012)

Most of the respondents, 44%, indicated that they had started with a capital of between 10000 and 19999 shillings. Those who started with less than 10000 shillings were 12.5%. Only 3% had invested 100000 shillings and above as capital. This therefore shows that the activities started were small due to limited capital.

4.9.3 Additional Capital from other Sources

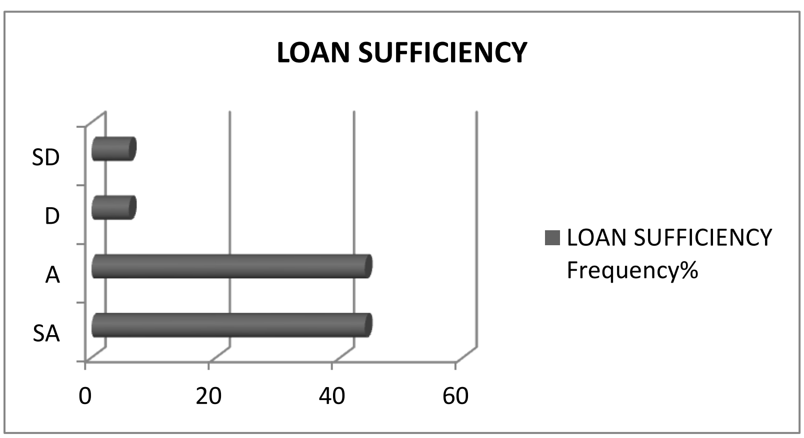
The researcher sought to find out whether the amount loaned was sufficient for starting the projects and whether the respondents had used additional capital from other sources. The findings indicated that 31% had not acquired any additional capital for the project. This is shown in table 16.

Table 16: Additional Capital

	Frequency	Percentage
No additional capital	30	31
Additional capital	66	69
Total	96	100

Source: Research data (2012)

Majority of the respondents, 69%, had acquired additional capital from other sources. This therefore shows that the respondents were servicing more than one loan. The respondents were further asked to give their opinion on whether the amount loaned was sufficient to meet their projects needs and the following were the findings:



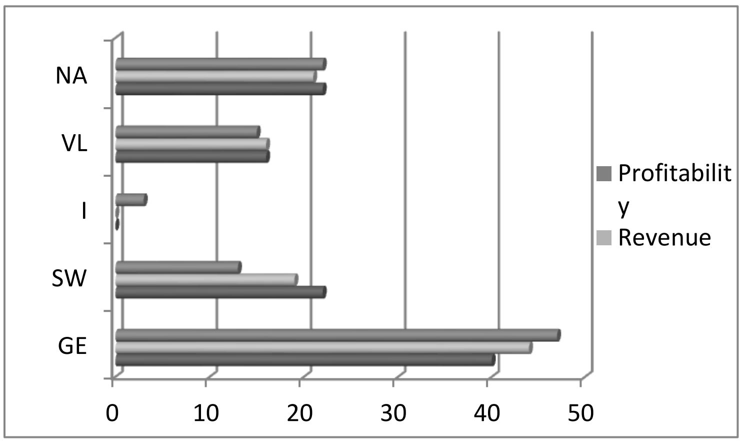
KEY:
SA- Strongly agree
A–Agree
D-Disagree
SD-Strongly Disagree

Figure 7: Loan Sufficiency

Out of the total respondents, 44% strongly agreed that the loan was insufficient to meet their project needs, 44% agreed while those who disagreed and strongly disagreed were 6% in each case.

4.10. Level of Funding On Performance

The researcher further sought to determine the opinion of the respondents in regards to how the level of funding affected the performance of their IGPs and the findings were as follows:



KEY: GE-To a Great Extent
SW- Somewhat
I – Indifferent
VL- Very Little
NA- Not at All

Figure 8: Effect of Level of Funding

Source: Research data (2012)

The findings revealed that majority of the respondents agreed that the level of funding by the MFI affected the performance of their projects to a great extent. This is so because the level of funding determined the type of the project started and also led the respondents to acquire additional capital from other sources. The respondents recommended that the MFIs should increase the level of funding of the projects so that they could expand their projects as well as engage in more profitable ventures that they were unable to due to lack of enough funding.

4.11 Micro Credit Terms

The MFI credit terms include the loan repayment and the interest rate charged when giving credit to their clients. The researcher sought to find out how the respondents were repaying their loans and what the repayment period for the loans was. The following were the results:

Table 17: Loan Repayment

	Frequency	Percentage
Weekly	27	28
Monthly	69	72
Total	96	100

Source: Research data (2012)

Most of respondents, 72%, were repaying their loans on a monthly basis while 28% were repaying their loans on a weekly basis. The weekly repayment allows small deposits of the loan amount and therefore helps to ease the burden of the client at the end of the month. This however causes time wastage since the clients must meet every week to ensure all the group members remit their payments in full. On the other hand, those who repay their loans monthly have enough time to make the money required for the repayment of the loan. Some however, end up struggling with the large amount required at once.

4.11.1 Loan Repayment Period

The loan repayment period is the maximum period in which the clients are required to service their loans. This determines the amount that a member can access as loan. MFIs normally allow short repayments period as compared to the banks. This could be due to the fact that the MFI clients usually do not have collateral hence the need to ensure the default rates are low. The findings of the study indicated that 53% of the respondents were repaying their loans for a period of 12 months. There were no respondents with a repayment period of over 24 months.

Table 18: Loan Repayment Period

	Frequency	Percentage
6 months	24	25
9 months	6	6
12 months	51	53
24 months	15	16
Total	96	100

Source: Research data (2012)

4.11.2 Interest Rates

MFIs, like any other financial institution charge interest on their loans. The minimum rates are determined by the base rate; the rate at which the Central Bank offers loans to the commercial banks. The central bank controls the interest rates that are charged to the borrowers such that the financial institutions don't exploit their clients. The researcher further sought to find out whether the respondents were aware of the interest rates charged on their loans. The results were as shown in table 19.

Table 19: Interest Rate Awareness

	Frequency	Percentage
Yes	25	26
No	71	73
Total	96	100

Source: Research data (2012)

The researcher found out that out of the total respondents, 73% were not aware of the interest rates charged on their loans. The fact that most of the respondents could not access credit from the traditional banks left them desperate of any credit available regardless of the interest rates charged.

4.11.3 Effect of Credit Terms on Performance

Interest rates: The researcher sought to find out the opinion of the respondents on how interest rates affect the performance of their income generating projects and the results were as shown in Figure 9.

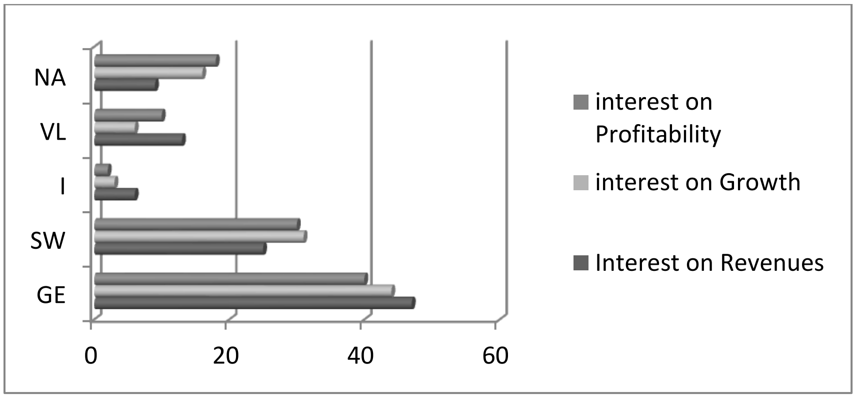


Figure 9: Effects of Credit Terms

Source: Research data (2012)

The results revealed that majority of the respondents felt that the interest rates affected the performance of their IGPs to a great extent. The performance indicators were the revenues, growth and profitability of the IGPs.

Repayment Period and Amount

The researcher also sought to find out the respondents opinion on the effect of repayment period and amount on performance of IGPs. The results were as shown in figure 10.

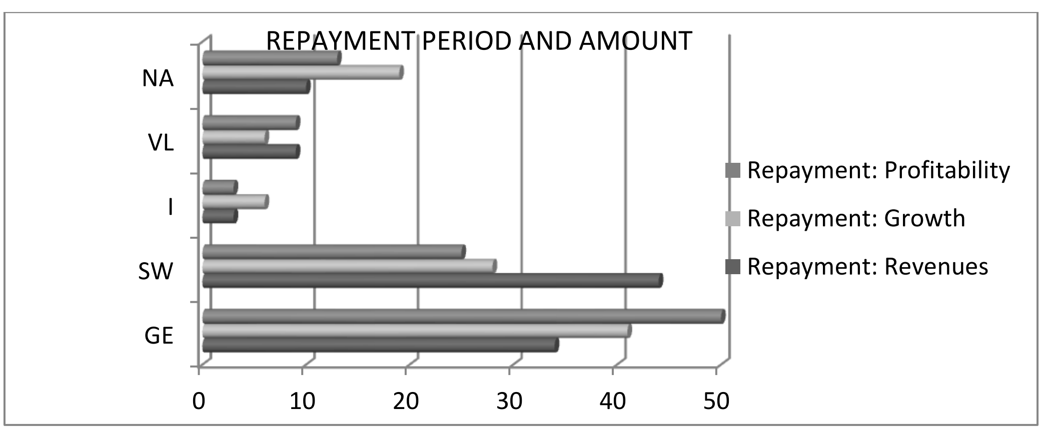


Figure 10: Effects of Repayment Period and Amount

The results revealed that majority of the respondents were of the opinion that repayment amount and period affected the performance of the IGPs to a great extent. The MFIs require to establish the creditworthiness of a client before they are allowed a longer repayment period. New members are therefore given a maximum of six months to start with. Amount borrowed partly depends on the repayment period. The profits and income are related to the amount invested.

4.11.4 Improving Credit Terms

The researcher sought to know the respondents' recommendations to the MFIs on how they could improve their terms of credit and the results revealed that 62% of the respondents recommended that the MFIs should lower the interest rates and while 20% were of the opinion that there was need for a grace period before they are required to start the loan repayment. The other 28% suggested that the loan repayment period be extended. The results were as shown in Figure 11.

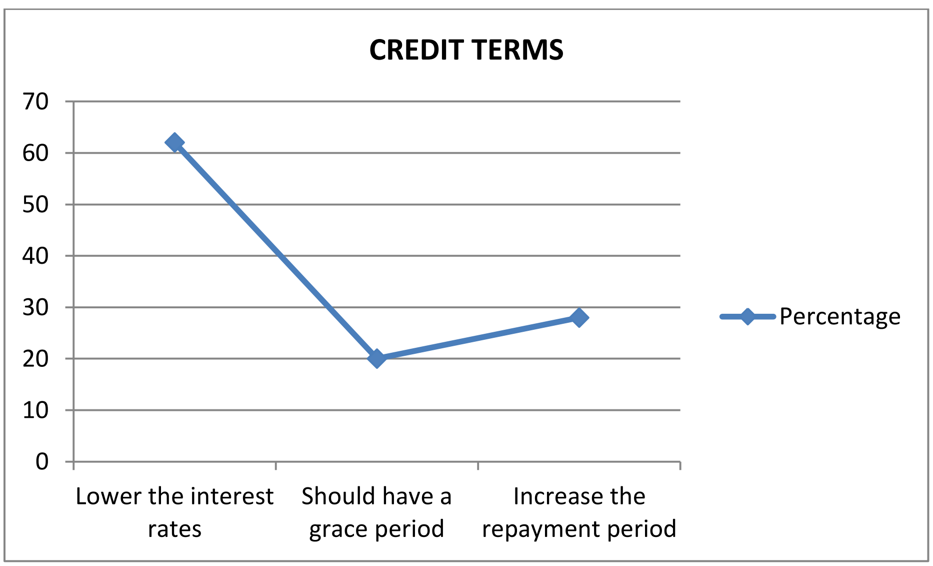


Figure 11 Credit Terms

4.12 Training and Empowerment Programs

The MFIs have an obligation to train their clients on how best to manage their businesses or projects started. Most of their clients lack the necessary skills required to manage their projects effectively.

Most of the MFIs claim to conduct intensive training programs for their clients. The researcher sought to find out whether this was the case. The respondents were therefore asked to indicate whether they had any management skills and the following results were reported:

Table 20: Management Skills

	Frequency	Percentage
Yes	46	69
No	50	31
Total	96	100

The findings revealed that 69% of the respondents had management skills. Management skills however could not be totally attributed to the MFIs and the researcher therefore sought to find out whether the training by MFIs had any effect on the performance of the IGPs of the respondents. The results were as shown in figure 12.

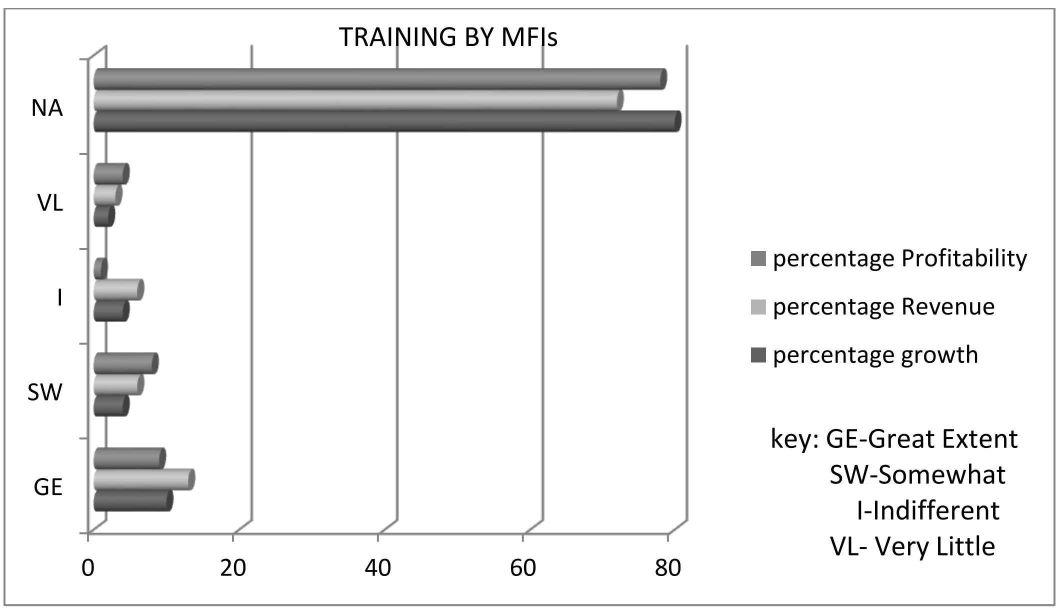


Figure 12: Effects of MFI Training

The results revealed that the respondents felt that the training by the MFIs did not have any effect on the performance of their income projects. This is due to the fact that most of the MFIs did not conduct the trainings as expected.

4.12.1 Professional Employed

The researcher found out that 97% had not employed a professional with management skills. This can be attributed to the fact that most of the projects started were small hence it was expensive to employ professional services. The results were as shown in table 21.

Table 21: Professional Employed

	Frequency	Percentage
Employed professional	3	3
Not employed a professional	93	97
Total	96	100

4.12.2 Use of Credit

The researcher further sought to determine how the respondents distributed the credit. MFIs are supposed to ensure that their clients put the credit on profitable ventures. The results were as shown in table 22.

Table 22: Percentage Distribution of Credit

	Business Frequency %	Farming Frequency %	School Fees Frequency %	Home Improvement Frequency %	Consumption Frequency %
100%	22	0	6	6	6
80%	13	13	3	3	3
60%	31	3	0	0	0
40%	3	6	6	9	9
20%	6	13	13	25	25

Source: Research data (2012)

The results revealed that only 22% of the respondents had used all the credit on their businesses. None of the respondents used all the credit on farming. However, out of the total respondents, those who used all the credit on school fees, home improvement and consumption were 6% in each case.

The respondents who used 80% of the credit on their business and for farming were 13% in each case while 3% used 80% of the credit on home improvement and consumption in each case. The loans given to the MFIs are mainly for income generating projects but as shown by the results, a significant portion of the respondents did not use all the credit on the supposed ventures. The presence of the 6% who used all the credit on consumption could be an indication that the MFIs do not follow up on the clients to ensure efficient use of the credit.

4.12.3 Banking Income Generated

One way to ascertain how people manage their business is by looking at their banking practices. The respondents were asked to indicate how often they banked their daily incomes. The results were as shown in table 25.

Table 23: Banking

	Frequency	Percentage
Daily	3	3
Weekly	27	28
Monthly	36	38
Never	10	31
Total	96	100

Source: Research data (2012)

The results revealed that only 3% of the total respondents banked their money on daily basis. The majority, 38%, banked their returns after thirty days while a significant percentage, 31%, never banked their money. When money is not managed properly, it results to leakages and misappropriation of funds as well as higher risks. The clients who have some training on management have the knowledge on the importance of banking their money regularly. They are also likely to borrow more than those without any skills. The training and the management ability also brings about growth and higher revenues due to minimization of costs.

4.13 Group Based Lending

To be a member of most MFIs, one is required to be in a group. The groups consist of 5-15 people on average. The members form the groups with people of common interest and mostly, to be part of the group one must be well known by the other members. This is because MFI loan repayment is a collective responsibility of the group since the clients are not required to provide collateral. The group members act as guarantors and they have the power to reject or approve a member's application for credit.

4.13.1 Group Membership

The researcher sought to find out how group membership affects the performance of the women-owned IGPs. Using the 5 likert scale, the respondents were asked whether they agreed with the statement that the social networks created through MFI group membership affected the profitability of their projects and the results revealed that 71% agreed while 2% disagreed.

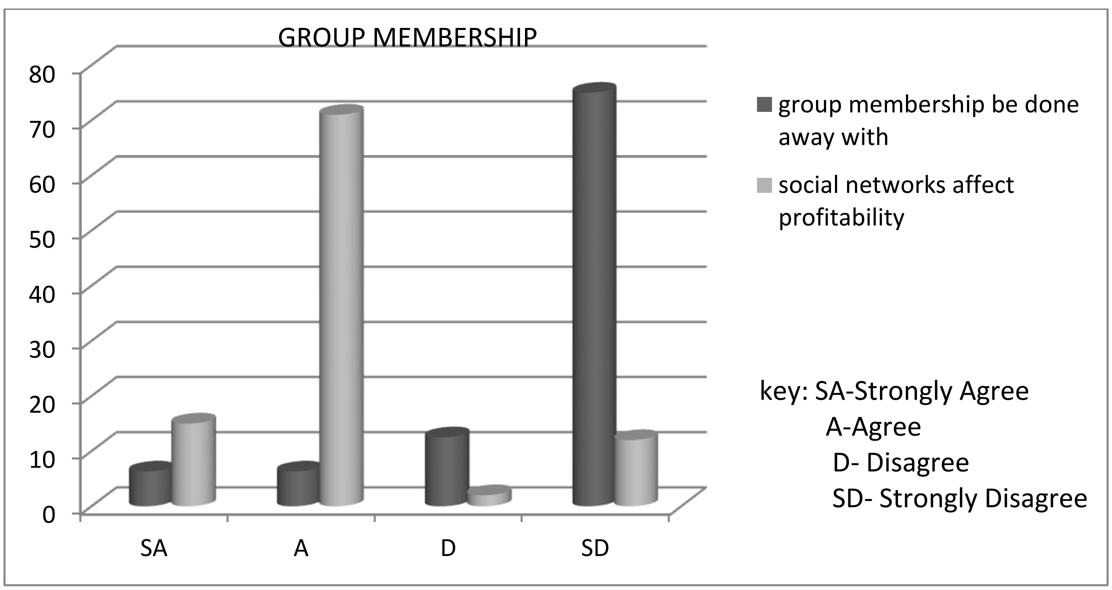


Figure 13: Group Membership

Majority respondents, 75%, strongly disagreed that group membership should be done away with. Only 12% of the respondents agreed or strongly agreed.

4.13.2 Benefits of Group Membership

The researcher sought to find out some of the benefits that the respondents were getting by being in groups and the results were as shown in figure 14.

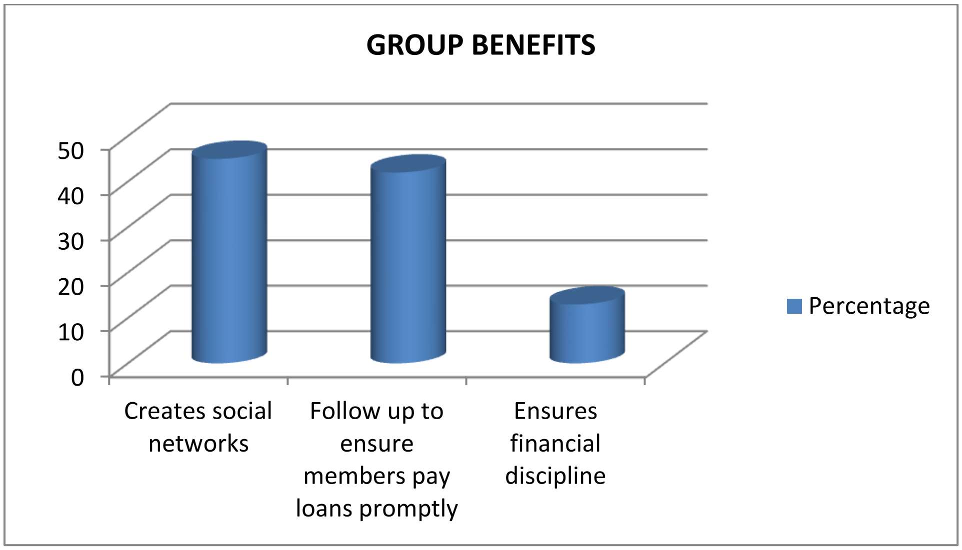


Figure 14: Group Benefits

Source: Research data (2012)

4.14 Correlation Tests

The researcher further sought to find out whether there was any correlation that existed between the dependent and the independent variables in the study. The results were as shown in Tables 24 and 25.

Table 24: Spearman's Correlation between amount borrowed and changes in Income, profits and Repayment Period

		Amount Borrowed	Change In Profits	Change In Income	Repayment Period
Amount Borrowed	Correlation Coefficient	1.000	.692**	.090	.491**
	Sig. (2-Tailed)	.	.000	.623	.004
	N	96	96	96	96
Change In Profits	Correlation Coefficient	.692**	1.000	.237	.529**
	Sig. (2-Tailed)	.000	.	.192	.002
	N	96	96	96	96
Change In Income	Correlation Coefficient	.090	.237	1.000	.381*
	Sig. (2-Tailed)	.623	.192	.	.032
	N	96	96	96	96
Repayment Period	Correlation Coefficient	.491**	.529**	.381*	1.000
	Sig. (2-Tailed)	.004	.002	.032	.
	N	96	96	96	96

**. Correlation is significant at the 0.01 level (2-tailed)

*. Correlation is significant at the 0.05 level (2-tailed)

Table 25: Pearson's Correlation Coefficient between Period of Membership, Amount Borrowed and Type of Project

		Period of Membership	Amount Borrowed	Type of Project
Period of Membership	Pearson Correlation	1	.743**	-.191
	Sig. (2-Tailed)		.000	.296
	N	32	32	32
Amount Borrowed	Pearson Correlation	.743**	1	-.174
	Sig. (2-Tailed)	.000		.342
	N	32	32	32
Type of Project	Pearson Correlation	-.191	-.174	1
	Sig. (2-Tailed)	.296	.342	
	N	32	32	32

**. Correlation is significant at the 0.01 Level (2-Tailed).

The Pearson's correlation tests revealed a strong positive correlation of 0.743 between the amount borrowed and the period of membership at 0.01 significance level. The longer one was a member of the MFI, the more the credit given. There was also a strong positive correlation of 0.692 between the amount borrowed and the change in profits. The amount borrowed affects the level of investment and hence the profits. Smaller amounts of credit limit the level of business operations and would therefore translate into lower profits. A positive correlation coefficient of 0.491 existed between the repayment period and the amount borrowed. If the repayment period is longer, one is able to borrow more as opposed to shorter repayment periods. The MFIs however, did not offer a repayment period of more than two years as indicated by the respondents.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter gives the summary, conclusions and recommendations based on the data findings in the research project. These findings will be summarized and concluded on the basis of the specific objectives which include; to assess the effects of micro credit level of funding on the performance of women owned income generating projects within Eldama Ravine town, to establish the level to which micro credit terms affect the performance of women owned income generating projects within Eldama Ravine town, to assess the contribution of micro credit skills empowerment programs on the performance of women owned income generating projects within Eldama Ravine town and to find out the level to which group based lending affects the performance of women owned income generating projects within Eldama Ravine town.

5.2 Summary

The MFIs lend credit to clients for purposes of starting income generating activities. According to the existing literature, the MFIs target the poor especially women who cannot afford collateral to offer to the banks in order to access credit. The clients then start projects depending on the amount available and existing opportunities that they identify. The performance of the projects is indicated by the revenues, growth and profitability of the projects. This summary is given on each research objective in relation to the findings and responses for each research question.

5.2.1 Effects of Micro Credit Level of Funding on the Performance of Women-Owned Income Generating Projects.

From the findings, the women had started small income generating projects given the small amounts availed as credit. Most of the respondents started shops, kiosks, salons and tailoring shops. Others ventured in poultry farming, dairy farming and potato farming. Most of the respondents were self-employed and were in charge of the projects started; only a few of the respondents had employed one or two people.

From the findings, most of the projects were partially funded by the MFIs. This is implied from the fact that some of the respondents had to get additional capital from other sources like banks. The capital was also supplemented by credit from informal groups like the “merry-go-rounds”. The results of the study also imply that the level of funding by the MFIs had a great effect on the performance of the projects. The respondents faced great limitation in terms of expansion and growth since this is only possible with availability of credit. In order to get higher returns, investors must be risk takers. Considering the type of projects that can be started with a sum of less than 20000 shillings, the aspect of risk in this case is very minimal hence expected returns are minimal as well. The change in profits indicated in the study revealed that most of the respondent’s profit had increased by less than 5000 shillings. Making profits is desirable, though maximizing the profits is of great importance.

5.2.2 Level to Which Micro Credit Terms Affect the Performance of Women-Owned Income Generating Projects

As the study revealed, the credit terms have an effect on performance of IGPs. The interest rates that are charged by the MFIs are in most cases high though 73% of the respondents were not aware of the exact rates that were charged on their loans. They however felt the effect in terms of their weekly or monthly remittances. Interest rates increases the amount required as payment and the burden is borne by the borrower. This is translated to reduced profits and revenues. The repayment period also determines the amount of loan availed. The longer the repayment period, the higher the loan that one can qualify to get. The MFI clients are also required to save weekly and this determines their credit worth. Most of the respondents were repaying their loans on monthly basis as opposed to weekly basis. Weekly repayments are preferable since for these small investors, they are able to spread the payments into smaller amounts. The respondents recommended longer repayment periods and lower interest rates.

5.2.3 Contribution of Micro Credit Skills Empowerment Programs on the Performance of Women- Owned Income Generating Projects

From the findings, most of the respondents felt that the skills empowerment programs by MFIs did not have any effect on the performance of their projects. This is due to the fact that the MFIs did not offer these programs as they purport. The fact that many are more interested in increasing their customer base undermines their mandate of ensuring the living standards of their clients are improved. Lack of important management skills is demonstrated in the study. Some of the best management practices like frequent banking of daily income is lacking in most of the respondents. A significant portion of the respondents never bank their income and this implies that their income is prone to misappropriation and face high risks of either being stolen or being deviated away from the project to unprofitable undertakings. The MFI clients should have been enlightened and followed up on how to use credit but was not the case as the majority did not use all the credit on the intended purposes as much as the credit was insufficient to meet their project requirements.

5.2.4 Level to Which Group Based Lending Affects the Performance of Women-Owned Income Generating Projects

Being in a group is a requirement for MFI clients. The findings revealed that the clients were appreciative of the groups since they strongly disagreed with suggestions to do away with group membership requirement. The group membership creates strong social networks for the members and in which they are able to assist each other in their projects and also on personal matters. This, in a way, helps to empower the women. The group membership also helps members to cultivate financial discipline since the group members follow up on each other to ensure prompt payment of their loans. The collective responsibility also leads to some members paying for difficult members who default their loan payments.

5.3 Conclusion

The aim of the study was to evaluate the effects of micro credit on the performance of the women owned income generating projects within Eldama Ravine town. Based on the findings, it can be concluded that micro credit does affect the performance of the projects started by their clients. The level of funding should be increased so that available opportunities can be seized without any limitation. Adequate financing will ensure maximum use of the capacity available hence better returns. The credit terms should also be improved so that the clients are not overwhelmed. Interest rates should be as minimal as possible.

The researcher cannot understate the need to ensure vigorous training and skills empowerment programs to the members which is apparently missing in most MFIs. Better training will ensure maximization of revenues. The MFI officers should be well equipped for this task. The Group membership requirement should be upheld to ensure law default rates and increased responsibility.

5.4 Recommendations

Based on the findings of this study, the following recommendations were suggested to improve the services of MFIs in order to ensure better performance:

The MFIs should aim at bringing programs that are focused to empowering women and this should be done through building of social capital, to support self-help efforts at the family and community levels and to strengthen the voice of women and other marginalized groups as rights holders and agents of local development.

The government together with the banking sector and also concerned authority should nurture small MFIs by building their capacity, and that appropriate screening mechanism should be sought, strict follow up and capacity building of both clients and credit officers be done.

The MFIs should work on ways of increasing the level of funding for the projects started. They should ensure that that the amounts loaned are sufficient to start more profitable projects. The strong correlation between the amount borrowed and the repayment period shows that the amount borrowed could increase if the repayment period was also increased. Investors and institutions working to alleviate poverty in third-world countries on a wide scale should donate to or invest in small and mid-size businesses, which, as opposed to individual ones, can move an economy forward and create jobs that will benefit a larger portion of the population.

Full disclosure should be done on the interest rates and other charges associated with the credit offered. This will enlighten the clients create awareness on the decisions they make.

5.5 Areas of Further Research

The researcher recommends further research in the following areas:

i. Factors that contribute to effective performance of microfinance institutions.
ii. Comparison between the women-owned projects started through microcredit and those started by the male counterparts: Is there any significant difference?
iii. Women's perception on microcredit

REFERENCES

Asim, S. (2008).Evaluating the Impact of Microcredit on Women's Empowerment in Pakistan.*Working Paper No.03/09.*Center for Research in Economics and Business (CREB).Lahore School of Economics, Lahore.

Bebczuk, R. and F. Haimovich. 2007. MDGs and Microcredit: An Empirical Evaluation for Latin American Countries.*Working Paper No. 48*. Argentina: Universidad Nacional de la Plata.

Chaudary IS, Nosheen F (2009). The Determinants of Women Empowerment in Southern Punjab Pakistan. *An Empirical Analysis.* Eur. J. Soc. Sci., 10(2): 216-229.

Cheston, S., and Kuhn,L. (2002). Empowering women through microfinance.Innovations in *microfinance for the poorest families*, pp. 167-228. Bloomfield, CT, USA: Kumarian Press.

Coleman, B. (2006). *Microfinance in Northeast Thailand: Who Benefits and How Much?* World Development 34(9): 1612–1638.

Coleman, B. (1999). The Impact of Group Lending in Northeast Thailand.*Journal of Development Economics* 60: 105–141.

Creswell, J. (1994). *Research design: Qualitative and quantitative approaches*. London: Sage.UNISE.

Grootaert, C.(2003).The relationship between empowerment, social capital and community driven development', *World Bank Working Paper no. 33074*, WB, Washington, DC.

Holmes, C.B. (1990). *The honest truth about lying with statistics* . Springfield, MA: Charles C. Thomas.

Hulme, D.andMosley, P. (1996). *Finance against Poverty*, vol. 1 and 2, Routledge: London.

Hunt, J., and Kasynathan, N. (2002) Reflections on microfinance and women's empowerment. *Development Bulletin* 57: 71-75.

Kabeer, N. (2008) Paid work, women's empowerment and gender justice: Critical pathways of social change. *Pathways Working Paper 3*. Brighton, UK: Pathways of Women's Empowerment Research Programme Consortium

Kabeer, N. (2001) Conflicts over credit: Re-evaluating the empowerment potential of loans to women in rural Bangladesh. *World Development* 29 (1): 63-84.

Kerlinger, F.N. (1993). *Foundations of behavioral research* (3rd. ed.). Fort Worth, TX: Holt, Rinehart, and Winston.

Khandker, S. (2003). Micro-Finance and Poverty: Evidence Using Panel Data from Bangladesh *World Bank Policy Research Working Paper 2945*.

Khandker, S. (1998).*Fighting Poverty with Microcredit: Experience from Bangladesh*. New York: Oxford University Press.

Khan, M.A. and Rehman, M.K. (2007*)." Impact of Microfinance on Living Standards, Empowerment and Poverty Alleviation of Poor People: A Case Study on Chittagong District of Bangladesh*", Umea School of Business (USBE) Masters Thesis, Department of Business Administration.

Kombo, O. K and Tromp D.L.A (2006).*Proposal and thesis writing*. *An Introduction*.Nairobi ,Pauline's Publications Africa.

Koul, L. (1993). *Methodology of Education Research*. New Delhi: Vikas Publishing.

Kothari, C. R. (2003). *Research Methodology Methods and Techniques* (2nd Edition) New Delhi WishwaPrakashan.

Krishna, A. (2003) Social capital, community driven development, and empowerment: A short note on concepts and operations. *Working Paper No. 33077*. Washington, DC:World Bank

Krishna, A. (2003) 'Social Capital, Community Driven Development, and Empowerment: A shortnote on concepts and operations', *World Bank working paper 33077*, WB, Washington, DC.

Malhotra, A., Schuler S.R. &Boender, C. (2002).Measuring women's empowerment as a variable in international development. *Background paper for World Bank Workshop on Poverty and Gender:* New Perspectives, 7 May 2002.

Mayoux, L. (2005). Women's empowerment through sustainable micro-finance: Rethinking 'bestpractice' sustainable micro-finance for women's empowerment. Retrieved from www.genfinance.info.

Mayoux L. (1997)The Magic Ingredient? Microfinance and Women's Empowerment, *Briefing Paper prepared for the Micro Credit Summit*, Washington.

Mitchell, B.C. (2004). Motives of entrepreneurs: A case study of South Africa. *The Journal of Entrepreneurship*, 13, 2: 167–83.

Meyer, R. (2002). Track Record of Financial Institutions Assisting the Poor in Asia.*ADB Institute Research Paper No. 49*. Manila.

Moser, C. A.and Kalton, G.*Survey methods in social investigation.* (2nd ed)Heinemann Educational (London)

Mohanty C.T. (1991) Under western eyes: feminist scholarship and colonial discourses. *Third World Women and the Politics of Feminism,* Indiana University Press: Cambridge.

Montgomery, H.(2005). Serving the Poorest of the Poor*: The Poverty Impact of the Bank's Microfinance Lending in Pakistan*. Manila: ADB Institute.

Montgomery, H. and Weiss, J (2005).*Great Expectations: Microfinance and Poverty Reduction in Asia and Latin America*. ADB Institute Research Paper Series No. 63. Manila.

Mwenda, K.K. &Muuka, G.N. (2004). Towards best practices for microfinance institutional engagement in African rural areas: Selected cases and agenda for action*. International Journal of Social Economics,* 31, 1: 143–58.

Mugenda, M. andMugenda G. (2003) *Research Methods, Qualitative and Quantitative Approaches,* Act Press, Nairobi.

Nussbaum, M. (2000)*Women and Human Development: The Capabilities Approach*. Cambridge University Press: Cambridge.

Pitt, M.,Khandker,S.,Chowdhury,O. &Millimet, D. (2003). Credit Programs for the Poor and the Health Status of Children in Rural Bangladesh. *International Economic Review*, 44 (1): 87–118

Rahman, H. (1995). Mora Kartik: Seasonal Deficits and the Vulnerability of the Rural Poor' in Rahman H and M Hossain (eds.) '*Rethinking Rural Poverty*: Bangladesh as a case study' UPL,Dhaka

Rahman, A. (1999) Micro-credit initiatives for equitable and sustainable development: Who pays? *World Development* 27 (1): 67–82.

Sen A. (1990). Gender and cooperative conflicts. In persistent inequalities: *women and world development.* Inker (1st ed). Oxford University press: Oxford.

United Nations Development Programme.(1995). Human development report 1995.New York: OUP.

Weiss, J., H. Montgomery and Kurmanalieva, E.(2003). Micro Finance and Poverty Reduction in Asia: What is the Evidence? *ADB Institute Research Paper Series No. 53*. Manila.

World Bank. (2001)*Engendering Development: Through Gender Equality in Rights, Resources, and Voice Summary*, Washington. www.worldbank.org/gender/prr/ engendersummary.

Yunus, M. (1999).*Banker to the poor.Micro-lending and the battle against world poverty*. Pacific affairs: New York.

Yunus, M. (2008).*What is micro credit* ?Grameen Bank, Dhaka.

Yunus, M. (2003), "*Banker to the Poor*", Oxford University Press

Zeller, M., M. Sharma, A. Ahmed, and S. Rashid.(2001). *Group-Based Financial Institutions for the Rural Poor in Bangladesh: An Institutional- and Household-Level Analysis.* Washington DC: International Food Policy Research Institute IFPRI

Appendix 1:

INTRODUCTORY LETTER TO THE RESPONDENT

Margaret M. Wachira,
Po Box 1855,
Nakuru, Kenya.
Telephone No. 0714140447
E-mail Address: maggiewac@yahoo.com

Dear Sir/Madam,

Ref: Research on effects of micro credit on the performance of women-owned income generating projects.

I am a postgraduate student in the Faculty of Commerce, Kabarak University pursuing masters of Business Administration Degree. In order to be awarded the degree I am carrying out a research on, "effects of micro credit on the performance of women-owned income generating projects. A survey of micro finance funded projects within Eldama Ravine Town." Kindly assist me in filling this questionnaire during your most convenient time.

You are requested to note that this exercise is purely for academic purposes and will be treated with utmost privacy.

Thanking you in advance for your cooperation.

Yours Faithfully,

Margaret M. Wachira.

(Researcher)

Appendix 2:

QUESTIONNAIRE

Please tick where appropriate

SECTION A: PERSONAL INFORMATION

Age 18-30------------ 31-40-----------------41-50--------------50 and above---------

Education None ------------- Primary--------------- Secondary ----------College---------

Employment Self ----------------- Formal Employment--------------------- Unemployed---

Marital Status Single-------------- Married-------------- Divorced ------------- Separated--

Number of children-------------------

1. How many Microfinance institutions do you belong to? ----------------
2. For how long have you been a member? -----------------

a. Have you ever taken any loan from the microfinance institution? Yes -------No—

b. If yes, how many times have you taken a loan this year? -------------------

c. How much did you borrow? ------------------------------

3. What are your other sources of credit?

Banks	
Cooperatives	
Relatives and Friends	
Employer	
Merry –go-rounds	

4. Compare the following before and after credit

ACTIVITY	**Before**	**After**
Income per month	Ksh.	Ksh.
Savings per month	Ksh.	Ksh.
Business assets (stock) per month	Ksh.	Ksh.
Profits per month	Ksh.	Ksh.
Consumption (food, clothing)per month	Ksh.	Ksh.
Number of employees		

SECTION B: LEVEL OF FUNDING

5. What type of income generating project did you start /expand using the loan? -------------

a. How much did you use to start the project---------

b. How much did you contribute as capital from other sources? Ksh. --------

c. How many loans are you servicing currently? ----------------------

6. To what extent do you agree with the following statements? **(Key: SA**-Strongly Agree; **A**-Agree; **UD**-Undecided; **D**-Disagree; **SD-** Strongly Disagree)

	SA	**A**	**UD**	**D**	**SD**
The amount loaned was not sufficient to meet my project needs.					
My business would have performed better if I had been loaned a higher amount					

7. Give your opinion on the following.

	To a great extent	Somewhat	Indifferent	Very little	Not at all
Does the level of funding affect the revenues of your project?					
Does the level of funding affect the profitability of your project?					
Does the level of funding affect the growth of your project?					

8. What would be your recommendations to the MFIs in terms of the amount loaned:

SECTION C: MICRO CREDIT TERMS

9. How often do you repay the loan? Weekly------- After two weeks -------Monthly-----------

   What is your loan repayment period? -----------------

a. Do you know the rate of interest charged on your loan? Yes--------------- No---------------

10. Give your opinion the following credit terms:

	To a Great Extent	Somewhat	Indifferent	Very Little	Not at All
Interest rates affect the profitability of my project					
Interest rates affect the growth of my project					

Interest rates affect the revenues of your project					
Loan repayment rate and amount affect the profitability of my project					
Loan repayment rate and amount affect the growth of my project					
Loan repayment rate and amount affect the loan revenues of my project					

11. How can the MFI improve on their credit terms?---

SECTION D: TRAINING AND EMPOWERMENT PROGRAMMS

12. Have you ever been trained on how to manage a business? Yes ---------No-------------

a. If No, have you employed a professional to help you run your business? Yes ------No-----

13. Indicate the percentage of the loan you used in the following:

Activity	**100%**	**80%**	**60%**	**40%**	**20%**	**0%**
Staring business						
Farming						
School fees						
Home improvement						
Consumption(food, clothing)						

14. Did the MFI you belong to follow up to ensure that the loan was put to the intended use?
    Yes-----------No----------------

15. How often do you bank the money generated from your business?

    Daily------------ Weekly----------- Monthly -------------Never---------------

16. Indicate your opinion on the following:

	To a Great Extent	Somewhat	Indifferent	Very Little	Not at All
Do the training and empowerment programs by MFIs affect the profitability of your project?					
Do the training and empowerment programs by MFIs affect the growth of your project?					
Do the training and empowerment programs by MFIs affect the revenues of your projects?					

SECTION E: GROUP BASED LENDING

17. What are some of the benefits of being in a group as a requirement of the microfinance institutions.--

    ----

18. How does the collective responsibility affect you as a group member-------------------------
----
----

19. To what extent do you agree with the following statements? **(Key: SA**-Strongly Agree; **A**-Agree; **UD**-Undecided; **D**-Disagree; **SD-** Strongly Disagree)

	SA	**A**	**UD**	**D**	**SD**
The group membership is a requirement that should be done away with.					
The social networks created through micro credit affect the profitability of my project					