THE EFFECT OF INTEREST RATES ON MICROFINANCE INSTITUTIONS’ PRODUCTS IN KENYA;
A CASE STUDY OF KENYA WOMEN’S FINANCE TRUST IN NAIROBI COUNTY.

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-
AFRICA

SPRING, 2016
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A Research Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree on Master of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SPRING, 2016
STUDENT’S DECLARATION

I, the undersigned, declare that this project is my original work and has not been presented in any other university or institution other than the United States International University in Nairobi for academic credit.

Signature: ____________________________ Date:________________________

Mwangi, Nancy Wangui (ID NO.643137)

The project has been presented for examination with my approval as the appointed supervisor.

Signature: ____________________________ Date:________________________

Mr. Kepha Oyaro

Signature: ____________________________ Date:________________________

Dean, Chandaria School of Business
ABSTRACT

Despite efforts by various microfinance institutions which include Kenya Women Microfinance Bank, K-Rep, Family Finance, Equity Bank and others to improve the banking of the people through microfinance, the industry has not shown any sign of growth and expansion (Kenya Economic Survey, 2009). The interest rates charged by all financial institution such as Commercial Banks, microfinance institutions and other financial institutions in Kenya have been high.

The main purpose of the study was to assess the effect of interest rates on microfinance institutions’ products in Kenya. The study sought to accomplish the following research objectives: To determine the factors that lead to borrowers to take up loans from Kenya Women Finance Trust; to assess the products that Kenya Women Finance Trust offers versus other microfinance institutions; to assess the impact of loans issued by Kenya Women Finance Trust on its’ borrowers.

The study adopted a descriptive research design which can be defined as the process of which data is collected for the purpose of answering questions concerning the subject of the study. The population under study being the management and credit officers of Kenyan Women Finance Trust. The sample of the study was comprised of 150 respondents. The sampling techniques chosen by the researcher were stratified sampling technique and convenience sampling technique, which helped the researcher come up with an appropriate sampling procedure. The researcher considered stratified technique because the population had a heterogeneous characteristic that is; it had people of different ages. The collection of the primary data was done using structured questionnaires that were pilot tested first and then administered to the respondents. Data collected through questionnaires and interviews was analyzed and summarized to answer the research questions of the study. Microsoft Excel and SPSS packages were used to analyze and present the research findings in form of tables, pie charts and bar graphs.

The study was able to reveal that borrowers take up loans from KWFT due to their low interest rates compared to other microfinance institutions in the country; well developed and structured products and services which meet the client’s specific needs, good and flexible repayment periods, big loans and adequate loan amount. The study found out that products offered in KWFT were better appealing to the borrowers therefore opting for KWFT products. KWFT offers a range of products that suite different customer needs.
The study further revealed that KWFT had timely disbursement of funds, good customer service and opportunity for empowerment. The study found that KWFT had impacted on its’ borrower’s lives and livelihoods. This was seen in the increased satisfaction from borrowers’ expressed through the feedback boxes in the banking halls, improved uptake of loans, better repayment and credit worthiness and increased number of borrowers.

The study concluded that borrowers preferred KWFT products due to the low interest rates compared to other microfinance institutions in the country. The study also concluded that products offered in KWFT were more attractive to the borrowers opting for KWFT products. The study further concluded that KWFT had made significant impact on its’ borrowers’ lives and livelihoods through the provision of its’ banking service.

The study recommends that the microfinance institutions should keep on developing more products to ensure that the clients are satisfied and their needs are met. The study further recommends that the microfinance institutions should continue being more innovative in product design and service that clients will continue coming back. The study also recommends that the microfinance institutions should implement various strategies so as to expand the market and be able to cater for more people.
ACKNOWLEDGEMENT

I am grateful for God’s grace and favour in my education. I would also like to express gratitude and recognize my supervisor’s support Mr. Kepha Oyaro throughout my research. His guidance has been really helpful. I would also want to recognize the USIU faculty team in general for their world class education.

I would like to appreciate my parents, Mr. and Mrs. Mwangi for their support in my education.
DEDICATION

This project report is dedicated to my parents, Mr. and Mrs. Mwangi for their endless encouragement and support in my education.
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### ABBREVIATIONS AND ACRONYMS

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<tr>
<td>DTMB</td>
<td>Deposit Taking Microfinance Bank</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<tr>
<td>MFIs</td>
<td>Microfinance Institutions</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>KWFT</td>
<td>Kenya Women Finance Trust</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Global financial markets and systems have experienced a very impressive growth over the last few decades. This has been accompanied by an evolution also in the business practices in countries around the world. In the financial sector there has been a development of various new financial instruments and techniques to meet changes in the constantly changing business environment. The financial institutions have been able to create various innovative products for different sectors in the market. Through the various capabilities to create innovative products, financial products have been able to create and maintain economic performances in countries around the world. As a result of these changes in the financial sector and business world there is an arising importance and research interest in financial institutions in banking institution (Ho, 2002).

Microfinance originated in 1976 in Bangladesh by Dr. Mohammed Yunus when he started microfinance scheme as part of an experiment in the rural areas. The scheme later became the Grameen Bank which has created the way for many microfinance banks and institution all over the world. Dr Mohammed Yunus was awarded the Nobel Peace Prize for these efforts of trying to eliminate poverty through the use of microfinance (Bateman, 2014). The nature of microfinance has changed over the years and depending on a country, the goal of players and their activities is no longer only for social economic development but some are out for profit. They are no longer ‘non-profit’ organizations but businesses that are aimed at making a profit at member’s expenses. The microfinance industry has many players in it and the industry experiences a lot of changes in regulation and policies (Robinson, 2001).

Nowadays the industry has changed into being both more complex and more crowded. The concept of microfinance has changed to cover areas such as saving, insurance and money transfer. It no longer focuses on microcredit which was the core business for decades; this is because the microfinance is looking for more avenues for revenue making. MFI’s are mostly characterized as being financial services but they exist in different legal forms, business approaches, funding sources and degree of sustainability (Robinson, 2001).
The experiment done by Dr. Yunus evolved into the Grameen Bank which became the first microfinance institution in the world. Their operation popularized a system of group lending, where loans were given to individual members of homogeneous groups, then members of the group would guarantee each other. The members would not get any further credit if any member defaulted in payment. This in turn created the incentive to pay the loans that were issued. The loans did not have any collateral so they became very popular among the people without anything to use as collateral. This microfinance model began to spread globally, especially in developing countries (Roy, 2009).

Habibu (2010) and John (2011) noted in their respective studies that MFIs loans had increased the income in most owners and poor individuals in Bangladesh and Zimbabwe respectively. Both studies focused on business performance in areas such as acquisition of assets and increased sales.

In Kenya on 2nd May 2008, the Microfinance Act gave the microfinance institution the ability to take deposits as opposed to before where the microfinance institution did not have the ability to take up deposits and had to be dependent on other financial institution such as banks. Most microfinance institutions applied for license and were now able to take up deposits from the general public. The term deposit-taking microfinance was replaced by microfinance bank following further amendments on the Act in 2013. The newly created DTMBs were licensed by the central bank to provide all types of financial services which included savings and credit (Central Bank of Kenya, 2008).

In a report done by Central bank of Kenya (2013), it revealed that there are presently about nine deposit-taking microfinance banks that are operating in Kenya. Some MFIs have not changed to DTMBs due to tough conditions placed by the CBK. The strict requirements have seen those MFIs that converted experience an enormous reduction in earnings which has led to the discouraging of other players to transform. The reason for transforming to a deposit taking microfinance was to enable the MFIs to be able to access cheaper funds. This would help them be able to lend to the public at much lower rates as opposed to when they depended on other financial institution which are more expensive leading to high interest rates on their clients.

The major goal of deposit taking micro finance banks is to enable the low income earners to have an opportunity in which they can become self-sufficient through opportunities of being able to save money, borrowing money and accessing insurance. Most clients of the
microfinance institutions are low incomes earners who have limited access to major financial services and the products provided by DTMBs enable these type of client to access credit and banking service which he or she cannot be able to access in main stream banking. These services are such loans, savings, insurance and remittances (IMF, 2011).

The microfinance loans given, help borrowers to be able to achieve enterprise development (GoK, 2006). Since the DTMBs offer a variety of products in which they focus on an industry of the poor, they are forced to use some non-traditional methods which are not used in conventional banking such as the use of group lending and group liability, savings requirements before getting loan, gradual increase of loan sizes and use of a guarantee way of encouraging borrower to access some of the future loans if the present loans have been repaid fully and promptly. These measures help the DTMBs reduce the default risk of loans and ensure that members keep accessing these services once they pay all their presents loans.

The rates offered are normally low on these loans as compared to what is offered by commercial banks. This is why they are popular with individuals who want to seek funding but don’t have collateral. Around the world these DTMBs operate in more than 100 countries and serve more than 92 million clients (Kashyap & Jeremy, 2004).

Crowley (2007) defines interest rates as the money borrowers pay for the usage of money they had borrowed from a lender or financial institutions. It is the fee accrued from borrowing an asset. Fisher (1930) considered the interest rate to be the price of money which arises from the link between income and the capital. He went further to define interest rate as being the cost of money or of a percentage of a premium which is paid out for money that is to be returned on a future date. This means we can consider interest rates to be interest charged on loans that the lender gets from lending out his funds. These definitions are all in line with definitions by Lloyd (2006) and McConnell (2009) that collaborate with the above definitions.

According to Lloyd (2006), he asserts that interest rates influence a lot factors and are the most crucial variable in macroeconomics. In a study by Gardner and Cooperman (2005), they found out that price changes are anticipated and are inevitable in the world due to these expected change in prices; therefore money loaned out must have an increased price on it so as to prevent loss of value to owner. According to Cargill (1991), he asserts that interest rates represent a composition of the loss in value for some loaned out money
and it protects the owner of the money from loss through inflation and the risk of defaulter, which he is exposed to within the loan period.

Saunders (1995) points out that interest rates have influence in the overall economic endeavors which include the flow of goods and services, the financial assets in any economy in the whole world. He further points out that the interest rates relate highly to both the present value and the future value of money. According to Bernstein (1996) study, he found out that developing countries have more liberalized interest rates this is because the interest rates are determined by market forces. Interest rates determination in Kenya is done by the Monetary Policy Committee of the Central Bank of Kenya. The rates are also used to control inflation.

1.2 Statement of the Problem

Micro finance institutions play a significant role in Kenya and the growth of the economy. With continuous economic growth, it is important there is need for finance to help in the enhancing and growth of business. The poor need financing to help them be able to grow their business and this can only be achieved through the microfinance funding. Kenyan informal sector is constitutes of 6.4 million people (CBK 2010).

Despite efforts by various microfinance institutions, Kenya Women’s Finance Trust (KWFT), K-Rep, Family Finance, Equity Bank and others to improve the banking of the people through microfinance, the industry has not shown any sign of growth and expansion (Kenya Economic Survey, 2009). The interest rates charged by financial institution such as commercial Banks, microfinance institutions and other financial institutions in Kenya have been high. This has caused a lot of criticism with people shying away from financing options due to the high interest rates.

Despite efforts by the movement through the CBK to bring them down, the rates have still remained high. These high interest rate changes have had negative impacts on the economy. The effect of this has been the reduction of the value of disposable income in the country. This has made it difficult for people seeking funding so as to be able to access affordable funding. Most studies and research conducted in this area of microfinance, focused on different perspectives rather than effect of interest rates on microfinance institutions’ products thus pointing out the need to pursue this study. Such studies include Nyawach (2011); Chelogoy, Anyango and Odembo (2004); Kanyinga and
Mitullah (2007) with the studies dealing with the exploitive practice by banks and microfinance through expensive interest rates. These studies are limited because they did not look into the effect on the interest rates on the microfinance institutions’ products and how these changes affect the decision of a person seeking finance.

Microfinance institutions are important tools in the world for global poverty reduction and by enabling poor households to access credit. It is therefore important to do this study to shed more light on this effect on interest rates on the microfinance products and how different rates impact the decision by an individual in choosing the financing partner. This study seeks to understand how this decision is impacted by the different interest rates in various microfinance banks.

1.3 Purpose of the study
The purpose of the study was to assess the effect of interest rates on microfinance institutions’ products in Kenya.

1.4 Research Objectives
The study sought to answer the following research objectives:

1.4.1 To determine the factors that lead to borrowers to take up loans from Kenya Women Finance Trust.

1.4.2 To assess the products that Kenya Women Finance Trust offers versus other microfinance institutions.

1.4.3 To assess the impact of loans by Kenya Women Finance Trust on its’ borrowers.

1.5 Significance of the Study
The findings and recommendations from this study would benefit the following groups.

1.5.1 Management & Staff
Management and staff will find this study helpful as it will help them understand better the effect of the interest rates in the banking and financial industry. From the results obtained in the research, most microfinance institutions’ management will be able to make informed decision in the creation of various innovative banking products.
1.5.2 Government
The government will benefit from the study as it will help it in formulating policies that will enable microfinance institutions to access loans at favorable interest rates. It will be also important in understanding how the regulatory and legal framework affects the operation of the DTMBs so that the government can be able to make better informed policies that favor the growth and facilitate the DTMBs.

1.5.3 Academicians and Researchers
Academicians and scholars may find the study useful as it help them to do further studies on effects of interest rates on microfinance institutions as well adding to the body of knowledge in literature in the finance discipline.

1.5.4 Professionals of Financial Management
Professional advising investors can use the study’s findings to inform their investors on various matters involving microfinance lending and how the interest rates affect the microfinance sector in Kenya.

1.6 Scope of the Study
This study was conducted in KWFT headquarters and branches in Nairobi. The researcher did not go outside Nairobi County because the information on effect of interest rates on microfinance institutions is available in the county. The study took place in a period of two months. The study targeted a sample of 150 respondents comprising of managers and employees from the Nairobi branches. These respondents were chosen due to the knowledge on the information the study was seeking.

Some of the limitations faced were the reluctance of the respondents to fill the questionnaires given the sensitivity of the institution’s operations and policies. I gave the respondents reassurance that the information given would be handled in the at most care and no individual sources would be quoted and that the study was purely for academic credit.

1.7 Definition of Terms

1.7.1 Interest Rates
Crowley (2007) defined interest rate as money borrower pays for the use of money they borrow from a lender/financial institutions or fee paid on borrowed assets.
1.7.2 Micro Financial Institutions
It is an organization or a company that provides financial services to low income individuals. Almost all microfinance offer loans to their members, and many offer insurance, deposit and other services (Roy, 2009).

1.7.3 Loan
Refers to something that has been borrowed E.g. A sum of money which is expected to be returned or paid back with interest (Lloyd, 2006).

1.7.4 Borrowers
Refers to a person or entity who has obtained funds or monies from a business or individual which is required to be given paid back in a specified period of time in which he promises to repay (Muhammad, 2009).

1.8 Chapter Summary
This chapter gave an introduction of the study by discussing the background information including an overview of micro finance. The problem was then stated indicating the gaps seen by other microfinance institutions. The rest of the chapter looked into the objectives of the study both the general and specific objectives, the significance, scope of the study and definition of terms used in the study.

The next chapter is on literature review. It presents a review of literature related to interest rates which formed the basis of this research. It examined research papers and studies on interest rates so as to review previous relevant contributions. It also highlights some of the reviews done and arguments made by other researchers on interest rates.

Chapter three provides details of the research design and methodology used. Chapter four presents the results from the data collection and gives the analyses of the findings. Chapter five which is the final chapter brings out the discussions, conclusions and recommendations of the study based on the analysis of the research results.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviewed various literatures on interest rates and how they affect the microfinance institutions; these contributions are from various scholars, professionals and practitioners. This chapter included the overview of factors that lead to borrowers to take up loans, assessing what borrowers consider in the uptake of loans and the impact of the interest rates on borrowers. This chapter looked at factors determining interest rates, how microfinance institutions keeps a float when interest rates change.

2.2 The Factors That Lead To Borrowers to Take Up Loans from KWFT

2.2.1 Concept of Microfinance

Microfinance as a concept is defined as the development tool which grants or facilitates various financial products and services to small business and individuals to help them be able to grow in business and improving their lifestyles. These services and products include the following small loans, micro insurance, money transfer, micro-leasing and savings. The micro finance operates usually in developing countries where they provide banking services to SMEs which are unable to other sources for financial assistance (Robinson, 1998).

According to (Ledger wood, 1999), this microfinance provide additional services apart from financial intermediation, they provide other intermediation such as social intermediation services which provide opportunity for group formation, training on financial literacy and management. There are various types of providers of microfinance services which are; savings and loans cooperatives, non-governmental organisations, commercial banks, credit unions and government banks. The MFIs target the self-employed low income businesses which include small farmers, traders, street vendors, hairdressers, drivers, artisans such as blacksmith and carpenters etc. (Ledgerwood, 1999).

2.2.2 Interest Rates

Interest rates refer to an amount that one pays for money or an asset borrowed (Crowley, 2007). Interest rates are paid to the lender for any loss of value that the lender may have incurred from lending out his asset. There are different types of interest rates charged
such as mortgage which is paid for money lent out for a house. Interest rates are charged as a percentage of the total principal by a lender. The assets borrowed could be in the form of cash, consumer goods, and large assets such as buildings.

2.2.3 Interest Rate Determination

The interest rates in most countries which use a central government are determined by the Central Bank. In Kenya specifically, the interest rates are determined by the Central Bank of Kenya. The Central Bank of Kenya supports the determination of interest rates by market forces (Central bank of Kenya 2008). The bank lets the market determine the interest rates but interferes in situations where the market is unable to determine the rates by itself.

According to Sologoub (2006) study, a high interest rate shows the inefficiency of the banking sector in developing countries. Since it is widely indicated that the interest rate spreads are seen as an adequate measure for bank intermediation efficiency (Norris and Floerkemeir 2007; Siddiqui 2012 and Mannasoo, 2012).

2.2.4 Interest Rates and Microfinance

One of the major indicators of the banking sector efficiency is the interest rate spreads; several studies have been able to identify that interest rates in Africa are high (Brock & Rojas-Suárez, 2000; Gelos, 2006; Chirwa & Mlachila, 2004; Crowley, 2007). Kenya is no exception from the high interest rate spreads.

Other studies recent studies such as Ahokpossi (2013), who studied the determinants of interest rate margins in ten Sub Saharan Africa countries was able to determine that the credit risk and operating inefficiencies explained the major variation in the interest rates. The study showed that changes in the interest rates were an indicator of banking sector inefficiency. This is also collaborated by Folawewo & Tennant (2008) who also attributes those wide changes in interest rates is due to failure in financial intermediation.

Hassan and Khan (2010) assert that when lending rates rise, banks on average attract riskier investments which require a higher return on investment. They continued to assert that higher interest rates also made a lot of creditworthy borrowers to shy off from borrowing. This is supported by Hamid (2011), who argued in his study on interest rate spread in developing countries that indicated non-deposit based funding is positively and
significantly correlated to interest rate spreads. The study found evidence that the share of deposits in the foreign banks was negatively correlated to volumes of credit to the private sector.

According to Hawtrey and Liang (2008) study on bank interest margins in fourteen OECD countries from the period of 1987 to 2001, they identified that there are two dangers which are associated with the high interest spreads: it may create general scarcity of money and as a result, restricted borrowing for consumer spending, construction, and business investment to cause or recession; and that certain sectors in the economy may suffer a disproportionate share of the impact as a result of the high interest rates and create credit shortages because of the high cost of funds. This would affect the small businesses which may fail due to lack of funds since these businesses operate within small profit margins. The increases in cost of borrowing money may result in the cost cutting into the profits of the business and making them to be unable to borrow money. This would affect the number of people who borrow money from the microfinance banks due to the cost of borrowing.

Wong and Zhou (2008), in a study on microfinance banks found that the increase in the interest rates has reduced the ability of business to borrow in China. Siddiqui (2012) estimated the interest rate rise in Pakistan has caused the business not be able to borrow, leading to small margins and risk. Mwangi (2012) in his study employed both a cross sectional research and descriptive research design, established that the high interest rates charged did affect borrowings greatly. It affected the business financial performance and its investment levels which forced the investors to depend on savings and money from friends. The study established that borrowing was expensive and was perceived to be risky. This results in people taking fewer loans which in turn affect the lending institution such as microfinance.

2.2.5 Interest Rates Spread

Interest rate spread refers to the interest rate that is charged by banks on borrowed money to a private sector customer less the interest rate to be paid by a financial institution for savings deposits (IMF, 2011). Terms and conditions for interest rates spread differ from country to country. The spread has an influence on how much a borrower pays back as interest rates. There are several studies done in Africa in relation to interest rate such as Ndung’u and Ngugi (2000), Beck and Hesse (2006), Aboagye et al. (2008), Folawewol
and Tennant (2008), Ikhide (2009) these studies were done in different countries on different interest rate spread and how it affected various parts of the economies. Folawewol and Tennant (2008) did a study on the determinants of interest rate spread in 33 countries in Sub-Saharan Africa and were focusing on the macroeconomic variables. From their results they were able to show that interest rate spread is affected by several factors such as public sector deficits, level of money supply, level of economic development, government borrowing, and population.

A study by Ahokpossi (2013,) which focused on a sample of 456 banks from 41 Sub-Saharan Africa countries showed interest margins were not sensitive to economic growth. In other countries outside the Sub-Saharan Africa countries such as Ghana, Aboagye et al. (2008) was able to find out that an increase in these factors: bank size, market power, staff costs, inflation, administrative costs, is risk averse and had an effect on interest margins. The study went further to determine that the increase of reserves of banks, management efficiency and central bank lending rate had the effect of decreasing the net interest margin in banks.

Beck and Hesse (2006) in their study used a bank-level data set to study the high interest rates spread and margins from the Ugandan banking system. More specifically to look into the factors which were behind the ever high interest rate spreads and the margins. From their findings, the foreign banks were found to have lower interest rate spreads. The study found that there was a significant relationship between the interest spread and privatization of the industry.

Nampewo (2013) study on the determinants of the interest rate spread of the banking sector in Uganda used time series data and the findings show that the interest rate spread is affected positively by the Treasury bill rate, the bank rate, and the non-performing loans.

In Kenya there are few studies that aimed to examine the determinants of the interest rate spreads. These studies include Beck et al. (2010) they aimed to examine the developments in the Kenyan financial sector looking specifically at the stability, efficiency and outreach; the use of the interest rate spreads as a way for determining the efficiency in financial intermediation. They based their analysis on factors such as loan loss provisions, overhead costs, and taxes.
Ndung’u and Ngugi (2000) and Ngugi (2001) are some of the most commonly cited studies on explaining interest rate spread in Kenya. They used time series data from the years April 1993 to June 1999 to determine factors that explain interest rates spreads in the time. The factors that were considered were deposits, loans, Treasury bill rate and interbank rate. From the findings they were able to determine that interest rate spread was positively related with deposits but it was negatively related to loans.

Ndung’u and Ngugi (2000) derived factors likely to explain the spread and empirically estimated an interest rate spread equation using monthly time series data for the period, while Ngugi (2001) extended the monthly time series data to December 1999. The factors considered by the former are deposits, loans, Treasury bill rate and interbank rate. They found that the spread was positively related with deposits but negatively related to loans.

2.3 Products That KWFT Offers Versus Other Microfinance Institutions

2.3.1 Microfinance Products

According to the Kenya Economic Survey (2009) the provision of financial services to the poor and the unbanked people in developing countries is a costly business. This cost has been identified as one of the major reasons why traditional banks have not been giving small loans. The existence of microfinance banks in the provision of banking services and products to its clients at a cheap cost is one of the major reasons the microfinance banks are important to society. By assisting the low earning individual an opportunity to get banking and credit services they can’t access from the traditional banking and therefore helping them to be able to grow their business.

According to Yunus (2009) the Provision of the microfinance services and products to the rural poor people of Bangladesh has made it possible for them to have an improved livelihood in the country. The microfinance model of lending has been of benefit to the people since it has reduced the problem of collateral which is required from traditional banking. In Bangladesh the poor people have proved that the poor can be able to make their credit repayment and there rates are at 98%. This has shown that; The poor are trustworthy and creditworthy; The poor are able to utilize money lent in improving their lives and helps them make savings; Women’s credit repayment rates has been proved to be better than men which means women are a better credit risk as compared to men.

Yunus (2009) argues that the “most distinctive feature of microfinance lending is not
based on the use of collateral or by legally enforceable contracts”. It is a system that is based on ‘trust,’ not on the legal channels (Sengupta, 2008).

2.3.2 Success of MFI’s and Major Challenges

In past thirty years microfinance banking has had tremendously transformed the banking of the poor and the unbanked through products that fit their financial ability. Though this development in microfinance there has been a lot of rural development which has been able to reduce poverty and empower poor women in countries around the world. The industry has turned to be a seventy billion dollar industry. The rise has also created a lot of employment for people who work for these microfinance banks, with also the employment gotten from enabling business growth.

There have been also challenges that have arisen in the endeavors of the rise of the microfinance banking such as Muhammad (2010) who identified the following challenge in Pakistan: improper regulations, increasing competition, innovative and diversified products, profitability, stability, limited management capacity of micro finance institutions (MFIs) etc. But factors such as the increase in poverty in Pakistan have made the microfinance banks to continue growing. The microfinance banks are also experiencing opportunities such as a huge market potential for microfinance brought on by the stimulating growth of economy, women empowerment, increasing volume, accessibility and outreach, economics of scope.

Another challenge with microfinance banking is the overconcentration of microfinance banks which has proved to be a major challenge (Alamgir, 2009). It has become a common problem in countries in which MFIs grew fast and began to serve an important proportion of the mainstream financial market. Such has been seen in countries as Uganda, Bolivia and Bangladesh where they have taken part in mainstream banking (Porteous, 2006).

Competition among MFIs has led to over-indebtedness which has seen the rise of loan delinquencies where the borrowers will borrow money from two or more lenders at the same time later defaulting (Alexandre, 2011). Chen, Rasmussen, and Reille (2010) in their study were able to determine that excessive lending has contributed to the rising delinquencies in Morocco, Nicaragua, Herzegovina and Bosnia and Pakistan. The MFIs can only move to more underserviced areas to solve these problems. Gonzalez (June,
2010) using mix market data was able to find that in concentrated markets the MFIs have better chance of building high quality portfolio and growth through lending to new customers in new branches instead of reaching new clients from existing locations.

Some of the advantages that MFIs have are that there are about 2.7 billion who lack access to financial services around the world (FINCA, 2006). The MFIs also have the advantage of utilizing phones to offer banking services to the over a billion people who have mobile phones but do not have bank accounts. This provides great opportunity for both the banking and phone industries to utilize cell phones for the provision of mobile money and financial services (Pickens, 2009). Banks and financial institution can offer services using the mobile network platform and creating saving accounts which can be funded through the use of cell phones such as Equity Bank in Kenya which partnered with Safaricom to make M-KESHO account through a M-PESA platform. MFIs can use this platform to issue small loans and open mobile money accounts to use for disbursement. Virtual MFIs can be created to use mobile phone platforms networks to ensure deliver of financial services to the unbanked (Alexandre, 2011).

2.3.3 KWFT Portfolio, Interest Rates and Loan Size

KWFT has a presence in 45 counties out of 47 counties in Kenya (Omondi, 2015). The microfinance institution has in excess of 1.1 million account holders, the majority being women in 248 branches in the country (Kiragu, 2015). This is a clear indicator of the microfinance dominance in the microfinance industry. KWFT has an asset base which is estimated to be in excess of Ksh29 billion, this helps the microfinance be able to remain competitive in an industry with many players (Kiragu, 2015).

The microfinance industry has been able to make social and economic impact on its clientele who are mainly women. According to the Think Business Banking Awards (2015) the Microfinance Bank has been ranked the best microfinance Bank in the country. The Microfinance Bank has been found to remain competitive through its experienced and committed workforce who have been backed by a committed and strong Board of Directors. Delloite (2015) through a survey has ranked the microfinance bank as among the best employers in the country.

The bank’s decision to focus mostly on the provision of banking services to rural areas has made the bank to be able to nurture and grow one of the best committed and trusted
cliente bases in the microfinance industry in Kenya. The bank has also sold 25% stake of the company to cement these relationship with its client base; this makes it ensure that the customer base is stable. In an effort to improve the banks outreach, the bank intends to add agent banking from the available 150 to 1400 agents within the year 2015. This will help in accessing more ability to offer banking service to the unbanked in the rural areas of Kenya.

According to mftransparency.org(2015) statistics as shown in the table 2.1 below the bank has an outstanding portfolio of KES 92,369,084, Portfolio (USD) of USD 1,115,568.65, Active Clients with Loans, Approximate % Female Clients of 80% - 100% and Approximate % Urban Clients of 0% - 20%.

**Table 2.1 Bank Portfolio**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding portfolio (KES)</td>
<td>KES 92,369,084</td>
</tr>
<tr>
<td>Portfolio (USD)</td>
<td>USD 1,115,568.65</td>
</tr>
<tr>
<td>Active Clients with Loans</td>
<td>12,383</td>
</tr>
<tr>
<td>Approximate % Female Clients</td>
<td>80% - 100%</td>
</tr>
<tr>
<td>Approximate % Urban Clients</td>
<td>0% - 20%</td>
</tr>
</tbody>
</table>

Source: MFT (2013)

The table 2.2 below shows the interest charged by KWFT on their products. From the table below it shows that the bank charges a Lowest quoted nominal interest of 0.93% and Highest quoted nominal interest of 1.67%.

**Table 2.2 Interest Rates by KWFT**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest quoted nominal interest</td>
<td>0.93%</td>
</tr>
<tr>
<td>Highest quoted nominal interest</td>
<td>1.67%</td>
</tr>
<tr>
<td>Reason(s) why interest rate varies</td>
<td>Loan Size</td>
</tr>
<tr>
<td>Interest rate period</td>
<td>Monthly</td>
</tr>
<tr>
<td>Interest Rate Calculation Method</td>
<td>Flat</td>
</tr>
<tr>
<td>Subsidized by funder request?</td>
<td>No</td>
</tr>
<tr>
<td>Is rate fixed for entire loan term</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: MFT (2013)
The loan size by KWFT is as shown in the table 2.3 below. The table shows that the Minimum loan size is KES 50,000 and the Maximum loan size is KES 10,000,000.

Table 2.3 Loan Size

<table>
<thead>
<tr>
<th>Currency</th>
<th>KES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum loan size</td>
<td>KES 50,000</td>
</tr>
<tr>
<td>Maximum loan size</td>
<td>KES 10,000,000</td>
</tr>
</tbody>
</table>

Source: MFT (2013)

2.4 The Impact of Loans by Kenya Women Finance Trust on Borrowers

2.4.1 Microfinance and Poverty Alleviation

Many global development institutions such as the World Bank have put poverty alleviation in the forefront and have developed policies that will help them achieve these goals (World Bank, 2013). Over 2.6 billion people around the world live on less than $2 a day and the use of microfinance to provide banking services to the poor as a way of encouraging economic activity. This is because the poor have not been well served by the private sector such as the banks; they have been neglected leading to them lacking access to certain goods and services (London, 2007). The traditional banks, lenders and financial intermediaries have had some qualification hurdles which have prevented poor individuals from accessing loans plus other financial services and products (Sengupta, 2008). This is due to lack of credit history and a low income.

Those that qualify then face high interest rates which impact negatively economic activity (Brusov & Filatova, 2013). This reduces the benefit an individual gets from a loan and reduces the impact one can use the loan to improve their business. This has created the need for providing cheap funding with low qualification and hence the rise of microfinance institutions. This method of financing has become very handy for low income and self-employed individuals who would not have gotten banking services such as loans and savings (Sologoub, 2006).

Therefore the objective of microfinance institution is to alleviate poverty through the provision of financial access to the people consider to be in the bottom of the pyramid (World Bank, 2013). These attempts have been seen to improve the well-being and empowering them to have an improved quality of life (Kashyap & Jeremy, 2004).
According to the World Bank (2013) if the microfinance institutions are able to achieve this goal, the breaking of the cycle of poverty will be possible and ensuring that economic growth can be achieved. Several scholars such as Makokha, (2006); Akinyi (2009); John (2011) and Habibulla (2010) in their studies have indicated that when people access financial service they are able to grow their business and improve their lives.

2.4.2 MFI’s Socioeconomic Impacts

The microfinance institutions have been able to spur economic growth making them be able to grow business by lending entrepreneurs’ funds to grow their business. Studies such as McDonald (2010) have identified that the lack of capital hinders the growth of business and in turn reduces the economic activity.

A study done by Grameen Bank (1983) identified small businesses faced the challenge of limited capital and lacked relevant skills that are necessary for conducting business. With the rise of microfinance banks, this lack of funds has greatly reduced due to easier access.

Further studies by Prasad, Green and Murinde (2005) found that financing policy, capital structure and firm ownership are all strongly linked to the performance of a business. This shows that funding is a crucial matter when it comes to succeeding in business. Carpenter and Petersen (2002) asserts that when the firm’s financial need exceed the available internal resources, the firm’s growth is constrained. These studies show that without funding, businesses cannot grow. This is the reason why cheap funding is necessary to assist small entrepreneurs who lack the ability to get funding from mainstream banking.

Studies have identified that the insufficient internally generated liquidity has been a factor that has been frequently cited in research as one of the causes of small business failure and hindering expansion (Makokha, 2006). The study went further to determine that larger loans have enabled medium and small business to graduate to the next level. This has been collaborated by Otto, Muli and Ong’ayo (2010) who found in their study that medium and small business that receive larger loans had a bigger work force as compared to smaller ones. Their study concluded that for business to grow the business required appropriate loan sizes so as to be able to match the needs of the business.
2.4.3 Women in the informal sector and their access to microfinance

Women in the informal sector have been seen as the best weapon on poverty at the family level. Women as micro and small entrepreneurs have been increasingly been a key target group for micro-finance institutions (Hawtrey and Liang, 2008). By provision of access to micro-finance service it is considered a necessary precondition in the poverty alleviation attempts and also a tool for women’s empowerment (Lloyd, 2006). Poor women have been consistently recognized as being better borrowers and have been of interest to the financial institution due to their ability to repay loans. But despite being a proven positive effect of in the reduction of poverty providing of microfinance services to the unbanked, microfinance is just one tool among many others employed to address the various causes of unemployment, poverty and social exclusion around the world (Rahma, Younus, Akther, & Rahim, 2013).

Around the world there many developing countries who are being affected by the rise of the informal sector due to which has presented to them a major challenge to governments, civil society and social partners (Lloyd, 2006). This has caused a dilemma since the informal sector is different from the formal in employment conditions. The challenge has been how to absorb the enormous and continuously growing fractions in the labor force while still including the poor who have been previously excluded from the formal income and employment opportunities.

The informal sector has been steadily growing in most developing countries, where in Latin America, 8.4 of every 10 new jobs that were created between 1990 and 1994 had been in the informal sector (Goetz, and Gupta, 1996). In continents like Asia the informal sector has absorbs about 40 and 50 % of the continents urban labor force (Ebdon, 1995). In Africa the informal sector employs more than 60 percent labor force and seems to create almost 90% of the jobs (ILO, 1997). The growing in this economy has resulted in women participation in employment with the participation rates increasing for example with 80 % in Lima, Peru; 72 % in Zambia; 65 %in Indonesia and 41 % in the Republic of Korea (Lim, 1996).

Many are being forced into the informal sector due to the slow growth of formal sector which has seen reduced employment opportunities. These combinations with a significant and rapid growth in the labour force, restructuring programmes and economic
stabilization of the economy have had negative effects on both men and women alike. This has led to most being pushed into the informal sector. In the mid-1980s women have been receiving a lot of attention and support from international donors, governments, and NGOs. This attention is to help them be able to grow as micro and small entrepreneurs in an effort to solve the issue of poverty. Microenterprises have been advantages to women seen due to their flexibility, ease of entry and easy operation due to more flexible hours. Through this entrepreneurship there has been a trickledown effect where social issues such as poverty and gender inequality have been reduced. The inability to access to the formal and informal credit by women in micro and small enterprises has been identified by numerous studies to be major challenge.

ILO studies in the Bangladesh (76.4 %) Philippines (59 %), and Trinidad and Tobago have identified the lack of capital in the initial period of starting a business as a major problem for women entrepreneurs. These studies have shown that this challenge is greater to women than men. When informal sources of finance are not available women rely on pawnbrokers, credit associations and family for financing. Formal financial institutions have been seen as less receptive and less welcoming to female entrepreneurs seeking financing (Siddiqui, 2012). Their requirement in collateral, discriminatory banking, plus the bureaucratic loan application, disbursement procedures have exclude poor women as clients. This has led women to lacking resources that they require for starting business.

2.5 Chapter Summary

The objective of this chapter was to gain more insight of interest rates and micro finance institutions. The chapter looked into the background of microfinance and how it has developed. The chapter also looked at the interest rates, interest rate spread and how they affect the borrowing of money.

In the next chapter, the research methodology will be discussed which includes the methods and procedures used in conducting the study such as the research design, the population, sample size and data collection and analysis methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The chapter discussed the methods used to conduct the research. The methodology aided the research operations to sail smoothly and efficiently to enable the study to meets its objectives. This research focused on the effect of interest rates on the microfinance institution in Kenya. This chapter comprises of the research design, population and sample size, data collection techniques, and data analysis and presentation methods.

3.2 Research Design

The research design refers to the master plan in which it informs on the methods adopted by the study to collect and analyze the information collected or the information the study intends to collect. According to Chandaran (2004), asserts that the design is the glue which holds the elements of a research study together, answering questions concerning the subject of the study. The research adopted a descriptive study in which it helped in the understanding of the effect of interest rates on the microfinance institutions. Descriptive research design is suitable since it describes the nature, behaviors, and the factors that contributes to the study. The information collected was both qualitative and quantitative in nature. Descriptive design was particularly suitable in this case because it would help the researcher to be knowledgeable on the characteristics of the population and to clearly understand the aspects in the field of study and draw substantive conclusions and make appropriate recommendations.

3.3 Population and Sampling Design

3.3.1 Population

According to Wimmer and Dominick (2006) they assert that the population is a group of subjects who have similar and identical variables, concepts and phenomena. This is collaborated by Mugenda & Mugenda (2003) who defined target population as being a set of individuals, cases or objects with some common observable characteristics from which the researcher plans to generalize the results of a study. The study population is the aggregate of all study units (respondents) from which data was gathered. The study was
carried out on employees from the branches of KWFT branches in Nairobi County. The respondents of the study were the management and employees of KWFT. The study chose these respondents because they are in a better position to analyze the impact brought about by the change in interest rates required by the study.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Population</th>
<th>Target</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>100</td>
<td>20</td>
</tr>
<tr>
<td>Credit Officers</td>
<td>400</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Source KWFT (2016)

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Denscombe (2010), asserts that a sampling frame should have an extensively updated inventory of all that comprise the population under study. A sampling frame gives a clear list of elements from which the researcher can draw a sample of the target population. The sampling frame for this study was 500 employees of KWFT all from in Nairobi.

3.3.2.2 Sampling Technique

The study used both simple random sampling and convenient sampling for the study to acquire the sample size from the targeted population had an equal and mutually inclusive chance of being picked for the research responses. It was used to assist in providing accurate information about the inclusive groups in the Table 3.2 below and also provided efficient capturing variations in the population to prove the hypothesis right or wrong or data analysis and interpretation. It is crucial that the most appropriate sampling technique is used so as to obtain an accurate representation (Saunders et al., 2013)

The sampling techniques chosen were stratified sampling technique and convenience sampling technique, which helped the researcher come up with an appropriate sampling procedure. The technique that was most preferred was stratified technique because the population was heterogeneous that is it has people of different age. The first step was dividing the study into units or the target population into strata groups based on
characteristics in order to proportionately select the numbers of units required for the sample.

### 3.3.2.3 Sample Size

According to Mugenda and Mugenda (2003) a sample of 30% is adequate for a study. Therefore, the latter statement presented in formula form is as follows:

Sample size formula = 30% * Target population

Managers sample size = 30%*100 = 30

Employees sample size = 30% * 400 = 120

Therefore the study’s sample size resulted to 150 respondents in total.

**Table 3.2 Sample Size**

<table>
<thead>
<tr>
<th>Population</th>
<th>Target</th>
<th>Ratio</th>
<th>Sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>100</td>
<td>0.3</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Credit Officers</td>
<td>400</td>
<td>0.3</td>
<td>120</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
<td></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Methods

In this study, primary data was used. Data collection was done through questionnaire. This is appropriate because the researcher left the respondents with the questionnaires and collected them after they are filled up. Primary data generated from questionnaire was given by respondents. According to Mugenda & Mugenda (1999) who defined questionnaires as being carefully designed instruments used for collecting information within certain specifications of the research questions. It is seen as an efficient data collection tool where the researcher knows exactly what is necessary and the way measure the variables of interest.

The use of Questionnaires was preferred since were found to be less expensive as compared to the other data collection methods. Questionnaires were also used because they are able to give each respondent the same type of questions in exactly the same way. Another advantage is that they produce data that is more comparable than information which is obtained through the use of an interview. The questionnaire in this study had closed ended questions.
3.5 Research Procedures

The questionnaires were dispatched to the respondents through hand delivery. The respondents were then accorded enough time for them to be able to read through the questionnaires and become more familiar with details and items in the questionnaires. They then filled the questionnaires which researcher collected after two weeks to enable data analysis. The questionnaires were then edited for accuracy, consistency and completeness by the researcher. The researcher then employed descriptive statistics to analyze the data from the questionnaire, the use of both quantitative and qualitative techniques were employed in the data analysis which was edited, coded and classified to enable easy presentation of data analysis results in a systematic and clear way. The researcher used multiple regression techniques to analyze the quantitative data and content analysis techniques for the qualitative data. This assisted in obtaining a meaningful conclusion from the analysis data.

3.6 Data Analysis

Data collected through questionnaires and interviews was analyzed and summarized to answer the research questions of the study. The data collected was evaluated, assessed and comparison made so as to select the most accurate and quality information from the respondents. Microsoft Excel and SPSS packages were used to analyze and present the research findings in tables and figures. According to McCormick et al., (2001) who asserts that the use of SPSS is seen appropriate when a researcher is using a Likert scale questionnaire.

The study used multiple regression analysis for in data processing and analysis to find out the relationship between the independent variable and the dependent. This was analysis was found to be appropriate for the study since it is will help show the extent in which the dependent variable is affected by the independent variable.

\[ Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + \varepsilon \]

This was used to describe the relationship of microfinance products (y) which is affected by the independent variable (xi). The regression results gotten were then interpreted using the Pearson correlation, R-squared, testing of significance through the use of F-statistic.
and the Analysis of Variance (ANOVA), coefficients of the independent variables and their p-values.

**3.7 Chapter Summary**

This chapter described and justified the design of the study. This survey used descriptive research to understand the effect of interest rates on the microfinance institutions. The methodology which was selected was due to its appropriateness to the issues investigated in this research and its consistency with the theoretical framework informing this research. A questionnaire survey was administered to the 150 respondents. The results from the study were analyzed using descriptive statistics to draw conclusions in the subsequent chapter.

The next chapter presented the findings of the field study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter is a presentation of the findings and discussions. The first section looks at the demographic information and the other sections the results are presented according to the research objective. The data has been presented in tables and figures. The responses were analyzed using descriptive statistics. A total of 150 questionnaires were sent to the respondents 139 were successful retrieved. This is displayed in the Table 4.1 which shows that the response rate was 93% from the total questionnaires sent to respondents. According to Mugenda and Mugenda (2003) assert that a response rate of 50% is considered adequate for a descriptive study. Babbie (2004) collaborates with this assertion that a response rates of 50% and above is considered acceptable for an analysis. This means that the response rate of 93% is adequate for analysis.

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>No. of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Returned</td>
<td>139</td>
<td>93</td>
</tr>
<tr>
<td>Not returned</td>
<td>11</td>
<td>7</td>
</tr>
</tbody>
</table>

4.2 Background Information of the Respondents

This section displays the analysis of the respondents’ basic information and observable general trends of microfinance.

4.2.1 Gender of the Respondents

The study sought to determine the gender distribution of the respondents. From the findings as presented in the table 4.1 shows that a Majority (45%) were male while 55% were female respondents. This implies that there are more women working for the KWFT since it is a women oriented microfinance.
4.2.2 Age Distribution

The study sought to determine the age of the respondents who took part in the study. The findings were presented in figure 4.2 below which showed that the 35 percent of the total respondents were of age 18-30 years, 22 percent were between 31-40 years of age, 16 percent were between 41-50 years of age, and 27 percent were of above 50 years of age. According to the findings, the majority (35%) of the respondents were from the age brackets of 18-30 years of age.
4.2.3 Academic Qualifications

The study further sought to establish the respondents academic qualification of the respondents in order to understand their qualifications and their ability to provide the study with the information the study needs. From the study findings as shown in figure 4.3, 38% indicated that they had a diploma as their highest academic qualification, 45% of the respondents indicated that they had degree as their highest level of education, 16% had a master’s degree. The findings show that the respondents possess the necessary qualification to give information required by the study.

![Figure 4.3 Academic Qualifications](image)

4.2.4 Position of the Respondent

Respondents were requested to indicate position in the microfinance the majorities (84%) were employees and 16% were employees. the findings show that the study was able to get responses from people in different levels in the microfinance. this give various views and opinions which helps get a good understanding of the study.
4.2.5 Number of Years Worked

The study went further to request respondents to indicate the number of years worked in which they have worked for the microfinance. Majority (45%) had worked for a period of 0-3 years, 42% had worked for 4-7 years, 9% had worked for a period of 8-10 years and lastly 4% had worked for a period of above 10 years. This shows that the respondents had the knowledge of the subject matter and would contribute relevant information to the study.

![Figure 4.5 Number of Years Worked](image)
4.2.6 Micro Finance Product and Services Prices Influenced By the Interest Rate

The study sought to establish whether the microfinance product and services prices influenced by the interest rate. From the responses displayed by the figure 4.6 where the majority of the respondents (45%) indicated that interest rates affects the products and service of microfinance, 35% indicated to a very great extent, 9% were moderate, 7% indicated to a low extent and 4% indicated to no extent at all.

Figure 4.6 Micro Finance Product and Services Prices Influenced By the Interest Rate

4.2.7 Political Environment Affects Micro Finance

Further the study sought to determine whether the political environment affected the microfinance industry and from the findings as displayed in the figure 4.7 shows that the majority (83%) felt that the political enviroment did affect the microfinance in one way or the other while a small minority of 17% did not feel it affecte in any way.
Figure 4.7 Political Environments Affects Micro Finance

4.2.8 Stability Due To Central Bank Regulation and Supervision

The study sought to determine whether the stability experienced in the microfinance industry was as a result of the central bank regulation and supervision and from the findings displayed in the figure 4.8 below shows that a majority (92%) agreed that the existing central bank regulation and supervision was instrumental to the stability experience in the industry. A minority of 8% responded that the stability was as result of other factors such as sound business practice in the microfinance industry.

Figure 4.8 Stability Due To Central Bank Regulation and Supervision
4.2.9 Routine Examination by Central Bank Reduces Interest Rate

The study sought to determine the extent in which the routine examinations done by the central bank on the microfinance industry impacted the industry. A majority (48%) indicated that the routine examinations done by the central bank influence the interest rate to a great extent, 46% to a very great extent, 9% to a moderate extent, 1.4% to a low extent and 0.7% to no extent.

![Figure 4.9 Routine Examination by Central Bank Reduces Interest Rate](chart)

4.2.10 Central Bank Has Helped To Instill Public Confidence

The study sought to determine whether the central bank has instilled public confidence in the microfinance industry and the results were presented in the figure 4.9 below which show that the majority (71%) of respondents felt the central bank helped in instilling public confidence whilst a small percentage 29% felt that it didn’t.
4.2.11 Banking Supervision Has Address Management Issues in Kenya Banking Sector

The study investigated whether management issues did affect the management of the banking sector. From the responses gotten as shown in the figure 4.10 shows that the majority (45%) felt that the supervision did affect by to a great extent, 44% felt it affected to a very great extent, 6% to a moderate extent, 4% to low extent and 1% to no extent.

Figure 4.11 Banking Supervision Addressing Management Issues in Kenya Banking Sector
4.2.12 Number of Microfinance Banks Determines the Level of Interest Rate

The study went further to determine whether the number of microfinance banks helped determine the levels of interest rates. From the findings displayed in the figure 4.11 shows that a majority (72%) felt that the microfinance banks did have an influence in determining the interest rates whilst 28% felt the influence was not that great to influence interest rates.

![Figure 4.12 Number of Microfinance Banks Determines the Level of Interest Rate](image)

4.3 Factors That Lead Borrowers to Take Up Loans from KWFT

This section provides an analysis on the factors that lead borrowers to take up loans or rather draw borrowers to KWFT loan products. The respondents were requested to indicate the extent to which they agree with the statements in relation to factors that lead borrowers to take up loans from KWFT. The findings are tabulated in the Table 4.2 below.

**Table 4.2 Statements on Factors That Lead To Borrowers to Take Up Loans from KWFT**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low interest rates</td>
<td>4.27</td>
<td>0.74</td>
</tr>
<tr>
<td>Well developed products and services</td>
<td>4.2</td>
<td>0.62</td>
</tr>
<tr>
<td>Good repayment periods</td>
<td>4.32</td>
<td>0.68</td>
</tr>
<tr>
<td>Big loans and adequate amounts</td>
<td>3.87</td>
<td>0.99</td>
</tr>
</tbody>
</table>
According to the findings, the respondents agreed with a mean of 4.27 and a standard deviation of 0.74 that low interest rates are one of the factors that lead to increased loan uptake. The respondents agreed to the statement well developed products and services with a mean of 4.2 and a standard deviation of 0.62. The respondents further agreed with the statement good repayment periods with a mean of 4.32 and a standard deviation of 0.68. Lastly the respondents agreed with the statement big loans and adequate loans with a mean of 3.87 and a standard deviation of 0.99.

4.3.1 Low interest rates

A five Likert scale was used to interpret the respondents’ responses. According to the Likert scale totally disagree was given 1, disagree was awarded 2, Neutral was given 3, agree was awarded 4 and totally agree was awarded 5. The respondents were asked to give their views on whether KWFT as an MFI offers products with lower interest rates. 29%, (40) of the respondents totally agreed that KWFT offers low interest rates, 63% (87) agreed to the same, 5% (7) were neutral on their responses while the remaining 3% (5) disagreed about the low interest rates. The results are presented in the Table 4.3 below.

Table 4.3 Low Interest Rates

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low interest rates</td>
<td>Totally agree</td>
<td>40</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>87</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3.2 Well developed Products and Services

The respondents were then asked to give their views on whether KWFT as an MFI offers well developed products and services. 37%, (51) of the respondents totally agreed that KWFT offers well developed products and services, 56% (78) agreed to the same, 7% (10) were neutral on their responses on KWFT having well developed products and
services. However none of the respondents seemed to disagree with the statement indicating that the majority 56% agreed. The results are presented in the Table 4.4 below.

Table 4.4 Well Developed Products and Services

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well developed products and services</td>
<td>Totally agree</td>
<td>51</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>78</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3.3 Good repayment periods

The respondents were also asked to give their views on whether KWFT’s repayment periods. 35%, (49) of the respondents totally agreed that KWFT had good repayment periods, 58% (80) agreed to the same, 7% (10) were neutral on their responses on the same. However, none of the respondents disagreed with the statement indicating that the majority of the respondents agreed to the good repayment periods. The results are presented in the Table 4.5 below.

Table 4.5 Good Repayment Periods

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good repayment periods</td>
<td>Totally agree</td>
<td>49</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>80</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>
4.3.4 Big loans And Adequate Amounts

The respondents also gave their views on whether KWFT offers big loans and adequate amounts. 32%, (45) of the respondents totally agreed that KWFT had good repayment periods, 62% (86) agreed to the same, 6% (8) were neutral on their responses on the same. However, none of the respondents disagreed with the above statement. The results are presented in the Table 4.6 below.

Table 4.6 Big Loans and Adequate Amounts

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big loans and adequate amounts</td>
<td>Totally agree</td>
<td>45</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>86</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>139</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

4.4 Accessing Products That KWFT Offers Versus Other Microfinance

The respondents were requested to indicate the extent to which they agree with the statements in relation to accessing products that KWFT offers versus other microfinance. The findings are tabulated in the Table 4.3 below.

Table 4.7 Statements on Accessing Products That KWFT Offers Versus Other Microfinance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better products and services</td>
<td>3.75</td>
<td>0.98</td>
</tr>
<tr>
<td>Good customer service</td>
<td>4.2</td>
<td>0.62</td>
</tr>
<tr>
<td>Opportunity for empowerment</td>
<td>4.01</td>
<td>0.73</td>
</tr>
<tr>
<td>Timely disbursement of funds</td>
<td>3.8</td>
<td>1.01</td>
</tr>
</tbody>
</table>
According to the findings as shown in the Table 4.7 the respondents agreed with the first statement of better products and services with a mean of 3.75 and a standard deviation of 0.98. The respondents also agreed with the second statement on good customer service with a mean of 4.2 and a standard deviation of 0.62. The study went further to determine response on the third statement of opportunity for empowerment the respondents the respondents agreed in their response with a mean of 4.01 and a standard deviation of 0.73. The fourth statement on the Timely disbursement of funds respondents agreed with a mean of 3.8 and a standard deviation of 1.01.

4.4.1 Better products and services
The respondents also gave their views still based on the Likert scale on whether KWFT offers better products and services. 35%, (49) of the respondents totally agreed that KWFT had better products and services than other MFIs, 58% (80) agreed to the same, 6% (8) were neutral on their responses on the same. However, 1% (2) of the respondents disagreed with the above statement. The results are presented in the Table 4.8 below.

Table 4.8 Better Products and Services

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better products and services</td>
<td>Totally agree</td>
<td>49</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>80</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>139</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Good Customer Service
The respondents were asked to give their views still based on the Likert scale on whether KWFT has good customer service. 37%, (51) of the respondents totally agreed that KWFT has good customer service, 55% (76) agreed to the same, 8% (12) were neutral on their responses on the same. However, none of the respondents disagreed with the above
statement whilst the majority agreed therefore indicating that KWFT has good customer service. The results are presented in the Table 4.9 below.

**Table 4.9 Good Customer Service**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good customer service</td>
<td>Totally agree</td>
<td>51</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>76</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

**4.4.3 Opportunity for empowerment**

The respondents were then asked to give their views, still based on the Likert scale on whether KWFT provides opportunity for empowerment. 24%, (33) of the respondents totally agreed, 64% (90) agreed to the same, 6% (8) were neutral on their responses on the same. However, a minority group of 6% (8) disagreed on the opportunity of empowerment by KWFT. The results are presented in the Table 4.10 below.

**Table 4.10 Opportunity For Empowerment**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity for empowerment</td>
<td>Totally agree</td>
<td>33</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>90</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>
4.4.4 Timely disbursement of funds

The respondents were then asked to give their views, based on the Likert scale on whether KWFT is timely on disbursement of funds to its clients. 23%, (32) of the respondents totally agreed, 68% (94) agreed to the same, 6% (8) were neutral on their responses on the same. However, a minority group of 3% (5) disagreed. The results are presented in the Table 4.11 below.

Table 4.11 Timely Disbursement of Funds

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity for empowerment</td>
<td>Totally agree</td>
<td>32</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>94</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

4.5 Impact That Has Been Seen From the Loan by the Borrowers

The respondents were again requested to indicate the extent to which they agree with the statements in relation impact that have been seen from the loan by the borrowers. The findings have been tabulated in the Table 4.12 below.

Table 4.12 Statements on Impact That Has Been Seen on the Borrowers

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased number of borrowers</td>
<td>4.03</td>
<td>0.84</td>
</tr>
<tr>
<td>Improved uptake of loans</td>
<td>3.92</td>
<td>0.86</td>
</tr>
<tr>
<td>Better repayment and credit worthiness</td>
<td>3.62</td>
<td>1.07</td>
</tr>
<tr>
<td>Increased satisfaction from borrowers</td>
<td>4.01</td>
<td>0.73</td>
</tr>
</tbody>
</table>
According to the findings displayed in the table the respondents agreed with the first statement improved number of borrower with a mean of 4.03 and a standard deviation of 0.84. The second statement on improved uptake of loans with a mean of 4.03 and a standard deviation of 0.84. The respondents agreed with the third statement on better repayment and credit worthiness with a with a 3.62 mean and a standard deviation of 1.07. The last statement on increased satisfaction from borrowers the respondents agreed with the statement on increased satisfaction from borrowers with a 4.01 mean and a standard deviation of 0.73.

4.5.1 Increased Number of Borrowers

The respondents were asked to give their views, based on the Likert scale on whether KWFT had seen an increase in the number of borrowers. 32%, (45) of the respondents totally agreed, 52% (72) agreed on the same, 11% (15) were neutral on their responses while the remaining 3% (5) disagreed. The results are presented in the Table 4.13 below.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased number of borrowers</td>
<td>Totally agree</td>
<td>45</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>72</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

4.5.2 Improved Uptake of Loans

The respondents were then asked to give their views, based on the Likert scale on whether KWFT had seen an improvement in the uptake of loans by the clients. 22%, (22) of the respondents totally agreed, 68% (95) agreed on the same, 6% (8) were neutral on their responses while a minority group of 4% (5) disagreed. The results are presented in the Table 4.14 below.
Table 4.14 Improved uptakes of Loans

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved uptake of loans</td>
<td>Totally agree</td>
<td>31</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>95</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

4.5.3 Better repayment and Credit Worthiness

The study also sought to establish whether the impact KWFT has on its borrowers is seen by better repayment and credit worthiness of the borrowers. 35%, (49) of the respondents totally agreed that there was better repayment and credit worthiness, 55% (76) agreed on the same, 9% (13) were neutral on their responses while a minority group of 1% (1) disagreed. The results are presented in the Table 4.15 below.

Table 4.15 Better Repayment and Credit Worthiness

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better repayment and credit worthiness</td>
<td>Totally agree</td>
<td>49</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>76</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

4.5.4 Increased Satisfaction From The Borrowers

The respondents gave their views to what extent borrowers express satisfaction on the services offered by KWFT. 21%, (29) of the respondents totally agreed that there was an increased satisfaction from its' borrowers, 66% (92) agreed on the same, 6% (8) were
neutral on their responses while the remaining 7% (10) disagreed. The results are presented in the Table 4.16 below.

**Table 4.16 Increased Satisfactions from Borrowers**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent</th>
<th>Frequency</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased satisfaction from the borrowers</td>
<td>Totally agree</td>
<td>29</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>92</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Totally disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>139</td>
<td>100</td>
</tr>
</tbody>
</table>

4.6 Correlations between the Study Variables

The table below shows the correlation of the study variables.

**Table 4.17 Correlations between the Study Variables**

<table>
<thead>
<tr>
<th>Pearson Correlation</th>
<th>Microfinance products</th>
<th>Interest rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance products</td>
<td>1.000</td>
<td>.835</td>
</tr>
<tr>
<td>Interest rates</td>
<td>.835</td>
<td>1.000</td>
</tr>
</tbody>
</table>

From the findings in Table 4.17, it is evident that there exists a significant positive correlation between microfinance products and interest rates evident by correlation coefficient of 0.835 which is close to 1, which shows a positive strong correlation between the two variables.

4.6.1 Regression model summary of the effect of independent variables on the dependent variable

From the results shown in Table 4.18, the model shows a goodness of fit as indicated by the coefficient of determination $r^2$ with value of .787. This implies that independent
variable Interest rate explains 78.7% of the variations as a result of the dependent variable. 39.5% of variations are brought about by factors not captured in the objectives.

Table 4.18: Regression model summary of the effect of independent variables on the dependent variable

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.887a</td>
<td>.787</td>
<td>.760</td>
<td>31.227</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), interest rates

The table below shows the Anova table. From the table it is seen that the relationship is highly significant with a p-value which is 0.01 that is less than 0.05. This shows a significant relationship between the study variables.

Table 4.19: Anova table of the effect of independent variables on the dependent variable

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1</td>
<td>28808.922</td>
<td>29.544</td>
<td>.001a</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>8</td>
<td>975.135</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9</td>
<td>36610.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Interest rates
b. Dependent Variable: Microfinance products

The table below shows the coefficient of determination for the study variable.

Table 4.20 Regression Coefficient of Determination of the effect of independent variables on the dependent variable

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>432.414</td>
</tr>
<tr>
<td>Family income</td>
<td>.001</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Microfinance products
The study conducted a multiple regression analysis so as to determine the relationship between the dependent variable (Microfinance products) and independent variable (Interest rates).

The regression equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha \) was:

\[
Y = 432.414 + 0.001 X_1 + 0
\]

Whereby \( Y = \text{Microfinance products}, X_1 = \text{Interest rates}; \)

The data findings analyzed show that taking all other independent variables at zero, a unit increase in interest rate will lead to a 0.01 increase in effect on microfinance products.

### 4.7 Chapter Summary

This chapter showed the data analysis and presentation of the study effect of interest rates on micro financial institutions products in Kenya. The researcher analyzed the data according to every objective of the study.

The next chapter will present the summary, discussions, conclusions and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussion of the findings, conclusions and recommendations and further research on the problem. The chapter begins with a summary of the study, followed by discussions on major findings and draws conclusions based on the same results. It also provides some recommendations for further studies.

5.2 Summary

The main purpose of the study is to assess the effect of interest rates on micro financial institutions products in Kenya. The study aimed to accomplish to the following research objectives: To determine the factors that lead to borrowers to take up loans from KWFT; to assess the products that KWFT offers versus other microfinance institutions; to assess the impact of loans issued by KWFT on its’ borrowers.

This study was conducted in KWFT headquarters and branches in Nairobi the researcher did not go outside Nairobi County because the information of effect of interest rates on micro finance is available in the county. The study took place in a period of two months. The research adopted a descriptive study. The study was carried out on employees from the branches of Kenyan women finance trust branches in Nairobi County. The respondents of the study were the management and employees of KWFT. The study chose these respondents because they are able to gauge the effect brought about by the change in interest rates required by the study. The sample for the study was 150 respondents. Data collection was done through questionnaire. Data collected through questionnaires was analyzed and summarized to answer the research questions of the study. Microsoft excel and SPSS statistical packages were used to analyze and present the research findings which were presented in tables and figures.

A total of 150 questionnaires were sent to the respondents 139 were successful retrieved. This is displayed. The response rate was 93% from the total questionnaires sent to respondents. From the findings showed that a Majority (45%) were male while 55% were female respondents. The findings showed that the 35 percent of the total respondents were
of age 18-30 years, 22 percent were between 31-40 years of age, 16 percent were between 41-50 years of age, and 27 percent were of above 50 years of age. From the study findings show 38% indicated that they had a diploma as their highest academic qualification, 45% of the respondents indicated that they had degree as their highest level of education, 16% had a master’s degree.

Respondents indicated their position in the microfinance the majorities (84%) were employees and 16% were employees. The study showed that the Majority (45%) had worked for a period of 0-3 years, 42% had worked for 4-7 years, 9% had worked for a period of 8-10 years and lastly 4% had worked for a period of above 10 years.

The study established that the microfinance product and services prices were influenced by the interest rate to a large extent. The study determined that the political environment affected the microfinance industry and from the findings showed that the majority (83%) felt that the political environment did affect the microfinance.

The study sought to determined that the stability experienced in the microfinance industry was as a result of the central bank regulation and supervision the findings shows that a majority (92%) agreed that the existing central bank regulation and supervision was instrumental to the stability experience in the industry. a minority of 8% responded that the stability was as result of other factors such as sound business practice in the microfinance industry. The study determined that the routine examinations done by the central bank on the microfinance industry impacted the industry to a large extent.

The study determined the central bank has instilled public confidence in the microfinance industry findings showing that the majority (71%) of respondents felt the central bank helped in instilling public confidence. The study the management issues affecting the management of the banking sector and the majority of the respondents indicated it affected to a large extent. The study determined the number of microfinance banks helped determine the levels of interest rates where a majority (72%) felt that the microfinance banks did have an influence in determining the interest rates.
5.3 Discussion

5.3.1 Factors That Lead To Borrowers to Take Up Loans from KWFT

The study was able to find out that borrowers take up loans from KWFT due to their low interest rates compared to other microfinance in the country, well developed products and services which meet the client’s needs, good repayment periods, big loans and adequate amounts. This led to more uptakes of loans. This concurs with (Kamanza, 2014) study, where he identified that factors such as loan size and repayment periods heavily influenced the uptake of loans among women. Ochola and Okelo (2013), found products and services by microfinance that were well developed had an impact on women entrepreneurship. This influenced women’s decision on picking a product.

According to Micro rate (2009) the loan size in KWFT is considered adequate by the clients in the accomplishment of their financial obligation, they also noted that the repayment period was adequate and sufficient. (Ray, 1998) asserts that there exists a strong demand for credit service, such as small loans in the low income household. This need can be separated into three: credit needed for fixed capital, this refers to money needed for startups, expansions, new technology etc.,; credit needed for working capital which is necessary for the ongoing production, and credit needed for consumption, which main aims are to smoothen out the sudden gaps that arise between income and expenses (Ray, 1998).

The poor individuals have a demand credit but they still face various challenges in accessing this credit. The lack of formal financial institutions in most developing nations for the low income persons there still exists financial services which are in other forms for the poor. The financial market has been characterized by both a formal and an informal financial market in the developing nation (Chandavarkar, 1992). It is the work of the microfinance to provide financial service to this neglected subsector which doesn’t have the necessary requirements to acquire loans from other formal financial services.

Savings play a major role in both performance and outreach of MFIs through four major way which include: Savings is a source of relatively cheap funds because it normally attracts low interest rates compared to commercial loans; savings affects outreach as a financial service as MFIs not providing savings services may achieve lower outreach than
MFIs providing savings; savings mobilization provide relatively less costly information during loan appraisal process; savings may improve corporate governance of the MFI and increased outreach (Robinson, 2004). Adding the savings to its activities allowed KWFT to boost its core credit business. Moreover, a savings product directly addresses the needs of the family. Women in particular benefit from transactional accounts, giving them greater financial independence. They can access the family savings for everyday purchases or invest in one-off goods and services which help to improve family life. Long-term savings products for example, give clients the opportunity to provide for health and school expenses.

KWFT has built competence in developing products that seek to address the needs of the whole family. Its marketing strategy is to touch all aspects of family life and includes products such as consumer credit for water tanks or housing projects, loans for energy (notably solar), and agricultural development (both land cultivation and fisheries). To promote the well-being of the family, loan products ameliorate everyday life, health, and financial growth. All these summed up, have drawn more people to be associated with KWFT as its’ preferred MFI for loan products.

5.3.2 Accessing Products That KWFT Offers Versus Other Microfinance

The study found out that product offered in KWFT were better leading to the borrowers opting for KWFT products. The study found out that KWFT had timely disbursement of funds, good customer service and opportunity for empowerment. Kalai (2004) found that women in entrepreneurship will look for the best products that will be able to help them in achieving their business. Matonda (2011) noted that women want product and services from microfinance that were able to grow their business and help them improve their social economic development. He noted good products helped the women be able to have adequate funding to perform their business.

According to Micro rate (2009) KWFT products are among the best products provided by microfinance banks in Kenya. Microfinance is a way used to deliver loans products to poor the persons in society and is also a way used to alleviate poverty (Armentáriz de Aghion and Morduch, 2005). Microfinance institutions are tasked to provide bank products to those who are unable to get them from the formal banking system. Not only do they provide loan products, they provide saving and insurance services to this individuals (Armentáriz de Aghion and Morduch, 2005).
Dobra (2011) argued that the products by microfinance do more than provide an opportunity for self-employment through funding, but also help contribute individual livelihoods and households. Furthermore, microfinance products continue to positively affect the social situation of poor persons through the promoting of self-confidence and increasing the capacity of the person to play a more important role in the community (Dobra, 2011). An advantage of microfinance service over formal financial services is the opportunity of getting a group based loan in which each group member acts as a guarantee for collateral on each other’s behalf. Bigger group guarantee bigger loans. The loan repayment amounts are repaid regularly in small sums this makes it possible for each borrower in the group to be able to repay his loan. As the group continues to make more repayments as they are able to acquire larger access to larger loans sums (Arun et al., 2009).

Microfinance products resolve problems which keep the poor from accessing financial services due to their easy access. Microfinance institutions help in providing business support and technical guidance to their clients. This helps in improving the performance of the clients businesses. The reasoning is that a client business which is performing well is more likely improve in performance and is which will make it more likely for the borrower to repay the microfinance loan. Microfinance products assist in the provision of more funds to help even the clients be able to diversify their portfolio since members of microfinance institutions often engage in various economic activities (Islam, 2007).

Despite the common belief that microfinance helps women, few programs have come up with concrete ways to meet the distinct demands of poor women for saving services. Johnson (1999) notes that product design in microfinance rarely addresses gender specific aspects of the use of financial services. KWFT on the other hand has seen a growth in terms of active members, disbursement of loans, outstanding loans, number of staff due to expansion so as to serve more people and the program’s self-sufficiency. This is because of its’ strong foundation in advancing and promoting women in viable business by providing access to financial services to the needs of the women.

Wright (2000) states that much of the scepticism of MFIs stems from the argument that microfinance projects fail to reach the poorest, generally have a limited effect on income; drive women into greater dependence on their husbands and fail to provide additional
services desperately needed by the poor. In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from “more pressing or important interventions” such as health and education. KWFT does this by providing loan products such as Elimu loans, Emergency loans, Business loans and Energy loans that cater for all kinds of needs.

5.3.3 Impact That Has Been Seen From the Loan by the Borrowers

The study found that KWFT had impact on borrower’s lives and livelihoods. This was seen in the increased satisfaction from borrowers, improved uptake of loans, better repayment and credit worthiness and improved number of borrowers. According to Beverly et al. (2011) asserts that microfinance have the ability to change the life of people through proving finance to the unbanked. This is collaborated by Athanne (2011), who asserts that the rise of microfinance has helped groups that were considered unbanked be able to achieve banking service. Amongst this groups are women who have been identified as a group that can be able to change the lives of the community economically and socially. Armendariz & Murdoch (2010) identified that all over the world, microfinance banks have been able to change poor people’s lives greatly.

Kalyani & Kumar (2011) identified that people’s lives were able to change lives in Asian countries like Bangladesh, Pakistan and Nepal. The microfinance institutions have been able to spur economic growth making them be able to grow business by lending entrepreneurs’ funds to grow their business. Studies such as McDonald (2010) have identified that the lack of capital hinders the growth of business and in turn reduces the economic activity. Microfinance institutions have enabled women empowerment through the placing of capital in their hands and enabling them to be able to start business which have helped them to contribute economically in their households (Cheston and Kuhn, 2002). Through microfinance, women and other vulnerable groups in society have been able to acquire banking and insurance service which they could not have accessed earlier.

Women’s economic empowerment is expected to lead to an increased well-being for the women and their families. It has been seen as also an opportunity to create social empowerment leading to gender equality (Mayoux, 2001). Batilwala (1997) defined empowerment as a process that changes existing power relations by addressing itself to three dimensions which are: material, human and intellectual resources. Women have been constrained in the past when it comes to voice, education, employment, health care
due to gender bias and MFIs like KWFT provide this platform. These gender related constraints that affect women’s from achieving their full potential in society (UNDESA, 2009). It is important for these challenges to be removed so that women empowerment can take place. The use of microfinance to remove the challenge of accessing finance by women has helped in improving their lives and livelihoods. Women in the informal sector have been seen as the best weapon on poverty at the family level. Women as micro and small entrepreneurs have been increasingly been a key target group for micro-finance institutions (Hawtrey and Liang, 2008).

By providing access to micro-finance services, it is considered a necessary pre-condition in the poverty alleviation attempts and also a tool for women’s empowerment (Lloyd, 2006). Poor women have been consistently recognized as being better borrowers and have been of interest to the financial institution due to their ability to repay loans. But despite being a proven positive effect of in the reduction of poverty providing of microfinance services to the unbanked microfinance is just one tool among many others employed to address the various causes of unemployment, poverty and social exclusion around the world (Rahma, Younus, Akther, & Rahim, 2013).

Dichter (1999) states that microfinance is a tool for poverty reduction. Poverty is more than just a lack of income. Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that there is a significant difference between increasing income and reducing poverty. He further argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends what the poor do with this money, oftentimes it is gambled away or spent on alcohol, so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to sustain a specified level of well-being by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved. KWFT as an MFI evaluates the impact it has had on its clients as Trust’s objective. From the broad variety of loan products the institution offers, one of them being the energy loans, offer clients with lighting solutions, cooking solutions, water and hygiene solutions; agricultural loans which finance farmers so as to engage in agribusiness ventures through a broad variety of products.
5.4 Conclusion

The study made the following conclusions;

5.4.1 Factors That Lead To Borrowers to Take Up Loans from KWFT

The study was able to conclude that borrowers preferred KWFT products due to their low interest rates compared to other microfinance in the country, well developed products and services which meet the client’s needs, good repayment periods, big loans and adequate loans. In addition the institution offers a variety of products that cater for the welfare and needs of the clients in terms of business needs, education for their children, health and living standards. This impacted their decisions to choose KWFT as their microfinance institution of choice.

5.4.2 Accessing Products That KWFT Offers Versus Other Microfinance

The study concludes that products offered in KWFT were better appealing to the borrowers due to loan options offered to the clients like business loans, education loans, energy loans, consumer loans and “chama” saving accounts therefore opting for KWFT products. The study concluded that KWFT had timely disbursement of funds, good customer service and opportunity for empowerment. Due to this products and service the borrowers preferred KWFT over the other microfinance banks.

5.4.3 Impact That Has Been Seen From the Loan by the Borrowers

Microfinance interventions have also been shown to have a positive impact on the education of its’ borrowers’ children. Also the access to microfinance products has led to the enhancement in the quality of life of the borrower, an increase in their self-confidence and has helped them greatly to look into various livelihood strategies and therefore increasing their income.

The study concludes that KWFT had impact on borrower’s lives and livelihoods through the provision of banking service. This was seen to result in the increased satisfaction from borrowers, improved uptake of loans, better repayment and credit worthiness and improved number of borrowers. These shows that the microfinance banking has had impact on the livelihoods of its clients improving their live.
5.5 Recommendations

The study made the following recommendations.

5.5.1 Suggestions for Improvement

5.5.1.1 Factors That Lead To Borrowers to Take Up Loans from KWFT

Competition has been the driving force for various industries to grow. Similarly microfinance institutions in Kenya compete in giving clients the most affordable and attractive products. The study revealed that the products of the company were the reason why borrowers get their loans from KWFT and so the study recommends that the microfinance institutions keep on developing better products to ensure that the clients are satisfied and needs are met. It would also be a great plan for MFIs to have a product development department that solely conducts research on the needs of the clients before introducing products to the market.

5.5.1.2 Accessing Products That KWFT Offers Versus Other Microfinance

The study revealed that the products offered by KWFT, were more attractive to clients; this represents a competitive edge and the study recommends that the microfinance institutions continue in developing more unique products and services. MFIs should provide a variety of products that the client can select from an individual point of view, from a business point of view, from a household point of view and from an investor’s point of view. MFIs should also train their employees to acquire the right set of skills and equip them with knowledge on microfinance so as to create an innovative environment for more products.

5.5.1.3 Impact That Has Been Seen From the Loan by the Borrowers

The study was able to reveal that loans given to clients were able to change lives and give clients a chance to access banking services. The study therefore recommends that the MFIs continue offering their services and expanding the market to be able to cater for more people. The study also recommends MFIs should open up more offices or satellite offices in the rural areas to have a greater outreach on the low income earners. MFIs should also have events that sensitize people on their products in different regions so as to draw more people to the benefits of microfinance products.
Finally the research recommends that the government should formulate and review the existing policies on microfinance and financial empowerment to women in Kenya to incorporate the emerging issues due to volatility of the banking industry.

5.5.2 Recommendations for Further Studies

The study focused on the effect of interest rates on microfinance in KWFT. The study focused only on branches in Nairobi County and so the study recommends further study on other branches outside Nairobi. Further, the research should be carried out on other microfinance institutions in Kenya. The study also recommends further studies on other factors that affect microfinance institutions’ products in Kenya other than interest rates.
REFERENCES


Arsyad, L. (2005): An Assessment of Performance and Sustainability of Microfinance Institutions


APPENDICES

APPENDIX I: INTRODUCTORY LETTER

Nancy W. Mwangi,
United States International University,
P.O. Box 14634 – 00800,
Nairobi, Kenya.

Dear Respondent,

RE: RESEARCH STUDY.

I am a graduate student at the United States International University (USIU) – Africa pursuing a Masters degree in Business Administration (MBA). As part of my program, I am currently undertaking a research study research project on “Effect of Interest Rates on Microfinance Institutions’ Products; A Case Study of Kenya Women’s Finance Trust”, with the aim of identifying factors that lead borrowers to take up loans and the impact of the loans on the lives of the borrowers.

Your participation in this study is essential and will be highly appreciated. Kindly spare a few minutes to fill in the attached questionnaire which will take you approximately 10 minutes to answer.

I assure you the information provided will be treated with the utmost confidentiality and will only be used for academic purposes. Thank you for your time.

Yours faithfully,

Nancy Mwangi.
APPENDIX II: QUESTIONNAIRE

Instructions:

Please read each question carefully and follow the instructions. Kindly answer all the questions by ticking or filling in the spaces provided. All responses given will be treated with a lot of confidentiality.

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY BEFORE YOU START FILLING THE QUESTIONNAIRE

1. Please read each question carefully.

2. For questions requiring you to choose the extent of agreement or importance indicate only one appropriate choice on scale of 1-5

3. Fill in answers to all questions with blank spaces.

4. Do not indicate your name on the questionnaire

SECTION A

PART I: RESPONDENTS BIO DATA

1. Branch of the KWFT

2. Age (years)

3. Position (Title) in the institution Department/Section

4. What is your highest level of education? □ Diploma □ Degree □ masters □ Doctorate others, please specify

5. How long have you been with KWFT? □ Less than 5 years □ 5 – 10 year’s □ 11 – 15 years’ □ Over 15 years
SECTION B

1) Micro finance product and services prices in the market are influenced by the interest rate?
   - Very Great extent [ ]
   - Great extent [ ]
   - Moderate extent [ ]
   - Low extent [ ]
   - No extent at all [ ]

2) Political environment in the economy has an effect on micro finance?
   - Yes
   - No
   Kindly explain ___________________________________________
     _______________________________________________________
     _______________________________________________________
     _______________________________________________________

3) The stability in the microfinance banking is a result of efficient regulation and supervision by central bank?
   - Yes
   - No
   Kindly explain ___________________________________________
     _______________________________________________________

4) Routine examination by central bank has helped to reduced interest rate?
   - Very Great extent [ ]
   - Great extent [ ]
   - Moderate extent [ ]
   - Low extent [ ]
   - No extent at all [ ]
5) The activities of the central bank have helped to instill public confidence in Kenya microfinance banking industry?

☐ Yes  ☐ No

Kindly explain ________________________________

__________________________________________

6) Effective banking supervision has helped to address management issues in Kenya banking sector?

Very Great extent [ ]

Great extent [ ]

Moderate extent [ ]

Low extent [ ]

No extent at all [ ]

7) The number of microfinance banks in the economy determine the level of interest rates.

☐ Yes  ☐ No

Kindly explain ________________________________

__________________________________________

8) Government control and supervision has ensured regulated interest rate spread in Kenya.

Very Great extent [ ]

Great extent [ ]

Moderate extent [ ]

Low extent [ ]

No extent at all [ ]
SECTION C

PART ONE: Factors That Lead To Borrowers to Take Up Loans from KWFT

1) State the extent to which you agree with the following statement regarding the Factors That Lead to Borrowers to Take up Loans from KWFT.

On a scale of 1 – 5 where 1 represents strongly disagree and 5 strongly agree.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Low interest rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Well developed products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Good repayment periods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Big loans and adequate amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PART TWO: Accessing Products That KWFT Offers Versus Other Microfinance

1) State the extent to which you agree with the following statement regarding the Accessing Products That KWFT Offers Versus Other Microfinance on a scale of 1 – 5 where 1 represents strongly disagree and 5 strongly agree.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Better products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Good customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Opportunity for empowerment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Timely disbursement of funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PART THREE: Impact That Have Been Seen From the Loan by the Borrowers

1) State the extent to which you agree with the following statement regarding the Impact That Have Been Seen from the Loan by the Borrowers on a scale of 1 – 5 where 1 represents strongly disagree and 5 strongly agree.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Increased number of borrowers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Improved uptake of loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Better repayment and credit worthiness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Increased satisfaction from the borrowers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX III: COMPARISON BETWEEN KWFT, BIMAS, JAMII BORA

PRODUCTS

1) KENYA WOMEN FINANCE TRUST

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Non-Bank Financial Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is this institution regulated?</td>
<td>Yes</td>
</tr>
<tr>
<td>Website address</td>
<td><a href="http://www.kwftdtm.com">http://www.kwftdtm.com</a></td>
</tr>
<tr>
<td>Year established</td>
<td>1982</td>
</tr>
<tr>
<td>Head of Institution</td>
<td>Mwangi Githaiga</td>
</tr>
<tr>
<td>Regions active</td>
<td>Central, Coast, Eastern, Nairobi, North Eastern, Nyanza, Rift Valley, Western</td>
</tr>
<tr>
<td># Branches</td>
<td>235</td>
</tr>
</tbody>
</table>

Source: MFT (2013)

| Total Portfolio (nat'l)    | KES 13,743,335,462               |
| Total Portfolio (USD)      | USD 165,982,312.30               |
| Active clients with loans  | 250,748                         |
| Approximate % female clients | 80% - 100%                     |
| Approximate % urban clients | 0% - 20%                        |
| Network affiliations       | Women's World Banking, AMFI, AFRACA |
| Funders                    | KWH, Employee Share Ownership Plan (ESOP) |

Source: MFT (2013)

Loan Products

<table>
<thead>
<tr>
<th>Product</th>
<th>Borrowers</th>
<th>Portfolio</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biashara</td>
<td>219,089</td>
<td>USD 147,326,470.70</td>
<td>Active</td>
</tr>
<tr>
<td>Consumer</td>
<td>3,642</td>
<td>USD 1,049,663.59</td>
<td>Active</td>
</tr>
<tr>
<td>Mwangaza</td>
<td>38,391</td>
<td>USD 3,285,406.97</td>
<td>Active</td>
</tr>
<tr>
<td>Start Up</td>
<td>12,383</td>
<td>USD 1,115,568.65</td>
<td>Active</td>
</tr>
</tbody>
</table>

Source: MFT (2013)
### Loan Products and Conditions

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Loan Size Range</th>
<th>Loan Term (months)</th>
<th>% Female</th>
<th>% Urban</th>
<th>Loan Purpose</th>
<th>Eligibility</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biashara Loan</td>
<td>KES 10,000 - 45,000,000</td>
<td>6 – 60</td>
<td>60% - 80%</td>
<td>0% - 20%</td>
<td>Business</td>
<td>Women, Have business</td>
<td>Credit Educ, Group Mtgs, Tech Asst Visits, Business Training, Other Training, Health education, Women empowerment</td>
</tr>
<tr>
<td>Consumer Loan</td>
<td>KES 10,000 - 200,000</td>
<td>6 – 18</td>
<td>80% - 100%</td>
<td>0% - 20%</td>
<td>Consumer</td>
<td>Women, Have business</td>
<td>Credit Educ, Group Mtgs, Tech Asst Visits, Business Training, Other Training, Leadership, Women empowerment</td>
</tr>
<tr>
<td>Elimu Loan</td>
<td>KES 5,000 - 200,000</td>
<td>6 – 12</td>
<td>80% - 100%</td>
<td>0% - 20%</td>
<td>Education</td>
<td>Women, Have business, Evidence of school admission/attendance</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Tech Asst Visits, Business Training</td>
</tr>
<tr>
<td>Agricultural Loan</td>
<td>KES 10,000 - 45,000,000</td>
<td>6 – 36</td>
<td>80% - 100%</td>
<td>0% - 20%</td>
<td>Business, Agriculture</td>
<td>Women, Have business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Tech Asst Visits, Business Training, Other Training, Leadership, Women Empowerment</td>
</tr>
<tr>
<td>Energy Loan</td>
<td>KES 50,000 - 200,000</td>
<td>6 – 36</td>
<td>80% - 100%</td>
<td>0% - 20%</td>
<td>Business, Other</td>
<td>Women, Have business</td>
<td>Credit Educ, Group Mtgs, Tech Asst Visits, Business Training, Other Training, Leadership, Women empowerment</td>
</tr>
<tr>
<td>Asset Financing Loan</td>
<td>KES 50,000 - 10,000,000</td>
<td>6 – 60</td>
<td>80% - 100%</td>
<td>0% - 20%</td>
<td>Business</td>
<td>Women, Must be willing to set up a viable business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Tech Asst Visits, Business Training, Other Training</td>
</tr>
</tbody>
</table>

**Source:** MFT (2013)
2) BUSINESS INITIATIVE AND MANAGEMENT ASSISTANCE SERVICES

<table>
<thead>
<tr>
<th>Institution Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Institution Type</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>Is this institution regulated?</td>
<td>No</td>
</tr>
<tr>
<td>Website address</td>
<td><a href="http://www.bimaskenya.com">http://www.bimaskenya.com</a></td>
</tr>
<tr>
<td>Year established</td>
<td>1997</td>
</tr>
<tr>
<td>Head of Institution</td>
<td>Patrick Gathondu</td>
</tr>
<tr>
<td>Regions active</td>
<td>Central, Eastern, Nairobi, Rift Valley</td>
</tr>
<tr>
<td># Branches</td>
<td>19</td>
</tr>
</tbody>
</table>

**Source: MFT (2013)**

<table>
<thead>
<tr>
<th>Portfolio Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Portfolio (nat'l)</td>
<td>KES 397,880,258</td>
</tr>
<tr>
<td>Total Portfolio (USD)</td>
<td>USD 4,805,317.13</td>
</tr>
<tr>
<td>Active clients with loans</td>
<td>10,118</td>
</tr>
<tr>
<td>Approximate % female clients</td>
<td>40% - 60%</td>
</tr>
<tr>
<td>Approximate % urban clients</td>
<td>40% - 60%</td>
</tr>
</tbody>
</table>

**Source: MFT (2013)**
<table>
<thead>
<tr>
<th>Product Name</th>
<th>Loan Size Range</th>
<th>Loan Term (months)</th>
<th>% Female</th>
<th>% Urban</th>
<th>Loan Purpose</th>
<th>Eligibility</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitimu Loan</td>
<td>KES 10,000 - 80,000</td>
<td>3 - 12</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Education</td>
<td>Women, Men</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Business Training, Other Training</td>
</tr>
<tr>
<td>Imarika Loan</td>
<td>KES 50,000 - 200,000</td>
<td>3 - 18</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Business</td>
<td>Women, Men, Have business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Business Training, Other Training</td>
</tr>
<tr>
<td>Mama Plus Loan</td>
<td>KES 10,000 - 200,000</td>
<td>6 - 12</td>
<td>80% - 100%</td>
<td>40% - 60%</td>
<td>Business</td>
<td>Women, Have business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Business Training, Other Training</td>
</tr>
<tr>
<td>Mifugo Loan</td>
<td>KES 50,000 - 100,000</td>
<td>9 - 12</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Agriculture</td>
<td>Women, Men, Have business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Business Training, Other Training</td>
</tr>
<tr>
<td>Msingi Loan</td>
<td>KES 20,000 - 300,000</td>
<td>3 - 18</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Business, Agriculture</td>
<td>Women, Men, Have business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Business Training, Other Training</td>
</tr>
<tr>
<td>Upesi Loan</td>
<td>KES 10,000 - 50,000</td>
<td>3 - 6</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Business, Consumer, Other</td>
<td>Women, Men, Have business</td>
<td>Credit Educ, Group Mtgs, Business Training, Other Training</td>
</tr>
<tr>
<td>Biashara Loan</td>
<td>KES 300,000 - 3,000,000</td>
<td>18 - 24</td>
<td>40% - 60%</td>
<td>0% - 20%</td>
<td>Business</td>
<td>Women, Men, Have business</td>
<td>Credit Educ, Credit Ins, Business Training</td>
</tr>
</tbody>
</table>

Source: MFT (2013)
3) **JAMII BORA**

**Institution Details**

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is this institution regulated?</td>
<td>Yes</td>
</tr>
<tr>
<td>Website address</td>
<td><a href="http://www.jamiibora.org/">http://www.jamiibora.org/</a></td>
</tr>
<tr>
<td>Year established</td>
<td>1999</td>
</tr>
<tr>
<td>Head of Institution</td>
<td>Mr Samuel Kimani</td>
</tr>
<tr>
<td>Regions active</td>
<td>Central, Coast, Eastern, Nairobi, Nyanza, Rift Valley, Western</td>
</tr>
<tr>
<td># Branches</td>
<td>58</td>
</tr>
</tbody>
</table>

**Source: MFT (2013)**

<table>
<thead>
<tr>
<th>Total Portfolio (nat'l)</th>
<th>KES 279,407,650</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Portfolio (USD)</td>
<td>USD 3,374,488.53</td>
</tr>
<tr>
<td>Active clients with loans</td>
<td>2,446</td>
</tr>
<tr>
<td>Approximate % female clients</td>
<td>40% - 60%</td>
</tr>
<tr>
<td>Approximate % urban clients</td>
<td>60% - 80%</td>
</tr>
</tbody>
</table>

**Source: MFT (2013)**
## Loan Products > Conditions

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Loan Size Range</th>
<th>Loan Term (months)</th>
<th>% Female</th>
<th>% Urban</th>
<th>Loan Purpose</th>
<th>Eligibility</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daraja Individual</td>
<td>KES 100,001 - 500,000</td>
<td>6 – 24</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Business</td>
<td>Women, Men, Have business, Must have taken at least 3 Micro Individual loans with a perfect repayment rate.</td>
<td>Credit Educ, Credit Ins, Business Training</td>
</tr>
<tr>
<td>Micro Individual</td>
<td>KES 5,000 - 100,000</td>
<td>1 – 12</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Business</td>
<td>Women, Men, Have business, Must have saved money in a Jamii Bora account for at least six weeks</td>
<td>Credit Educ, Credit Ins, Business Training</td>
</tr>
<tr>
<td>Daraja Group</td>
<td>KES 100,000 - 500,000</td>
<td>24</td>
<td>20% - 40%</td>
<td>40% - 60%</td>
<td>Business</td>
<td>Women, Men, Have business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Business Training</td>
</tr>
<tr>
<td>Micro Group</td>
<td>KES 5,000 - 100,000</td>
<td>12</td>
<td>40% - 60%</td>
<td>40% - 60%</td>
<td>Business</td>
<td>Women, Men, Have business</td>
<td>Credit Educ, Group Mtgs, Credit Ins, Business Training</td>
</tr>
</tbody>
</table>

Source: MFT (2013)