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IMPACT OF MICRO FINANCE INSTITUTIONS ON POVERTY ERADICATION IN MERU SOUTH SUB-COUNTY, KENYA

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ABSTRACT

Purpose: The purpose of the study was to assess the impacts of micro finance institutions in eradication of poverty in Meru South Sub County

Methodology: This research problem employed a descriptive research design. The target population for this study comprises of all beneficiary households of MFIs in Meru South Sub County. The sample size was 30% of the target population.

Results: The study found that microfinance institutions are a very strong tool in poverty alleviation at household level with income after acquiring microfinance credit being found to have significantly increased. The study further found that microfinance credit empowers the poor, enables them to cope with and overcome many of the problems that they face. Additionally, microfinance loans were found to have led to establishment and expansion of businesses, acquisition of shelter, education, access to health care and opening up of opportunities for the poor to improve their living standards including improved sanitation.

Unique contribution to theory, practice and policy: the study recommends that microfinance institutions to continuously improve their outreach to enable them reach more deserving low income earners in all Counties in Kenya. To achieve this, the institutions should effectively market themselves and also fasten on service delivery as in the case of ensuring that loans applied for are disbursed on time.

Key words: *poverty eradication, microfinance, acquisition of shelter*

1.0INTRODUCTION

1.1Background of the Study

Poverty at its broadest level can be conceived as a state of deprivation prohibitive of decent human life. This is caused by lack of resources and capabilities to acquire basic human needs as seen in many, but often mutually reinforcing parameters which include malnutrition, ignorance, prevalence of diseases, squalid surroundings, high infant, child and maternal mortality, low life expectancy, low per capita income, poor quality housing, inadequate clothing, low technological utilization, environmental degradation, unemployment, rural-urban migration and poor communication. Poverty is caused by both internal and external factors. Whereas the internal causes can be clustered into economic, environmental and social factors, the external causes relate to international trade, the debt burden and the refugee problem (Ebimobowei, *et al.*, 2012).

Poverty is a problem for all the countries irrespective of their level of development. It can be observed in many forms since it has both income and non-income dimensions. In consideration of poverty line, people in each country can broadly be divided into two categories namely poor and non-poor. The non-poor are living above and the poor are living below the poverty line. According to Bakhtiari (2006) in the recent days, microfinance schemes have been proliferating in all parts of the world. Although the impact of those schemes on the borrowers' businesses and household welfare is widely contested, the number of borrowers has been on sharp increase (Salia, 2014). So far Bakhtiari (2006) argues that since, microfinance has proven to be an effective tool for poverty reduction it is argued that microfinance can be considered an important element for an effective poverty reduction strategy. It shows that access and efficient provision of microfinance can enable the poor to smooth their consumption, better manage their risks, gradually build their assets, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life.

In the global arena, there is already the impression that microfinance is successful in reducing poverty. Many policy makers are therefore engaged on how to make microfinance sustainable and available to many poor households in the future. Many stake holders in the microfinance industry especially donors and investors argue that, Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor households (Consultative Group to Assist the Poorest (CGAP, 2010). The overall message in this argument is that unless microfinance providers charge enough to cover their costs, they will always be limited by the scarce and uncertain supply of subsidies from governments and donors. The main underlying assumption in this argument is that microfinance is already good for the clients, and therefore what is really urgent is to make the financial service available to as many poor people as possible. Murdoch (2000) correctly points out that this kind of enthusiasm for microfinance rests on an enticing win-win proposition that: Microfinance institutions that follow the principles of good banking will also be the ones that alleviate the most poverty. The assumption being that with good banking practices it is possible to cover costs and operate in a sustainable manner to continue serving clients and alleviating poverty (Murdoch 2000).

Gurses (2009) conducted a study in Turkey and mentioned that micro finance especially micro credit is a powerful tool to reduce poverty. The author has mentioned that one fifth of the population of Turkey was at risk due to the poverty even then it is not a poor country according to global standards. This is due to the introduction of micro credit by two NGOs—KEDV and the Turkish Foundation for Waste Reduction (TISVA). Moreover, the author mentioned that poverty, both in Turkey and all over the world, is not only a function of microcredit but a political problem, and political intervention of the state holds the ultimate resolution to struggle against poverty.

Most African countries are faced with serious and worsening poverty. Given the magnitude of the problem, it is unrealistic for Governments in the region to be left alone to tackle this daunting task in light of the financial and institutional crises that is facing most of the countries in Sub-Saharan Africa. Therefore, to achieve sustainable development there is need for a holistic approach to dealing with the concerns of the poor in the region. There is a range of MFIs whose participation is essential to address appropriately the challenge of poverty reduction (Yahie, 2000). For example, Machona (2006) studied the impact of microfinance in Addis Ababa Ethiopia by assessing the impact of microfinance on women microenterprises that were clients of Gasha MFI. The findings for this study indicated that only a few of the women clients of Gasha microfinance institution reported increased incomes from their microenterprise activities.

Kenya, as with other developing countries, has been struggling to reduce poverty. One of the interventions has been the introduction and implementation of social and economic policies which address the issue of poverty both at national and individual levels. This involved State intervention in education and other social services, and the creation of an enabling environment for private sector investment in productive sectors. During the World Social Summit held in Copenhagen in 1995, Kenya joined other nations in their commitment to eradicate poverty. Following this commitment, Kenya has developed plans for poverty reduction which are outlined in the Kenya Vision: 2030, the National Poverty Eradication Strategy, Poverty Reduction Strategy Paper (2000) and the National Strategy for Growth and Reduction of Poverty (2005). All these stress the importance of equitable, sustainable economic growth and improvement of people s welfare.

1.2 Statement of the Problem

There are controversial issues in literatures regarding to the impacts of micro finance on poor section of the people. In some of these literatures, microfinance has brought positive impact to the life of clients, boost the ability of poor individuals to improve their conditions and have taken advantage of increased earnings to improve their consumption level, health and build assets (Murdoch & Haley, 2001; D'Souza, Gangopadhyay, Gokarn, Mohanty, and Shah, 2007). Other scholars such as Rahman (2007); Bateman (2007); Houghton and Grzywinski (2007); Aliaga& Mosely (2007); Ellerman (2007); and Mahajan (2007) acknowledge micro-credit's contribution tolocal living economics in local communities; some articles' argument reflect that the poor are being dominated and losing their identity through the operation of micro-credit programs. Ditcher(2007) argued that the average poor person in the past is not an entrepreneur; when he or she has access to credit it is largely for consumption or cash-flow smoothing. However, other studies have shown that microfinance is said to play insignificant role towards poverty reduction. Regarding this, some argue that microcredit may not be the most useful financial service for the majority of the poor people (Chowdhury, 2009). Regarding this, the findings of David Hulme and Paul Mosley (1996) show that poor households do not benefit from microfinance; it is only non-poor borrowers (with incomes above poverty lines) who can do well with microfinance and enjoy sizable positive impacts (Chowdhury, 2009). This is due to the fact that vast majority of those with starting incomes below the poverty line actually ended up with less incremental income after getting micro-loans.

The development of the microfinance sector is based on the assumption that the poor and the low income group have the capacity to engage and implement income generating activities but are limited by lack of access to an inadequate provision of savings, credit and insurance facilities. This approach will greatly reduce government intervention and will drive efficient performance (Mwenda, 2004). However, after two decades of experiences, there is the need to expand the scope of micro finance initiatives and activities to address issues about welfare implications of microfinance institutions (Mwenda, 2004). Although the Microfinance Act of 2006 stipulated the operations of MFIs in Kenya, many poor people had not accessed lending and those that have acquired loans from MFIs find it expensive to pay (Makokha, 2006). Despite the existence of formal financial credit services in Kenya, poverty levels remain high due to difficulties in accessing formal financial credit facilities by the poor. This is due to formal financial requirements that do not favor demands of the poor majority. As a result, the economic status of poor majority both in rural and urban areas deteriorates thus impacting the country's economic growth.

1.3 Objective of the Study

The general objective was to assess the impacts of micro finance institutions in eradication of poverty in Meru South Sub County

1.3.2 Specific objectives

The research was guided by the following specific objectives:

i. To evaluate the effect of microfinance credit or loans on poverty eradication in Meru Sub-County.
ii. To find out the effect of microfinance savings or deposit taking services to members on poverty eradication in Meru Sub- County.
iii. To assess the effect of consultancy services offered by microfinance on poverty eradication in Meru Sub-County.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Grameen Bank Theory

The Grameen bank theory was developed by Yunus and the Grameen Bank in 1993 in Bangladesh. This theory was based on the voluntary formation of small groups of five people to provide mutual, morally binding group guarantees in lieu of the collateral required by conventional banks. Here, women were initially given equal access to the schemes, and were proved to be not only reliable borrowers but also astute entrepreneurs. Grameen bank theory has successfully reversed conventional banking practices by removing collateral requirements and has developed a banking system based on mutual trust, accountability, participation and creativityas an effective tool for enhancing the income of the poor through the creation of self-employment in various informal activities (Grameen Bank, 2009).

Thornton (2000), says that the microfinance phenomenon significantly expanded a few years ago. The success of microfinance institutions like the Grameen Bank in Bangladesh, the Banco Sol in Bolivia and many others elsewhere, was the origin of a generalized grip of consciousness that microfinance can play the role in improvement of living standards of the poor, by facilitating access to financial services and job creation.

From this theory, it is evident that group based lending is one of the most novel approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The group size can vary with members self-selected before acquiring a loan. A percentage of the loan is required to be saved in advance, which points out the ability to make regular payments and serve as collateral. Members are jointly accountable for the repayment of each other's loans and usually meet at a specified time to collect repayments. To ensure repayment, peer pressure and joint liability works very well in this situation. The entire group risks being disqualified and being ineligible for further loans if any of the members becomes a defaulter. Robinson (2001) also says by 1980's however, numerous institutions in many parts of the developing world were providing micro-credit and recovering their loans. The 1980's represent a turning point in the history of microfinance, by the end of that decade; the paradigm shift was well under way. Both the Grameen and BRI (Bank Rekyat Indonesia) showed that micro-finance institutions would reach more one than million borrowers with very high repayment rates.

2.1.2 Village Banking Theory

The village banking theory was first developed in Bolivia by Hatch in 1980s. The village banking institution, Foundation for International Community Assistance (FINCA) implements a village banking theory in its effort to create financially-sustainable solidarity groups. FINCA trains small community groups in a 22-module program to form Community Credit Enterprises (CCE). Microloans enable clients to break out of the 'poverty trap' by facilitating growthin household income, providing channels for mobilizing savings and through group aswell as individual loans help to build up the village's asset base. These small enterprises, or companies, permit members to buy shares as shareholders and generate capital to offer sustainable credit and business models. According to the original model, village banking –FINCA works with groups of 30-60 members (Hoff, BravermanandStiglitz, 1993).

In this theory, the first individual loan is repaid on a weekly basis in equal installments of principal and interest over a four-month period. The village bank collects these payments at regular meetings and, at the end of the 16th week; it repays the entire loan principal and the interest to the implementing agency. The funds circulating back and forth between the implementing agency and the village bank for loans to members constitute the external account. If the village bank repays in full, it is eligible for a second loan. If the village bank is unable to pay the amount due, the implementing agency stops further credit until reimbursement is made.

2.2 Empirical Review of Literature

Remenyi, Joe and Quinones (2000) in their study found that household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9 % annual average rise in income from borrowers was observed while only 3% rise was reported from non-borrowers (control group). In Bangladesh a 29.3% annual average rise in income was recorded and 22% annual average rise in income from non-borrowers. Sri lanka indicated a 15.6%rise in income from borrowers and 9% rise from non-borrowers. In the case of India, 46% annual rise in income was reported among borrowers with 24% increase reported from non-borrowers. The effects were higher for those just below the poverty line while income improvement was lowest among the very poor.

In a study conducted by Kessy and Urio (2006) on contribution of MFI on poverty reduction in Tanzania, the researchers covered four regions of Tanzania which are Dar essalaam, Zanzibar, Arusha and Mwanza. Both primary and secondary data were collected; primary data were collected from 352 MSE's through questionnaires, interviews were also conducted. PRIDE which is a microfinance institutions were used as a case study so as to get the insight of MFI operations. The study findings pointed out that to large extent MFI operations in Tanzania has brought positive changes in the standard of living of people who access their services, clients of MFI complained about high interest rate charged, the weekly meeting was pointed out as barrier as the time spent in weekly meeting could be used to other productive activities. The study recommended MFI to lower its interest rate, increase grace period and provide proper training to MSEs.

Irobi (2008) investigated microfinance and poverty alleviation in Nigeria, the study employed questionnaire in data collection and found that microfinance intervention has a positive impact on alleviation of poverty among the women of this association. Interestingly, this study found that most women in this association experienced increased income and therefore, improved their economic status, political and social conditions after receiving the loans. While, James (2005) examined impact of microfinance on poverty alleviation in Nigeria: The paper used chi-square test, Ftest and T-test. The findings revealed that there is a significant difference between those people who used microfinance institutions and those who do not use them. There is a significant effect of microfinance institutions in alleviating poverty by increasing income and changing economic status of those who patronize them. Their study concludes that microfinance institution is indeed a potent strategy of poverty reduction and a viable tool for providing credit to the poor.

In the contrast, according to Provident and Zacharia (2008), investigated critical look at the role of microfinance banks in poverty reduction in Tanzania, the study based on questionnaires, semi structured interviews, observations and documentary reviews. The main findings of their study showed that majority of the poor do not access microfinance services loans because they lack guarantors, assets, businesses, salaried employment, savings account in banks, ability to make pre-loan weekly deposit on Special Savings Account which are required as collaterals.

Obeng (2011) carried out a study on Impact of Microcredit on poverty reduction in rural areas A case study of Jaman North District, Ghana. He used the questionnaire for data collection from programme beneficiaries and microfinance institutions and analyzed the data using tables, percentage and diagrams. The objectives of the study were to assess whether microfinance has engendered positive or negative outcomes in reducing poverty. The findings from the study were that people, especially vulnerable and marginalized were getting access to credit which impacted positively on the poverty levels of the beneficiaries.

Kiiru (2007) carried out a study on Impact of microfinance on rural poor households' income and vulnerability to poverty: case study of Makueni District, Kenya. The main objective of the thesis was to analyze the impact of microfinance on household income as well as measure household vulnerability to poverty after access to microfinance. The study is an experimental case of Makueni district where participants in microfinance programmes and non-participant households were studied over time; thus, yielding a rich pooled data for analysis. On integrating time dynamics in the analysis, the results indicate a positive and significant impact of microfinance on household income.

Okibo and Makanga (2014) carried out a study on Effects of micro finance institutions on poverty reduction in Kenya, the study focused on PAWDEP located in Kiambu District a case study. It intended to cover credit facilities provided by the MFI and client perception on income improvement and/or reduced poverty levels. The study used descriptive survey design. The target population was 9 staff and 46 clients of PAWDEP. The study employed stratified sampling technique to select staff of the selected MFIs and clients. Both qualitative and quantitative data analysis methods were used. The study established that microfinance is a strategy of poverty reduction and the way credit can reach the poor. If positioned properly, microfinance institutions are useful tools for poverty alleviation.

3.0 METHODOLOGY

This research problem employed a descriptive research design. The target population for this study comprises of all beneficiary households of MFIs in MeruSouth Sub County. The sample size was 30% of the target population. The primary data was used to accomplish the study and to collect the data from the respondents specifically by use of questionnaires. After data, has been collected through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keying into Statistical Package for Social Sciences (SPSS) computer software for analysis.

4.0 DATA ANALYSIS

4.1 Demographic Characteristics

4.1.1 Age Bracket of the Respondents

The respondents were asked to indicate their age brackets. Figure 4.1 illustrates that 47 % of the respondents were aged between 31 to 50 years, while 28% were aged between 18-30 years and 25% were above 51 years of age. The findings imply that the respondents were well distributed in different age brackets which could imply that the MFIs had products and services for all age groups and thus accurate responses for this study.

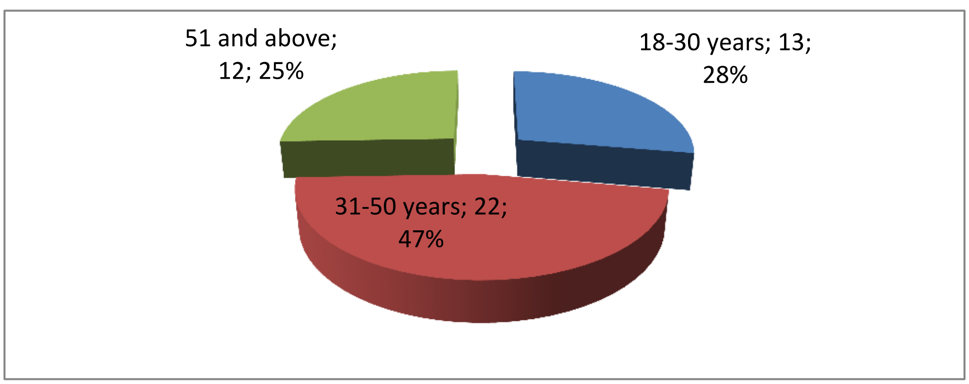

Figure 4.1: Age of the Respondents

4.1.2 Gender of the Respondents

The study sought to establish the gender distribution of the respondents. Figure 4.2 shows that a majority (60%) of the respondents was female and 40% were male. The majority of the users of microfinance services is normally women and hence could explain the finding.

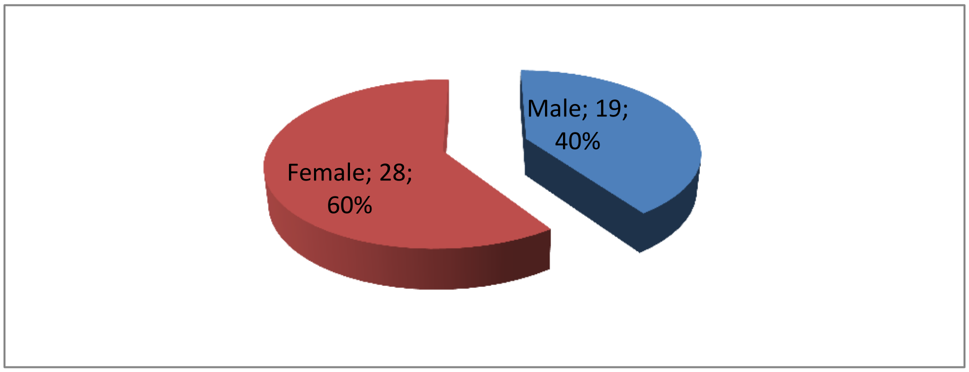

Figure 4.2: Gender of the Respondents

4.1.3 Marital Status

The majority of the respondents at 53.2% were married while 23.4% of the respondents were single and 14.9% were widows. Only 8.5% of the respondents were widowers. Determining marital status of the respondents was important in that it affects the level of household incomes.

Table 4.2: Marital Status

	Frequency	Percent
Married	25	53.2
Single	11	23.4
Widower	4	8.5
Widow	7	14.9
Total	47	100

4.1.4 Education Level of the Respondents

The respondent’s education level is shown is shown in figure 4.3 below. The majority of the respondents at 36.2% had primary/middle level education level, 29.8% had secondary education while 19.1% had no formal education and 14.9% tertiary education. This implies that majority of the respondents had low levels of education with 85% having secondary education and below.

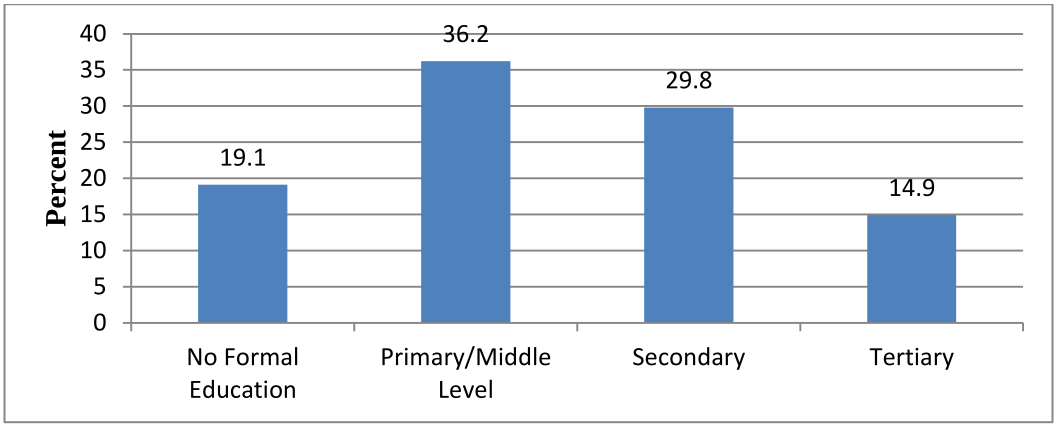

Figure 4.3: Level of Education

4.1.5 Number of Dependents

The study sought to determine the number of house hold dependents since the incomes and expenditures levels depend on size of the dependents. Table 4.3 shows that majority of the respondents at 48.9% had between 0 to 4 dependents while 34% had 5 to 9 dependents and 17% had 10 to14 dependents.

Table 4.3: Number of Dependents

	Frequency	Percent
0-4	23	48.9
5 to 9	16	34
10 to 14	8	17
Total	47	100

4.1.6 Occupation

The study sought to find out what the respondents do for a living. Figure 4.4 below, majority of the respondents were farmers at 21.3%, 36.2% were in trading either selling vegetables or clothes while 27.7% in Jua Kali and 14.9% were in formal employments.

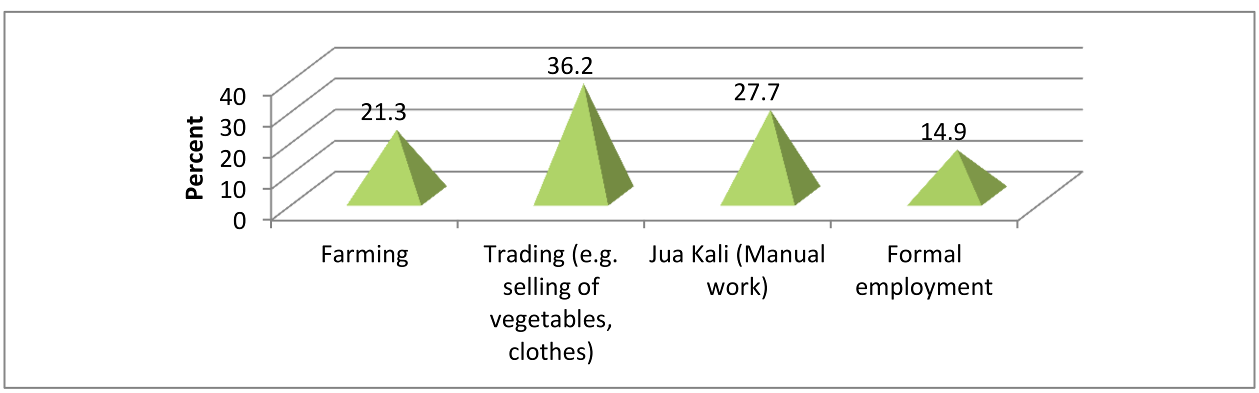

Figure 4.4: Occupation

4.2 Micro Finance History

4.2.1 Period Joined the Microfinance

The study sought to find out the period the respondents joined their respective micro finances. Table 4.4 indicates that 36.2% of the respondents joined between 1 to 5 years, 34% indicated between 5 to 10 years while 2.3% indicated 10 to 15 years and 8.5% indicated above 15 years. The findings imply that the respondents had ample time in the MFIs and thus had much knowledge about the impact of micro finances in their lives.

Table 4.4: Time Joined the Micro finance

	Frequency	Percent
1-5 year	17	36.2
5- 10 years	16	34
10 – 15 years	10	21.3
Above 15 years	4	8.5
Total	47	100

4.2.2 Reason for Joining Micro Finance Institution

The respondents were asked to indicate what drove them to join a micro finance institution; 42.5% indicated to access borrowing, 27.7% indicated to increase their savings while 21.3% indicated to gain control of resources and 8.5% for self-employment.

Table 4.5: Reason for Joining Micro Finance Institution

	Frequency	Percent
Self-employment	4	8.5
Control of resources	10	21.3
Increase my savings	13	27.7
Access borrowing	20	42.6
Total	47	100

4.2.3 Micro Finance Programme Beneficiary

The study sought to find out whether the respondents were beneficiaries of any microfinance programme. Figure 4.5 illustrates that 64% of the respondents were beneficiaries and 36% had not benefitted in any of the micro finance programmes.

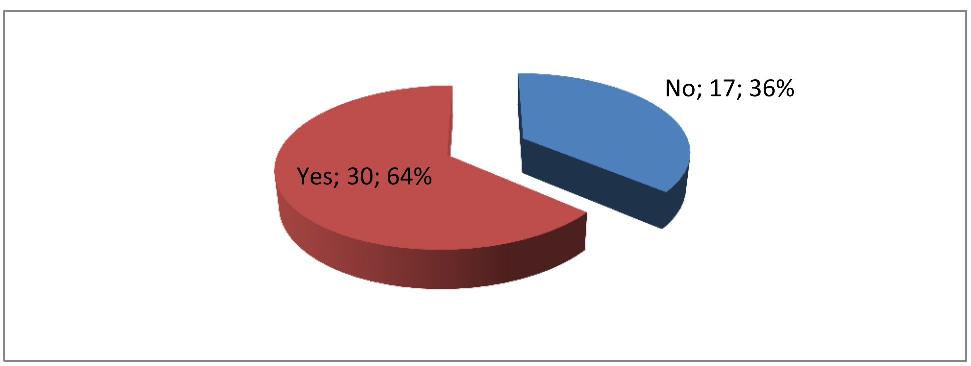

Figure 4.5: Micro Finance Programme Beneficiary

4.2.4 Respondents Monthly Income Level Range

Majority of the respondents had monthly income of Ksh. 5,000 to Ksh. 20,000 at 52.6%. 18.6% of the respondents had income levels below Ksh. 5,000 per month, 18.8% had monthly income of Ksh. 21,000 to Ksh. 35,000 while 10% had monthly income above Ksh. 35,000.

Table 4.6: Respondents Monthly Income

	Frequency	Percent
Below KSh 5,000	5	18.6
KSh 5,001- KSh 20,000	20	52.6
KSh 21,000-35,000	6	18.8
Above 35,000	16	10
Total	47	100

4.3 Impact of MFIs on Poverty Eradication

4.3.1 Micro credit Finance

The study sought to determine whether the respondents have been able to access credit facilities from their MFIs. Figure 4.6 shows that 62% of the respondents had accessed micro credit finance while 38% had not accessed any micro credit facilities.

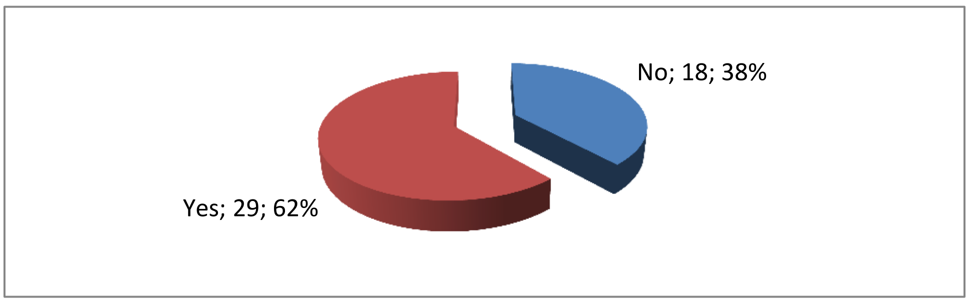

Figure 4.6: Use of Micro credit Finance

4.3.2 Purpose for Loan

The study sought to determine the purpose for the loan the respondents applied for. Table 4.7 indicates that 70.2% used the credit to expand their business, 74.5% to cover basic needs such as housing, food and clothing while 78.8% to improve housing and shelter, and 68.1% to increase the savings. Sixty six percent of the respondents indicated to pay for education and 74.5% to develop sanitation. It is encouraging to find that majority of the respondents used credit finance to expand business and housing.

Table 4.7: Purpose for Loan

Statement	strongly disagree	disagree	infinite	agree	strongly agree
Expand Business	4.3%	10.6%	14.9%	29.8%	40.4%
Cover the basic needs (housing,	2.1%	6.4%	17.0%	38.3%	36.2%

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food, clothing)					
Improve housing and shelter	0.0%	6.4%	14.9%	42.6%	36.2%
Increase savings	4.3%	12.8%	14.9%	36.2%	31.9%
Pay for education	4.3%	14.9%	14.9%	36.2%	29.8%
Develop sanitation	0.0%	10.6%	14.9%	38.3%	36.2%

4.3.3 Benefits of Credit Accessed

The respondents were asked to indicate whether access to credit has been beneficial; 59% of the respondents indicated that credit accessed has been beneficial to them while 41% indicated that it wasn't beneficial.

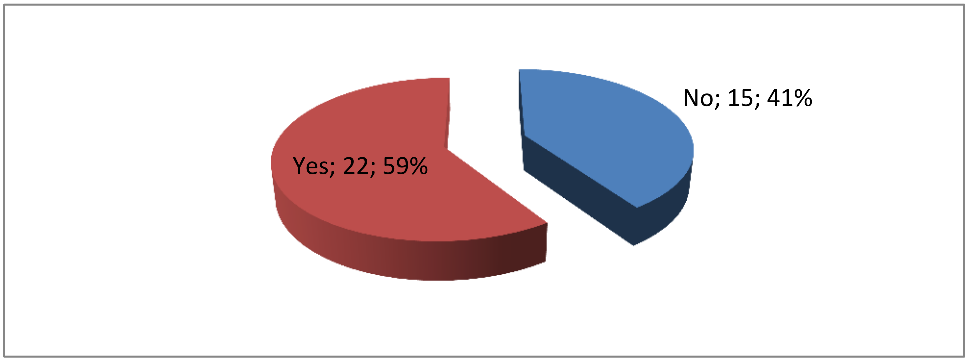

Figure 4.7: Benefits of Credit Accessed

4.3.4 Benefits of Microfinance Loan Obtained

The study sought to determine the respondents' assessment of microcredit. As shown in table 4.8 below, 36.2% of the respondents indicated that microcredit finance had helped them improve their businesses, 38.3% indicated that the same enabled development of better housing, 14.9% were able to access better education as a result, 10.6% were able to improve sanitation.

Table 4.8: Benefits of Microfinance Loan Obtained

	Frequency	Percent
Credit has helped improve my business	17	36.2
Credit has facilitated access to quality education	7	14.9
Credit has enabled the development of better housing	18	38.3
Credit has helped improve sanitation system	5	10.6
Total	47	100

4.3.5 Monthly Income before uptake of microfinance credit

The respondents were asked to indicate their income before uptake of microfinance credit. Figure 4.8 illustrates that 25.5% of the respondents indicated between kshs. 15,001 to 20,000, 23.2% indicated 10001 to 15000 while 19.1% and another 19.1% indicated between kshs 5000 to 10000 and below 5000 shillings respectively. Only 12.8% of the respondents who earned more than 20000 Kenyan shillings.

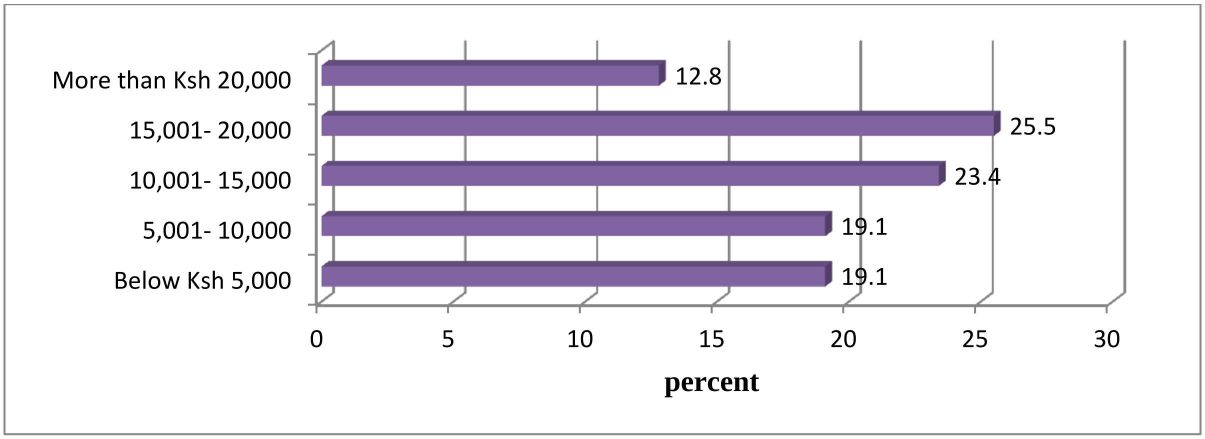

Figure 4.8: Monthly Income before Loan Uptake

4.3.6 Changes in Income After Micro financing

Figure 4.9 below shows the changes in income after and before receiving micro credit financing. As shown in the figure below, after microfinance credit access, number of respondents with monthly incomes below Ksh. 5,000 reduced from 19.1% to none. Respondents with incomes between Ksh. 5,000 to 10,000 reduced from 19.1% to 14.9% while those with incomes between Ksh. 10,000-15,000 reduced from 23.4% to 8.5%. Respondents with increase in incomes between Ksh. 15,000-20,000 and above Ksh. 20,000 increased from 25.5% to 31.9% and from 12.8% to 44.7% respectively.

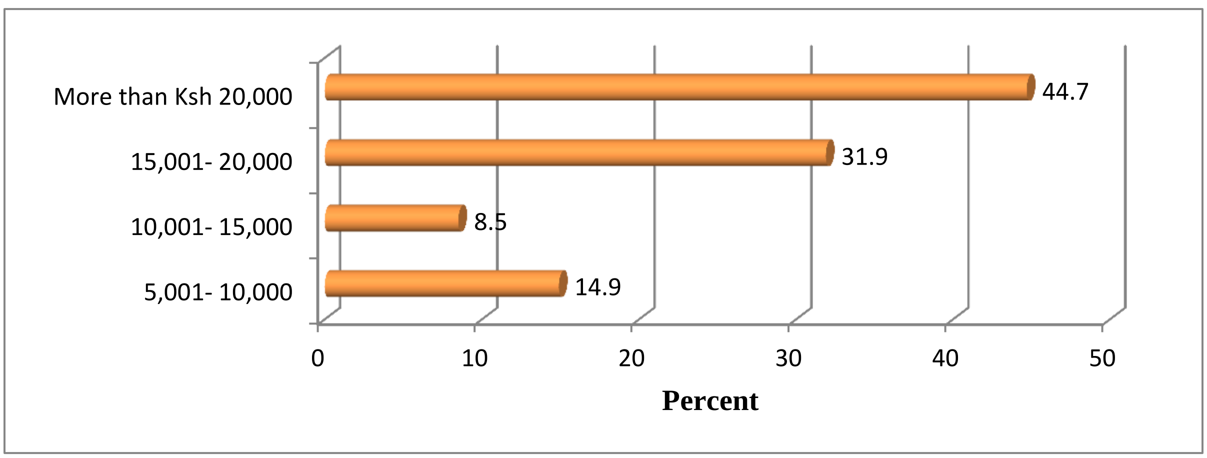

Figure 4.9: Monthly Income After Loan Uptake

4.3.7 Savings from Income

The study sought to determine whether from the income they get, they set aside an amount as savings; 63.8% indicated yes while 36.2% indicated no.

Table 4.9: Savings from Income

	Frequency	Percent
No	17	36.2
Yes	30	63.8
Total	47	100

4.3.8 Amount Saved Per Month

In regards to approximately how much the respondents are able to save monthly; 36.2% indicated between 2001 to 5000 shillings, 27.7% indicated below 2000 shillings and 23.4% indicated between 5001 and 10000 shillings. The findings are presented in Figure 4.10 below.

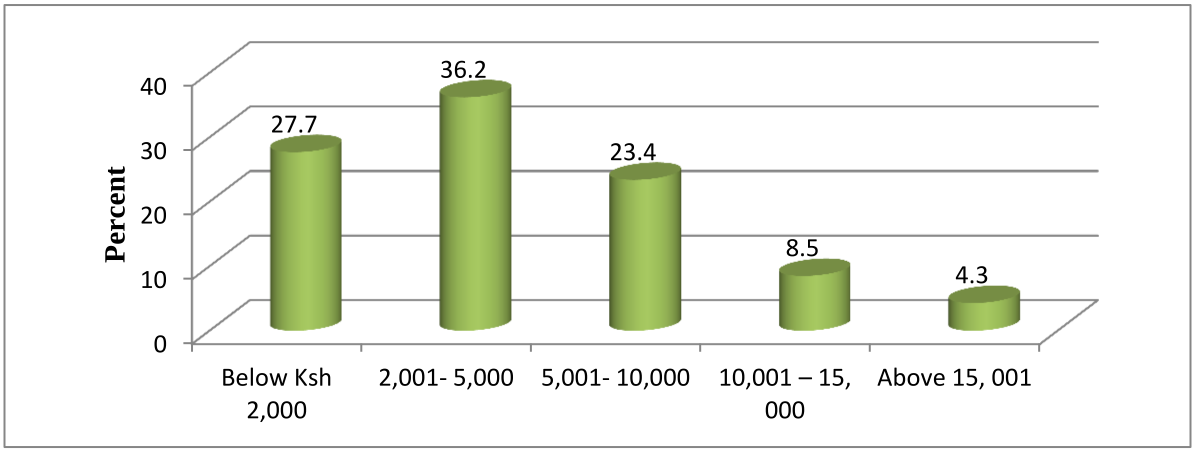

Figure 4.10: Approximate Amount of Savings

4.3.9 Reasons for Saving

The study sought to establish the reasons why the respondents save. Table 4.10 reveals that 59.5% of the respondents indicated for emergencies, 55.3% for family food security, 68.1% indicated to earn interest while 57.5% indicated to start a small business and 72.4% for schooling and 61.7% for medical costs. The findings imply that the respondents had various reasons for saving which were mostly to change their living conditions and eradicate poverty.

Table 4.10: Reasons for Saving

Statement	Strongly Disagree	Disagree	Infinite	Agree	Strongly Agree
Emergencies	8.5%	14.9%	17.0%	34.0%	25.5%
Family food security	8.5%	17.0%	19.1%	36.2%	19.1%
Earn interest	2.1%	12.8%	17.0%	38.3%	29.8%
To start a small business	14.9%	14.9%	12.8%	36.2%	21.3%
Schooling	6.4%	4.3%	17.0%	29.8%	42.6%
Medical costs	10.6%	6.4%	21.3%	34.0%	27.7%

4.3.10 Consultancy Services

The respondents were asked to indicate the consultancy services they get from their micro finance institutions. Table 4.11 illustrates that 100% of the respondents agreed safe custody services, 100% agreed training of entrepreneurs before lending to them while 100% agreed advisory services and all the respondents agreed mentoring of existing micro enterprises. Ninety three point six percent of the respondents agreed that training on financial accounting and keeping of records. The findings imply that the micro finance institutions were very important and crucial to their members as they offered other services to them.

Table 4.11: Consultancy Services

Statement	Strongly Disagree	Disagree	Infinite	Agree	Strongly Agree
Safe custody services	0.0%	0.0%	0.0%	70.2%	29.8%
Training of entrepreneurs before lending to them	0.0%	0.0%	0.0%	59.6%	40.4%
Advisory services	0.0%	0.0%	0.0%	38.3%	61.7%
Mentoring of existing micro enterprises	0.0%	0.0%	0.0%	40.4%	59.6%
Training on financial accounting and keeping of records	0.0%	0.0%	6.4%	38.3%	55.3%

4.3.11 MFI Improvement

The respondents were asked to indicate to what extent their lives had improved as a result of joining a MFI institution. Table 4.12 reveals that 89.4% indicated housing and shelter had improved to a large extent, 80.8% indicated education for children improved to a large extent and 78.7% indicated savings improved to a large extent. In addition all the respondents indicated that their medical costs had improved to a very large extent, 97.9% indicated food had improved to a very large extent while clothing improved to a large extent at 83% and 87.2% indicated that social life like the status in the community had improved to a large extent. The findings imply that the micro finance institutions have impacted on the lives of the residents in that their living conditions have improved since the time they joined the institutions.

Table 4.12: MFI Improvement

Statement	Least Extent	Small Extent	Moderate Extent	Large Extent	Very large Extent
Housing and shelter	0.0%	4.3%	6.4%	76.6%	12.8%
Education for children	2.1%	10.6%	6.4%	61.7%	19.1%
Savings	4.3%	6.4%	10.6%	53.2%	25.5%
Medical costs	0.0%	0.0%	0.0%	76.6%	23.4%
Food	2.1%	0.0%	0.0%	59.6%	38.3%
Clothing	2.1%	2.1%	12.8%	53.2%	29.8%
Social life like your status in the community	0.0%	10.6%	2.1%	19.1%	68.1%

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

Based on the research findings, the study concludes that microfinance institutions play a crucial role in alleviation of poverty at household level in Meru Sub-County and Kenya at large. The study also concludes that microfinance has demonstrated possibilities for lending to poor households and has transformed discussions on poverty alleviation to realism. The last twenty years have seen significant advances in the provision of financial services to improve economic development and eradication of poverty. This includes providing the financial means to access credit, and start small businesses, with the potential to enhance community, local and national development. It has been proven that when microfinance is properly harnessed and supported, it can scale-up beyond the micro-level as a sustainable part of the process of economic empowerment by which the poor can lift themselves out of poverty.

The study also concludes that access to microfinance significantly increases household income and provide avenues for people to save. All these go a long way to help improve upon the lives of those involved especially low income earners and those in the informal sector. Therefore, microfinance is an effective method of poverty alleviation since it targets those who earn little. As a result, the study concludes that through a holistic approach to fighting poverty and a recognition of the importance of microfinance, the battle against extreme poverty can be fought and won.

In conclusion, the study has established that microfinance programmes have impacted the businesses and lives of the beneficiaries in several positive ways, particularly in their economic circumstances and access to essential life-enhancing facilities and services. The MFIs also offer consultancy services to the members who are beneficiaries of the institutions such as training of entrepreneurs before lending to them, advisory services, mentoring of existing micro enterprises and training on financial accounting and keeping of records.

5.2 Recommendations

From the study it is realized that microfinance institutions play an integral part in the alleviation of poverty in Kenya with household incomes after access to microfinance being found to significantly increase. Various recommendations are therefore made to guide policy makers in developing mechanisms to fight poverty which has remained intense. First the study recommends that microfinance institutions to continuously improve their outreach to enable them reach more deserving low income earners in all Counties in Kenya. To achieve this, the institutions should effectively market themselves and also fasten on service delivery as in the case of ensuring that loans applied for are disbursed on time.

Further microfinance institution should also adjust their interest rates downwards so as to encourage increased borrowing. Microfinance institutions should also design appropriate products reflecting an understanding of the reality of the market they are operating in, lack of customizing products as to the desires of the clients leads to the customers being forced to accept products that in most instances do not answer to their needs, but they have to take it as it is the only product available.

The study also recommends an establishment of more transparent and easily accessible fund to provide the youth and women who constitutes to about a third of the population of Kenya and constitute over half of the unemployed population. This fund should have simple administrative structures and encourage even the less educated to easily access it. The government thus needs to put stringent measures to curb vices like corruption that has infiltrated the microfinance programmes.

Finally, the study recommends for household education on importance of microfinance credit and how to use it and ensure that they don't have challenges in repayment. They will reduce the cases found respondents indicated in ability to service microfinance loans due to spending the same on consumption and non-income generating activities. Financial education should go hand in hand with enhanced access to microfinance credit access to households.

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