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The Effects of Microlending on Poverty Alleviation in Rural Kenya - A Case Study of Kinango Constituency

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Abstract:
Micro lending is important in increasing income activities, creates employment opportunities and also leads to better living standards of people. It has assisted many, especially people in rural areas who are unable to get loans from modern banks and who lack the collateral required by the banks. The purpose of the Study was to evaluate the effects of micro lending on poverty alleviation in rural Kenya The specific objectives was: To evaluate the effect of government policy about micro lending on poverty alleviation in rural Kenya, to analyze the effect of change in technology about micro lending on poverty alleviation in rural Kenya, to assess the impact of credit terms on poverty alleviation in rural Kenya, to examine the effect of borrowers Culture on poverty alleviation.
The study utilized survey study approach in order to enable the researcher carry out in-depth investigations of the effects of micro lending on poverty alleviation. The target population was 1250 members of Micro lenders with a sample size of 125 members. The data was coded and edited for completeness and accuracy before being analyzed using SPSS.
The study utilized the stratified random sampling method and simple random sampling to determine the final sample. The strata was the Micro lenders located in Kinango Constituency. The researcher collected data through assisted self-administered questionnaires to the respondents. The results was analyzed in terms of descriptive statistics (frequencies and percentages) followed by correlation on the independent and dependent variables. Presentation of data was done using tables and graphs.

1. Introduction

1.1. Background
Across the world almost every country has to face the poverty. Poverty is the condition in which low-income people cannot meet the basic needs of life. This situation leads to many difficulties mostly like high illiteracy, decreased health facilities, decreased quality of life these motivate human beings to commit crimes . Poverty is defined by several authors as it is the situation of having not enough money to meet the basic needs (Hulme and Paul, 1997).
Abebe (2006) poverty at its broadest level can be said to be a state of deprivation of decent human life. This is caused by lack of capabilities to acquire basic human needs, but often reinforcing parameters which include malnutrition, ignorance, prevalence of diseases, and maternal mortality, low life expectancy, degradation, unemployment, rural-urban migration and poor communication. Poverty is caused by both internal and external factors. Whereas the internal causes can be clustered into economic, environmental and social factors, the external causes relate to international trade, the debt burden and the refugee problem.
Micro lending can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, gradually build their well being, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life (Holmes 2006).
According to KIHBS the number of poor individuals in Kwale county is 535,821 and the poverty rate estimates is 72.9% . Kinango Constituency is a small rural town (15084.1km2) located in the interior parts of Kwale County in Kenya. Major micro-lending schemes are being initiated in this area as alternative source of financial service for low income earners as a means to raise their income hence reducing the poverty level. Governments, donors and NGOs have responded enthusiastically with plans and promised to work together towards the realization of the vision 2030 and millennium development goals.

1.1.1. Poverty alleviation Programs in Kinango Constituency

→ Economic liberalization

Extending property rights protection to the poor is one of the most important poverty reduction program.Securing property rights to land, the largest asset for most societies, is vital to their economic freedom. The World Bank concludes that increasing land rights is 'the key to reducing poverty' citing that land rights greatly increase poor people's wealth, in some cases doubling, it is estimated that state recognition of the property of the poor would give them assets worth 40 times all the foreign aid since 1945 (Kumar,2011)

→ Capital, infrastructure and technology

According to Barr,(2004) long run economic growth per person is achieved through increases in capital that is factors that increase productivity, both human and physical, and technology. Improving human capital, in the form of health, is needed for economic growth. Human capital, in the form of education, is an even more important determinant of economic growth than physical capital.

→ Employment and productivity

Economic growth has the indirect potential to alleviate poverty, as a result of a simultaneous increase in employment opportunities and increase labour productivity. A study by researchers at the Overseas Development Institute (ODI) of 24 countries that experienced growth found that in 18 cases, poverty was alleviated. However, employment is no guarantee of escaping poverty, the International Labour Organization (ILO) estimates that as many as 40% of workers as poor, not earning enough to keep their families above the $2 a day poverty line(Celia,2007).

Bradley and Stephens(2003) explains that the increases in employment without increases in productivity leads to a rise in the number of "working poor", which is why some experts are now promoting the creation of "quality" and not "quantity" in labour market policies. This approach does highlight how higher productivity has helped reduce poverty in East Asia, but the negative impact is beginning to show. Furthermore, productivity increases do not always lead to increased wages, as can be seen in the US, where the gap between productivity and wages has been rising since the 1980s. The ODI study showed that other sectors were just as important in reducing unemployment, as manufacturing. The services sector is most effective at translating productivity growth into employment growth. Agriculture provides a safety net for jobs and economic buffer when other sectors are struggling.

→ Helping farmers

According to Stern (2002) raising farm incomes is described as the core of the antipoverty effort as three quarters of the poor today are farmers. Estimates show that growth in the agricultural productivity of small farmers is, on average, at least twice as effective in benefiting the poorest half of a country's population as growth generated in non agricultural sectors. For example, a 2012 study suggested that new varieties of chickpea could benefit Ethiopian farmers in future. The study assessed the potential economic and poverty impact of 11 improved chickpea varieties, released by the national agricultural research organization of Ethiopia in collaboration with the International Crops Research Institute for the Semi-Arid Tropics, (ICRISAT).

1.2. Statement of the Problem

Rigorous empirical analysis in the issue of statistical impact of lending began in the1990s. However, the studies remain few in addressing the effectiveness of micro lending on poverty alleviation (Adam & Pische,1992). The introduction of micro lending is seen as the best alternative source of financial services for low income earners in rural areas as a means to raise their income, hence reducing their poverty level. Strategies such as formation of micro lending programmes through churches for example, ECLOF of the Catholic Church, SMEP of NCCK and NGOs like Faulu Kenya, KWFT and government initiatives such as the youth women and people with disability funds have been formulated over time to transform the status of entrepreneurs in Kenya economically.

Majority of the rural people in developing countries are living below the poverty line and there nations are working to create their own national poverty reduction strategies. Kenya is one of the developing countries and is working hard to reduce poverty level so as to meet the target set in the vision 2030 and the millennium development goals.

The introduction of micro lending is seen as the best alternative source of financial service for low income earners in the rural areas as a means to raise their income hence reducing their poverty level and increasing their living standards. The growth of micro lending has been fueled by the conscious actions of national governments, non-governmental organizations (NGO'S) and donors who view micro lending as an effective tool for alleviating poverty. However micro lending are faced with many problems like low outreach, limited funding alternatives, weak internal control system and lack of research to understand people's needs. Due to high level of illiteracy among the poor living in the rural it may be difficult for the people to understand the objectives of micro lending as a tool for poverty alleviation.

The main focus of this study was to present evidence of the important contributions to be achieved by micro lending in the eradication of poverty to the rural people of Kinango constituency, by improving their living standards through increased income generating activities, empowerment of poor people to access development services such as health and education and to identify the constraints that it will face in its effort to reach the poor.

The purpose of this study therefore was to determine the extent to which Micro lending contribute to poverty alleviation in rural Kenya, a case study of Kinango constituency.

1.3. Objectives of the Study

1.3.1. General Objective
The main objective of this study was to determine the effects of micro lending on poverty alleviation in rural Kenya

1.3.2. Specific Objectives
i. To evaluate the effect of government policy about micro lending on poverty alleviation in rural Kenya
ii. To analyze the effect of change in technology about micro lending on poverty alleviation in rural Kenya
iii. To assess the impact of credit terms on poverty alleviation in rural Kenya
iv. To examine the effect of borrowers Culture on poverty alleviation in rural Kenya

1.4. Hypothesis
The objectives of this study were fulfilled by testing the three hypotheses stated both in terms of null (HO_1) and alternative hypotheses (HA1).

Hypothesis
i. Hypothesis One
HO_1: Government policy has no significant effect on poverty alleviation in rural Kenya.
HA_1: Government policy has significant effect on poverty alleviation in rural Kenya.
ii. Hypothesis Two
HO_2: Change in technology has no significant effect on poverty alleviation in rural Kenya.
HA_2: Change in technology has significant effect on poverty alleviation in rural Kenya.
iii. Hypothesis Three
HO_3: Micro lending terms has no significant effect on poverty alleviation in rural Kenya.
HA_3: Micro lending terms has significant effect on poverty alleviation in rural Kenya.
iv. Hypothesis Four
HO_4: The effect of borrower's culture has no significant effect on poverty alleviation in rural Kenya.
HA_4: The effect of borrower's culture has significant effect on poverty alleviation in rural Kenya.

1.5. Justification of the Study
In the process of carrying out this research, several benefits were realized not only to the researcher but also to the institution that is, The Jomo Kenyatta University of Agriculture and Technology and also the people of Kinango constituency.

1.5.1. To the Researcher
To the researcher who was fulfilling his Masters in Business Administration Course requirement and also gained knowledge and skills on how to conduct and carry out a research.

1.5.2. To the Research and Academic Institutions
To Research and Academic Institution it added knowledge to the library and provided information to other students who would be interested.

1.5.3. To The People of Kinango
To the residents of Kinango the study provided them with information about the importance of microfinance institutions in poverty reduction, how the schemes have helped empower the people in the area and the constraints the microfinance institution face in providing its services.

1.5.4. To Other Researchers
To future researchers in the same field, the study will provide information on the impact of micro lending on poverty reduction and knowledge as a source of primary information and also be a reference point for their studies.

1.6. Scope of the Study
The scope of this study was to identify the impact of micro lending institutions on poverty reduction in Kinango constituency, how they reach to the poor people in the area and the challenges the micro lenders face in providing its services. The study randomly selected micro lenders in Kinango Constituency. The study took three months.

1.7. Limitations of the Study
1. The study findings was limited to the micro lenders and the findings was not generalized to cover other credit facilities offered by formal banks, non government organizations and the Rotating Savings and Credit Associations (ROSCAs).
2. The Micro lending bureaucracies is also a hindrance in terms of time for the collection of data in that some of them are not willing to share any information about their organization without proof that the research was meant for academic purposes alone.

However, the researcher gave them a letter of introduction to the respondents as an evidence that the research was meant for academic purposes and any information that they gave would be treated with utmost confidentiality.

2. Literature Review

2.1 Introduction

In this chapter we have a look at past studies carried out on micro lending has helped to reduce poverty level among the poor people in the rural area and the challenges faced by this micro lending in reaching the poor. The aim was to see how other researchers developed the themes for their studies, to derive conclusions from their studies and see how their theories fit into this study. This chapter also contains the definition of terms, critical review, Conceptual framework and gaps to be filled.

2.2. Theoretical Framework

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

2.2.1. Agency Theory

According to George (2002) agency theory deals with the people who own a business enterprise and all others who have interests in it, for example managers, banks, creditors, family members, and employees. The agency theory postulates that the day to day running of a business enterprise is carried out by managers as agents who have been engaged by the owners of the business known as principals who are also known as shareholders.

The theory is on the notion of the principle of two-sided transactions which holds that any financial transactions involve two parties, both acting in their own best interests, but with different expectations. This theory has problem of information asymmetry associated with it. Moral hazard is another problem with this theory in which due to information asymmetry, authorized people try to accumulate wealth through unfair means. Adverse selection or bias selection of employees is another major problem associated with this theory (Lambert,2001)

2.2.2. Signaling Theory

According to Ilmola and Kuusi, (2006) signaling theory rests on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finance is made available to the enterprise. In other words, flows of funds between an enterprise and the capital market are dependent on the flow of information between them. For example management's decision to make an acquisition or divest; repurchase outstanding shares; as well as decisions by outsiders like for example an institutional investor deciding to withhold a certain amount of equity or debt finance.

The emerging evidence on the relevance of signaling theory to Micro lenders management is mixed. Until recently, there has been no substantial and reliable empirical evidence that signaling theory accurately represents particular situations in micro lenders financial management, or that it adds insights that are not provided by modern theory (Kang, 2008).

2.2.3. Pecking Order Theory and Framework (POF)

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

Kabeer (2008) emphasizes that the ability to exercise choice incorporates three interrelated dimensions: resources to both material and human and social resources; agency processes of decision-making, as well as less measurable manifestations of agency such as negotiation, deception and achievements.

Resources do not only include material resources but also various human and social resources, which serve to enhance the ability to exercise choice. In this broader sense resources are acquired through a multiplicity of social relationships conducted, in the various institutional domains, which make up a society. Access to such resources will reflect the rules and norms, which govern distribution and exchange in different institutional arenas and the ability to define one‘s goals and act upon them.

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

2.3. Empirical Review

There was a variety of literature on impact evaluation of micro lending on different aspects of community and members. Similarly, a number of studies have been undertaken on poverty alleviation, focusing on methodological issues, empirical analysis and measures and tools of alleviation.

2.3.1. Micro Lending Focus on Poverty Alleviation

Micro lenders play a major role in development strategies because of its direct relationships in poverty. Access to resources alone does not empower people but also, access to human and social resources also matters. Micro lending affects people decision making ability and self-confidence which are closely linked with knowledge; Micro lending programs strengthen economic autonomy and give them means to pursue nontraditional activities. Micro lending programs also impact the political empowerment.

Malhotra and Boender, (2002) constructed a list of the most commonly used dimensions of poverty alleviation, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that poverty alleviation needs occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, poverty may be alleviated within one of these sub-domains. They give the example of socio-cultural dimension which covers a range of alleviations sub-domains.

Cheston and Kuhn (2002) stated that micro lending programs have the potential to transform power relation and to enhance empowerment. Although people access to financial resources has been substantially increased, loans given differ in sizes. It has been shown that just to provide the access to financial resources is not enough to empower and improve their well-being. Microlending does not address all the barriers to poverty alleviation but if they are properly designed, then they can do important contribution in alleviation.

The study discussed the poverty alleviation indicators and measurement techniques and revealed that relationship between micro lending program and cultural norms exists. The effects of the participation in micro lending programs in rural Bangladesh, are analyzed Khandker, (2003). The Study concluded that participation in micro-lending programs helps to increase empowerment. Micro lending supports people to take a greater role in household decision-making, having greater access to financial and economic resources, having greater social networks, having greater bargaining power and having greater mobility.

2.3.2. Micro Lending Focus in Empowerment and Better Living Standards

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

Asim (2008) evaluated the impact of micro-lending programs on people empowerment in urban slums of Lahore (Pakistan). The study chose specialized institutions focusing on poor people The author constructed preference-based indicators including child-related and health-related decisions, economic decisions, social mobility decisions, resource allocation decisions, and autonomy-based indicators including household purchase decisions. To explore the link between empowerment and micro-credit participants, the author used three different estimates; simple parametric framework of conditional mean independence, randomization of treatment and bivariate probit model. The results showed that micro-lending intervention has no impact on child-related, health-related, and economic and social mobility decisions.

Chaudary and Nosheen (2009) explained that empowerment is one of the important issues of development policies in under-developed countries. Since empowerment is a multidimensional concept, it is determined by many socioeconomic factors and cultural norms. The authors attempted to explore the determinants of empowerment using regression analysis. The data was collected from Southern Punjab, especially from rural and tribal areas.

The status was found much vulnerable in rural and tribal areas and they have very limited access to all basic facilities. Empowerment signifies increased participation in decision-making and it is the process through which people feel themselves to be capable of making decisions and the right to do so (Kabeer, 2008). Personal empowerment can lead to changes in existing institutions and norms, however, without the collective empowerment, the personal empowerment and choices are limited.The nature of empowerment can be diverse, depending upon the parameters that define the lack of power within the institutional framework in operation. The World Bank defines empowerment as the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

2.4. Conceptual Framework

In order to uncover the effects of micro lending in poverty alleviation, the study strived to isolate the key variables mainly credit terms, poverty alleviation and change in technology and government policy.

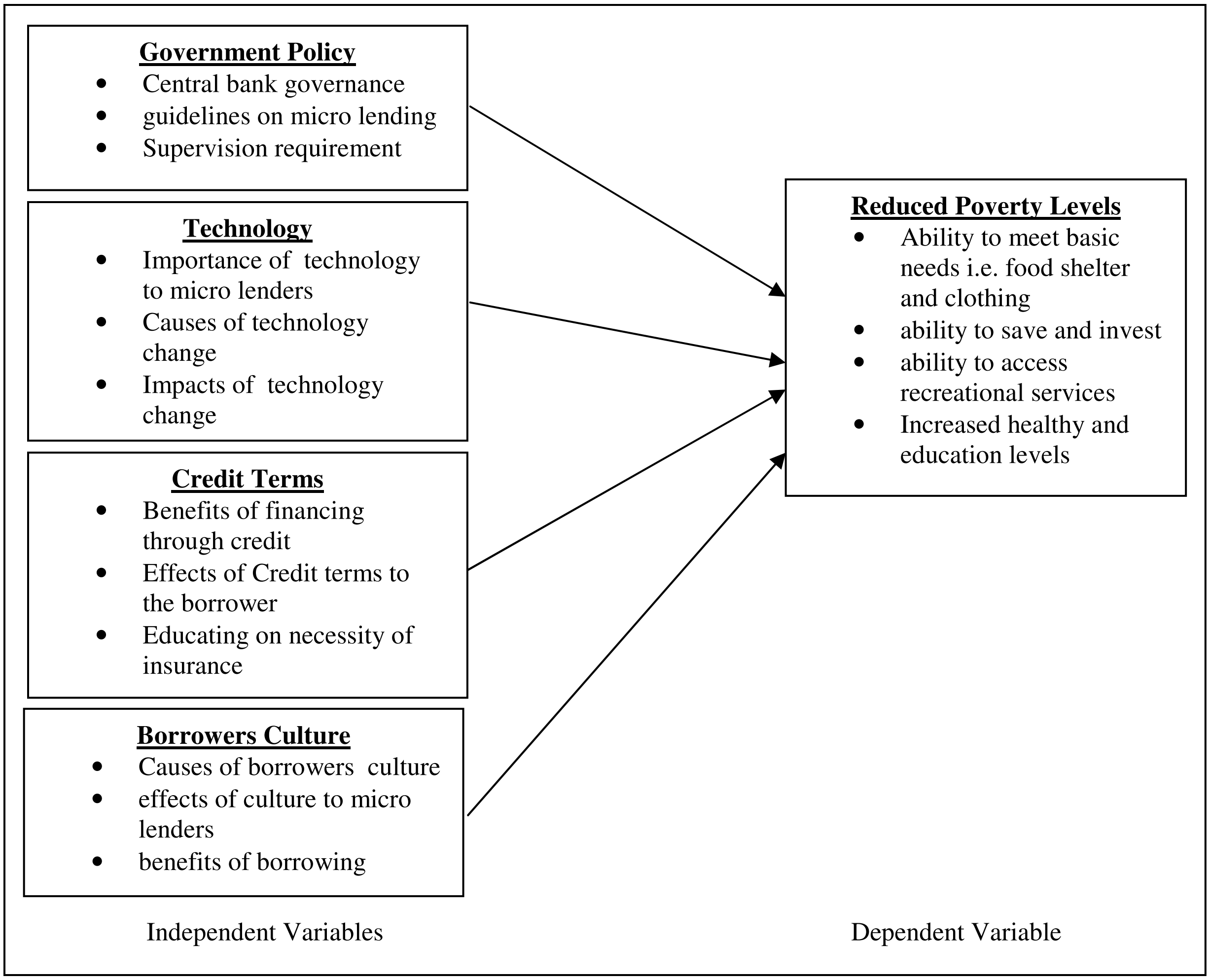

Figure 1: Conceptual Framework
Source: Researcher (2015)

2.4.1. Government Policy

This is a plan or course of action, as of a government, political party, or business, intended to influence and determine decisions, actions, and other matters. The reasons for government intervention in the market include; Provide information and assure there is flow of information, Combat externalities, Provide public goods, Control non competitive behavior and Change income distribution (Wright,2002).

2.4.1.1. Central Bank Governance

Central bank governance is arguably defined by a number of key-concepts or pillars, which together should form the basis of the legal framework governing a central bank and on which central bank governance should rest, that is independence, democratic accountability and transparency. There are three pillars of central bank governance and central bank independence this is still one of the most discussed institutional features of a central bank in economic and legal literature, it may be concluded that there is a large consensus basically accepting the need for central bank independence. Indeed, in recent years an increasing number of countries have released their central banks into independence or strengthened the existing degree of independence. In the European context, this has been promoted by the establishing of an Economic and Monetary Union. It may be considered a common feature of all central banks, which do not form an integral part of the executive branch of government that they fall outside the classical three-branch system of government and its system of checks and balances (Williamson,2008).

2.4.1.2. Guidelines on Micro Lending

This Guideline specifically sets out the general modalities for operating micro lenders Guidelines issued by the Central Bank of Kenya. This regulatory structure creates transparency between micro lenders and the individuals and corporations with whom they conduct business, among other things. Given the interconnectedness of micro lenders and the reliance that the national (and global) economy hold on banks/ micro lending institutions, it is important for regulatory agencies to maintain control over the standardized practices of these institutions (Brom & Karla, 2009).

2.4.1.3. Supervision Requirement

Supervision of the microfinance sector is expected to lead to quality growth, broaden the funding base for micro lenders eligible to mobilize and administer deposits, credit facilities, other financial services, and initiate the process of integrating these institutions into the formal financial system. The regulation of the sector will enable authorities to define procedures for their operations, entrance, exit, and ultimately create an environment for fair competition and efficiency in the sector. On the other hand, supervision encompasses all means by which regulators enforce compliance with a given legal and regulatory framework. Deposit taking involves a potential risk of loss depending on how the deposits are employed (Brom & Karl,2009).

According to Brom and Karl(2009) micro lenders intending to take deposits must be regulated and supervised by an external authority to ensure that deposits are prudently employed and cushioned by adequate capitalization. According to the proposed Bill, money is considered to be a deposit if it has been placed by members of the public; repayable on demand or at expiry of a fixed period or after notice and employed by lending, investing or in any other manner for the account and at the risk of the person employing the money.

2.4.2. Technology

According to Bob (2003) technology is the system consisting of the technological process, technological objects, technological knowledge, developers of technological objects, users of technological objects, and the worldview (i.e., the beliefs about things and the value of things that shape how one views the world) that has emerged from and drives the technological process.

2.4.2.1. Importance of Technology

Technology helps automate back office functions, such as record keeping, accounting and payroll. Business owners can also use technology to create secure environments for maintaining sensitive business or consumer information. Many types of business technology or software programs are user-friendly. This allows business owners with a minor background in information technology to use computer hardware and software. It allows small businesses to reach new economic markets. Rather than just selling consumer goods or services in the local market, small businesses can reach regional, national and international markets. Retail websites are the most common way small businesses sell products in several different economic markets. Websites represent a low-cost option that consumers can access 24/7 when needing to purchase goods or services. Small business owners can also use Internet advertising to reach new markets and customers through carefully placed web banners (Triplett,1999).

2.4.2.2. Causes of Technology Change

Technology careers in computer science and information technology continue to grow. Students in colleges, universities and technical institutes seeking careers in this industry will likely be recruited upon graduation. The impact on globalization enables all companies to do business with customers all over the world. In addition, businesses can establish satellite offices in practically any country, no matter how remote as long as there is internet access. The competition for providing internet access to developing nations will proliferate, enabling growth in areas previously deprived of business opportunities due to lack of communication devices (Borman, 2004).

2.4.2.3. Impact of Technology Change

Industrialization is a term covering in general terms the growth in a society hitherto mainly agrarian of modern industry with all its circumstances and problems, economic and social. It describes in general term the growth of a society in which a major role is played by manufacturing industry. Modernization it indicates the adoption of the modern ways of life and values. It refers to an attempt on the part of the people particularly those who are custom-bound to adapt themselves to the present-time, conditions, needs, styles and ways in general. It indicates a change in people's food habits, dress habits, speaking styles, tastes, choices, preferences, ideas, values, recreational activities (Nachmias,2004). People in the process of getting themselves modernized give more importance to science and technology. The scientific and technological inventions have modernized societies in various countries. They have brought about remarkable changes in the whole system of social relationship and installed new ideologies in the place of traditional ones.

2.4.3. Credit Terms

According to Marchetti (2010) credit terms is a standard or negotiated terms offered by a seller to buyer that control, the monthly and total credit amount, maximum time allowed for repayment, discount for cash or early payment, and the amount or rate of late payment penalty.

2.4.3.1. Benefits of Credit Terms

Using credit cards when you travel or shop is more convenient than carrying cash. It also provides a handy record of transactions. Using a credit card also may give you some bargaining power if there is a dispute or disagreement involving a purchase. During the time between when you buy something with credit and when you pay the bill, you’re actually using someone else’s money rather than your own cash unexpected costs such as car repairs or health needs can be met quickly with credit(Marchetti, 2007).

2.4.3.2. Effects of Credit Terms to the Borrower

Credit almost always costs money you have to decide if the item is worth the extra expense of interest paid, the rate of interest and possible fees. It can become a habit and encourages overspending by simply having a credit card available, a person is likely to spend more when shopping than when paying cash for everything (Adrian, 2007).

According to Adrian (2007) overuse of credit leads to a poor credit record a poor credit record means you will find it more difficult and more expensive to get future credit. It also reduces future buying power future income is tied up in credit payments. If you use credit, part of everything you earn in the future will go toward what you bought in the past.

2.4.3.3. Educating on need of Insurance
People live in society full of risks and uncertainty Insurance is a social device providing financial compensation to those who suffer from misfortune. Such payment being made form accumulated contribution of all parties participating in the scheme. Insurance provides stability, in the society by necessary arrangement of security against loss form unexpected risks. Society becomes more peaceful and safe by insurance, which provides different benefits and financial security against losses form risks (Stahel,2009).
Indemnification for Loss if risks are insured, all losses occurred form unexpected risks are indemnified Indemnification permits individuals and families to be restored to their former financial after the loss occurs. As a result, they can maintain their financial security. There is also fewer burdens to society because insured's are restored either in part or in whole after a loss occurs, they are less likely to apply for public assistance welfare benefits, or to seek financial assistance from relatives and friends. So other members of the society need not help the unlucky member even after suffering from loss. If the individuals has not insured the risk, the relatives and friends should support him financially (Stahel,2009).

2.4.4. Borrowers Culture
Culture relates to what shapes the collective behavior of a group of people. It also determines the behavior of the poor toward poverty alleviation programmes. Usually, successful poverty alleviation program me integrates elements of culture in the strategy.
In empowering people through health, traditional medicine practitioners are included in the referral chain, in the government’s campaign against female genital mutilation, child labor, and child marriage. In empowering people through education, participants are trained on various local crafts, and parents and community leaders are involved in designing the training curriculum (Sagnia, 2006).

2.4.4.1. Causes of Borrowers Culture
The leadership in creating and maintaining a robust credit culture cannot be overestimated. Institutions that embody robust credit cultures are generally led be managers who openly embrace a core set of values about how credit risk is managed. The following examples illustrate the effect of senior management’s actions on the organization’s credit culture e.g. The CEO of one large bank clearly articulates the vision, value, and beliefs that guide that institution’s lending activities. Some of these values and beliefs had been in place prior to his tenure, reflecting the long-term nature of cultural evolution (Singh,1998).
It is important to note from the example above, that values and beliefs are often conveyed informally and may not need to be codified to be effective. It’s also important that the CEO has conveyed his ownership of these values and beliefs, even though he may not have originated them or others may be primarily responsible for implementing and executing them. Without cohesive guidance from the most senior levels, individual lenders may hesitate and miss viable lending opportunities, or worse may act independently and incur additional risk (Sagnia,2006).

2.4.4.2. Effects of Culture to Borrowers
Lack of development and poor living standards people in rural areas having and believing in the culture of fear of the unknown in terms of borrowing from micro lenders leads to lack of development. This usually occurs because the people in rural areas fear in paying back the borrowed monies because they lack knowledge on how to invest in the borrowed monies for more returns (Inglehart& Baker,2000).

2.4.4.3. Benefits of Borrowing
Borrowing helps to build your credit score by securing small lines of credit, such as a low-limit credit card, and making regular payments allows you to establish a credit history and build a credit score. Lenders use credit scores to determine not only if they will lend you money, but the interest rate you must pay to borrow from them. Establishing a credit history and working to maintain a good credit score, you set yourself up to borrow later in life for more-expensive purchases and better interest rates (Bayoumi & Tamim,1997).

2.5. Reduced Poverty Levels
Poverty reduction is aterm that describes the promotion of economic growth that will permanently lift as many people as possible over a poverty line. Poverty is the state of human beings who are poor. That is, they have little or no material means of surviving food, shelter, clothes, healthcare, education, and other physical means of living and improving one's life. Some definitions of poverty, are relative, rather than absolute, poverty reduction would not be considered to apply to measures which resulted in absolute decreases in living standards, but technically lifted people out of poverty (Klein & Martin, 2008).

2.5.1. Ability to Meet Basic Needs
It is a multifaceted concept, which includes social, economic, and political elements. Poverty seems to be chronic or temporary, and most of the time it is closely related to inequality. As a dynamic concept, poverty is changing and adapting according to consumption patterns, social dynamics and technological change. Absolute poverty or destitution refers to the deprivation of basic human needs,

which commonly includes food, water, sanitation, clothing, shelter and health care. Relative poverty is defined contextually as economic inequality in the location or society in which people live (Sabates, 2008).
According to Sabates (2008) after the industrial revolution, mass production in factories made production goods increasingly less expensive and more accessible of more importance is the modernization of agriculture, such as fertilizers, to provide enough yield to feed the population. Responding to basic needs can be restricted by constraints on government's ability to deliver services, such as corruption, tax avoidance, debt and loan conditionalities and by the brain drain of health care and educational professionals. Strategies of increasing income to make basic needs more affordable typically include welfare, economic freedoms and providing financial services.

2.5.2. Ability to Save and Invest

Saving is income not spent, or deferred consumption. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash. Saving also involves reducing expenditures, such as recurring costs. In terms of personal finance, saving generally specifies low-risk preservation of money, as in a deposit account, versus investment, wherein risk is higher; in economics more broadly, it refers to any income not used for immediate consumption (Giordano,1983).
Saving differs from savings. The former refers to the act of increasing one's assets, whereas the latter refers to one part of one's assets, usually deposits in savings accounts, or to all of one's assets. Saving refers to an activity occurring over time, a flow variable, whereas savings refers to something that exists at any one (Modigliani & Franco 1988).

2.5.3. Ability to Access Recreational Services

Recreational services provide specialist management and maintenance of parks, turf and facilities, as parks people, our passion is to create attractive, innovative and user-friendly green spaces for our customers, and our communities. The social and recreational opportunities provide services focus on abilities, rather than disabilities, and achieve the following: enhance independence, improve social skills, increase self-esteem and connect people and families with community resources(Rosellini & Worden,2004).

2.6. Critical Review

From the studies above, one can deduce that micro lending can be an effective tool for poverty reduction by providing financial services to the poor thus improving their living standards, increase their income and empower the people. However findings have shown that poor households depleted livelihood assets in the course of loan repayment if the income generating activities are not raising enough profits to repay the loans on time. The declining tendency of women clients' participation in poverty reduction in Ethiopia with a case of three specialized financial and promotional institution (SFPI) shows inconsistency with its objectives. The interest rate is high to a level that MFIs' operating expenses are very high and at the same t time the aim was to facilitate the growth of their clients' business. MFIs grace period is not favorable, it should consider increasing and reducing the frequency of repayment so as to provide for clients with long term loans turn to businesses such as farming (Coleman, 2006).
Similarly, micro lenders need to enhance training, holding of seminars by having or introducing new strategies to educate clients on how to manage businesses in rural areas also regarding the needs and benefits of micro lending, this will enhance implementation of poverty reduction initiatives among micro lenders. The micro lenders interest rate deemed to be very high compared to the living standard and capability of the people living in rural areas,Micro lenders should also reducing interest rates offered on loans thus enhance poverty alleviation in rural areas.

2.7. Summary

From the above evidence the researchers carried out a study of the schemes existing in Kinango Constituency and see to what extent their operations contribute to poverty reduction in the area.
From this study, recommendations was made to policy makers so as to find alternatives through which financial services could be offered to the low income earning population or rather restructure the existing micro lending schemes for poverty reduction. However, in conclusion governments and donors should know whether the poor gain more from small loans compared to other alternatives such as health care, education, agriculture, food aid etc. Most measures of the impact of micro lending institutions fail to control for what would have happened in their absence. The net contribution or impact of micro lending to poverty reduction should be properly and more accurately measured.
Most of the world's poor lack access to basic financial services that would help them manage their assets and generate income. This is especially true for the 900 million extremely poor people who live in rural areas of developing countries. Good management of even the smallest assets, such as livestock, can be crucial to very poor people, who live in precarious conditions, threatened by lack of income, shelter and food. To overcome poverty, they need to be able to borrow, save and invest, and to protect their families against adversity. With little income or collateral, poor people are seldom able to obtain loans from banks and other formal financial institutions. Micro lending is one way of fighting poverty in rural areas, where most of the world's poorest people live. It puts credit, savings, insurance and other basic financial services within the reach of poor people. Through micro lenders such as credit unions, financial non-governmental organizations and even commercial banks, poor people can obtain small loans, receive money from relatives working abroad and safeguard their savings.
The micro lending revolution started with the recognition that poor people needed access to loans and that they could use these funds productively. It has also changed the perception that poor people are not credit worthy. Records have shown that, instead, they are a good risk, with higher repayment rates than conventional borrowers. In some of the most successful micro lenders repayment rates are

as high as 98 per cent. As a micro lender has evolved, there has been an increasing recognition of the importance of savings, often referred to as "the forgotten half of microfinance".

2.8. Research Gaps

The literature reviewed shows that the debate on micro lending is inconclusive on the impact of micro lending on poverty reduction as the study portray. It should be noted that the varying conclusions in the text may be accounted for by differences in the methodology used to measure the impact, among other biases. Conducting such a study is justified by the increased rate of people living with poverty in Kenya.

This situation forces re-evaluating the plans and programmes put in place by various stakeholders including the Kenyan government on poverty reduction. It was against this background that the researchers found it necessary to make a study on the effects of Micro lending on poverty alleviation in rural Kenya of Kinango Constituency.

There was need to do research on this area given that most studies done in Kenya and other regions were on the impact of micro credit but there was no research linking micro lending and performance. The need to improve the lives of the poor people in rural areas hence improving the living standards by reducing poverty, and creating wealth should be emphasized.

3. Research Methodology

3.1. Introduction

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

3.2. Design of the Study

To achieve the objectives of the study, a survey study approach was employed in order to enable the researcher carry out in-depth investigations of the effects of Micro lending on poverty alleviation.

The research design that the study utilized is the descriptive method as it to presented facts concerning the nature and status of a situation, as they exists at the time of the study and to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research (Creswell, 1994).

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

3.3. Target Population

The study targeted the members of two major Micro lenders in Kinango Constituency which were: Kenya Women Finance Trust (KWFT) and YEHU. The target population comprised of 1250 members.

3.4. Sampling Design and Sample Size

The sampling design deemed most appropriate was stratified random sampling for the micro lenders members. This was selected to offer a proportionate opportunity to all members of the different micro lenders .

According to Mugenda and Mugenda (2003), a sample size of 10% -20% of the population is representative. The researcher obtained information from 125 respondents from the two micro lenders located in Kinango constituency. The researcher did a physical count of the micro lenders within Kinango constituency, Each of the Micro lenders was taken as a stratum, 125 respondents was selected proportionately from the strata depending on the members being served by each of the Micro lenders. Having known the proportionate number of the respondents from each stratum, and convenience sampling was used to select the final sample. The sample size from each stratum is as shown in table 1.

Strata	Total	Proportion
KWFT	825	125(825/1250)=83
YEHU	425	125(425/1250)=42
Total	**1250**	**125**

Table 1: Selection of Sample Size
Source: Researcher (2015)

3.5. Data Collection Instruments

According to Koul (1993), most techniques for measuring perceptions and attitudes rely heavily on verbal material in the form of interviews or questionnaires. The study employed different methods of data collection which include Questionnaires, Interview schedules and record survey or document analysis, whereby both primary and secondary data will be collected.

Primary data included the first hand data, to form the bedrock of explanations, inferences, comparisons and recommendations for this research which was collected directly from the respondents while secondary data was the information from past studies about the same research topic and was used as foundation to build the theoretical and conceptual framework of the research.

3.6. Data Collection Procedures

Questionnaires will be used as they are cheap to produce and administer and also because they ensure anonymity. Formal Structured questionnaires will be administered to both participants of micro lending and non participants. For the micro lending participants, the idea will be to capture, group participation, new loans, uses, and loan repayment as well as household incomes. While for non participants the idea will be to keep up with households' socioeconomic activities and understand any welfare changes in the absence of micro lending

Interviews will be used because they will allow face to face contact between the researcher and the respondent thus allowing for clarification and also being able to address language difficulties'. Interview will also help to evaluate respondent sincerity. Both structured and unstructured interview will be conducted. Structured interview will be used to restrict respondent to the desired response while unstructured interview will aim at giving the respondent complete freedom of response to air their own opinion and stimulate them to think.

The interviews will be in-depth and open ended so as to be able to solicit independent and objective information as possible .This will target group of the micro lending programme, the kind of products and services provided and outreach aspect. The Clients will be interviewed especially to provide answers to the second question of the paper, which was to analyze the contribution of micro lending on the poverty reduction and also on other sub questions to triangulate the information provided by the Micro lending officials. Discussions with key informants such as, employees and Micro lending officials were conducted to collect qualitative information.

Secondary data will be obtained from documents, reports like those from The National Bureau of Statistics, journals, Internet, periodicals, various books and other relevant materials. This information will include past review studies done previously by other researchers about the impact of micro lending in poverty reduction and statistical information on the available micro lending and how they have helped other parts of the country or world at large in poverty reduction.

3.7. Pilot Testing

Kerlinger (1993) defined validity of an instrument or scale as the success of the scale in measuring what it sets out to measure so that differences in individuals'scores can be taken as representing true differences in the characteristic under study. Validity is the accuracy and meaning of inferences which are based on the research results. Validity is the degree to which results obtained from the analysis of data actually represents the phenomenon understudy.

3.7.1. Validity

According to Mugenda and Mugenda (2003), validity refers to the accuracy and meaningfulness of inferences, which were based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Validity therefore, has to do with how accurately the data obtained in the study represents the variables of the study. If such data is a true reflection of the variables, then inferences based on such data will be accurate and meaningful.

The instruments were rated in terms of how effectively they sampled significant aspects of the study. The content validity of the instrument was determined by the researcher through discussing the items in the instrument with the supervisors, lecturers from the department and colleagues. Advice given helped the researcher to determine the validity of the research instruments. The advice included suggestions, clarifications and other inputs in order. These suggestions were used in making necessary changes.

3.7.2. Reliability

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

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

3.8. Data Processing and Analysis

A descriptive and statistical analysis was conducted based on data and information collected from primary and secondary sources on Micro lending clients. Data collected will be analyzed qualitatively and quantitatively. This data included the comparison of income, asset ownership, housing condition, nutrition, health, education, decision-making (empowerment), business growth and employment opportunities between active clients and incoming clients in the rural Kinango constituency.

The research finding was put in categories in line with the research questions. The data was checked for completeness of information at the end of every field data collection day and before storage. The data from the research instrument was coded and analyzed using the Statistical Package for Social Sciences (SPSS). Coding is the process of dividing or segmenting data into topics or categories. The

different categories represent different themes. The coding procedure assisted in reducing and categorizing large quantity of data into more meaningful units for interpretation. Data analysis was facilitated by use of SPSS (Statistical Package for Social Scientist) Computer package.
Descriptive methods was employed in analyzing qualitative data where frequencies and percentages was used in interpreting the respondent's perception of issues raised in the questionnaires and interview schedule as well as inferential statistics (correlation) on the independent and dependent variables so as to answer the research questions. Data was presented in form of tables and graphs. The researched used multiple regression analysis to show the effect and influence of the independent and dependent variables.
The relationship is as follows:

$$\mathbf{Y=\alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon}$$

Y = Represents the dependent variable, Poverty alleviation
α= Constant
$\beta_1, \beta_2, \beta_{3,\ \beta 4}$ = Partial regression coefficient
X_1 = Government Policy
X_2 = Change in Technology
X_3 = Micro Lending Terms
X_4 = Effects of Borrower's Culture

4. Data Analysis, Results and Discussions

4.1. Introduction

This chapter presents analysis of the data on the poverty alleviation in Kinango constituency. The chapter also provides the major findings and results of the study and discusses those findings and results against the literature reviewed and study objectives. The data is mainly presented in frequency tables, means and standard deviation.

4.1.1. Response Rate

The study targeted 125 from two major micro lenders Kenya Women Finance Trust (KWFT) and (YEHU) domiciled Kinango constituency, Kenya. From the study, 100 out of the 125 sample respondents filled-in and returned the questionnaires making a response rate of 80% as per Table 2 below.

	Frequency	Percentage
Respondent	100	80
Non-respondent	25	20
Total	125	100

Table 2: Questionnaire Response Rate

According to Mugenda and Mugenda (2003) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting.

4.1.2. Data Validity

The researcher asked experts, three academicians, to assess the scales' content validity. Accordingly, the researcher made changes on the first draft in terms of eliminating, adding or rewording some of the items included in that draft**.**

4.1.3. Reliability Analysis

Prior to the actual study, the researcher carried out a pilot study to pre-test the validity and reliability of data collected using the questionnaire. The pilot study allowed for pre-testing of the research instrument. The results on reliability of the research instruments are presented in Table 3 below.

Scale	Cronbach's Alpha	Number of Items
Government Policy	0.764	5
Change in Technology	0.809	5
Micro Lending Terms	0.723	6
Effects on Borrowers Culture	0.791	3

Table 3: Reliability Coefficients

The overall Cronbach's alpha for the four categories is 0.752. The findings of the pilot study show that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda and Mugenda, 2003).

4.2. Background Information

The background information was gathered based on the age, education level, employment status and other sources of credit.

4.2.1. Age of Respondents

The study sought to find out the ages of the respondents. The results showed that respondents between 18-30 years were 37.9%; between 31 and 40 were 25.2%; between 41 and 50 years were 21.4% and 50 years and above were 12.6% of the total respondents. A mean score of 2.09 with a standard deviation of 1.065 was registered which showed that mean age was between 18-30 years. This showed that majority of respondents were between 18-30 years below as shown in the figure 2 below.

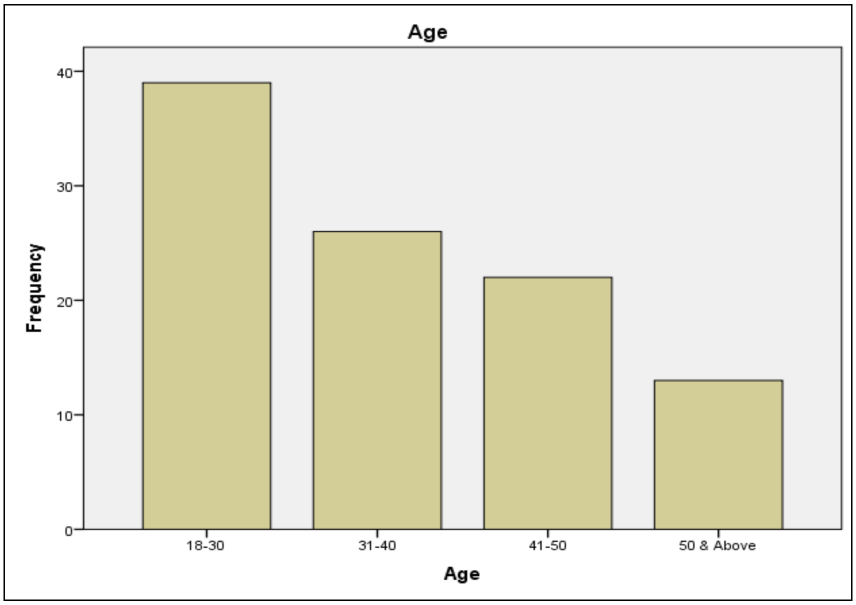

Figure 2

4.2.2. Education Level

The study sought to find out the education level of the respondents. The results showed that respondents with no education were 9.7%; primary education was 39.8%; secondary education was 27.2% and college education were 20.4% of the total respondents. A mean score of 2.60 with a standard deviation of .932 was registered which showed that mean education was primary education. This showed that majority of respondents has primary education as shown in the figure 3 below.

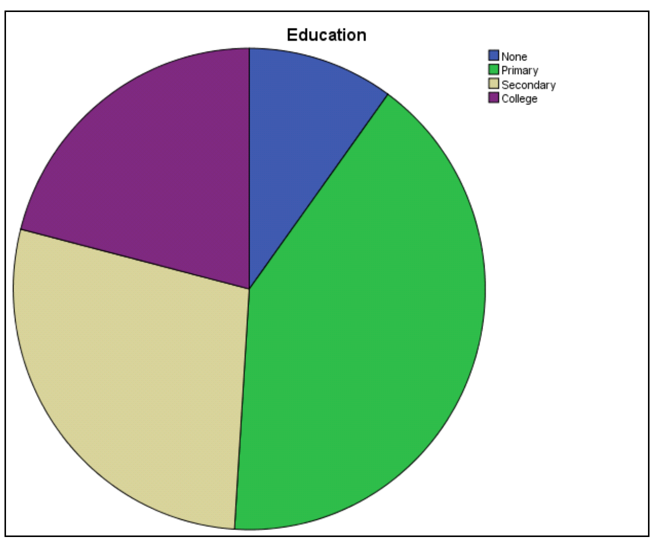

Figure 3

4.2.3. Employment Levels

The study sought to find out the employment level of the respondents. The results showed that unemployed respondents were 8.7%; formal employment was 12.6% and self-employed respondents were 75.7% of the total respondents. A mean score of 1.31 with a standard deviation of .631 was registered which showed that mean employment level was self-employment. This showed that majority of respondents were self-employed 75.7% as shown in the figure 4 below.

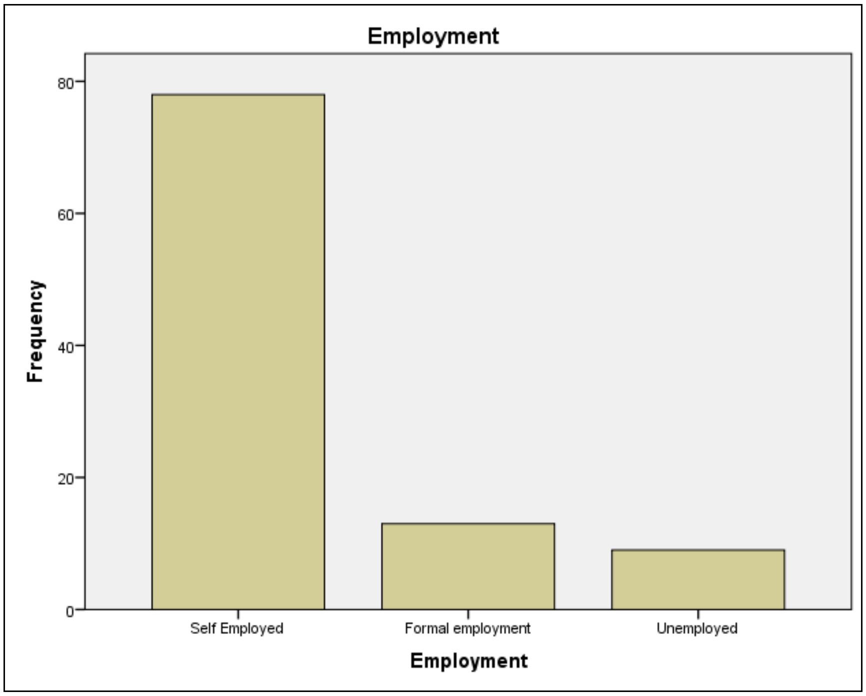

Figure 4

<u>4.2.4. Sources of Credit</u>

The study sought to find out the sources of credit to the respondents. The results showed that 1% of the respondents got credit from banks; 20.4% from cooperatives; 18.4% from relatives and friends; 3.9% from employer and 53.4% from merry go round. A mean score of 3.91 with a standard deviation of 1.296 was registered which showed that mean source of credit was merry go round. This showed that majority of respondents got there credit from merry go round 53.4% as shown in the figure 5 below.

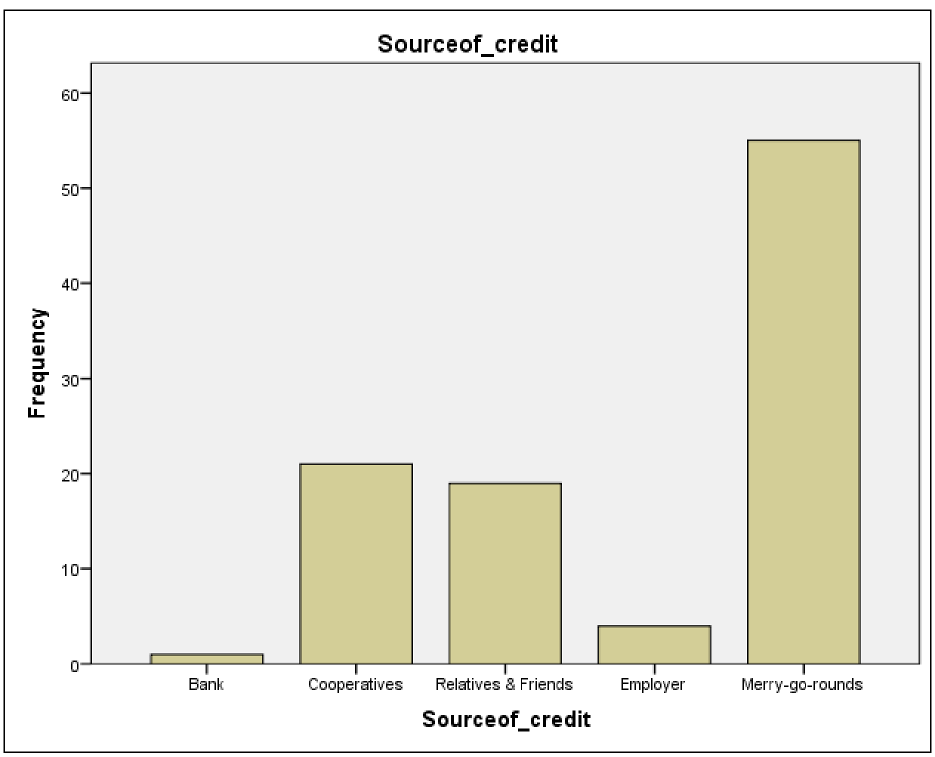

Figure 5

4.3. Effects of Micro Lending on Poverty Alleviation

4.3.1. Government Policy

The respondents were ask on a 5-point scale to state whether they strongly agree, agree, neutral, disagree or strongly disagree with the given statements about effects of government policy on micro lending. The results of their responses are summarized below as shown in the Table 4 below:

Statement	Mean	Standard Deviation
My business would have performed better if there Had been no government policies	1.92	1.587
The government policies does not affect project performance	4.99	0.1
Does the level of government policies affect the revenues of your project?	1.00	0.01
Does the level of government policies affect the profitability of your project?	1.00	0.01
Does the level of government policies affect the level of growth of your project?	1.35	0.592

Table 4

The first objective of the study was to establish how government policies affect micro lending in rural Kenya. Respondents were required to respond to set questions related to government policy and give their opinions. The findings indicated that government policy affects micro lending in rural Kenya with a mean score of 1.92 and standard deviation of 1.587 signifying an agreement that government policies affect business growth. Respondents agreed with a mean score of 1.35 and standard deviation of 0.592 that level of government policy affects the growth of their projects. Good government policy is instrumental to growth of business in Kinango. Business subsidies such as land rates tax waivers, reduced single business permit levies and other taxes can stimulate business growth thereby alleviating poverty.

4.3.2. Change in Technology

Statement	Mean	Standard Deviation
Change in technology affects profitability of my project	2.43	1.707
Change in technology affects growth of my project	4.97	0.300
Change in technology affects revenues of my project	1.93	0.769
Change in technology and cost amount Affect profitability of my project	1.08	0.367
Changes in technology affect the growth of my project	2.16	0.961

Table 5

The second objective was to establish the effect of change in technology on micro lending in rural Kenya. Respondents were required to respond to set of questions related to change in technology and give their opinions. The findings indicated that change in technology affects micro lending in rural Kenya with a mean score of 2.43 and standard deviation of 1.707 signifying an agreement that change in technology affect profitability. Respondents agreed with a mean score of 1.35 and standard deviation of 0.592 that level of government policy affects the growth of their projects. Technology that is put in good use can create more business opportunities.

4.3.3. Micro Lending Terms

Statement	Mean	Standard Deviation
Interest rates affect profitability of my project	1.02	0.2
Interest rates affect growth of my project	1.00	0.01
Interest rates affect revenues of my project	1.03	0.3
Loan repayment affects my profitability	1.00	0.01
Loan repayment rate affects my growth	1.01	0.1
Loan repayment rate affects my revenue	1.03	0.3

Table 6

The third objective was to establish the effect of micro lending terms on Micro Lending in rural Kenya. Respondents were required to respond to set of questions related to Micro Lending terms and give their opinions. The findings indicated that micro lending terms affects micro lending in rural Kenya with a mean score of 1.03 and standard deviation of 0.3 signifying an agreement that loan repayment rates affects revenue. Respondents agreed with a mean score of 1.15 and standard deviation of 0.542 that level of micro lending terms affects the profitability of their projects. Reduced Micro lending rates can allow many individuals to borrow cash from these institutions for purposes of creating a multiplier effects therefore alleviating poverty.

4.3.4. Effects of Borrowers Culture

Statement	Mean	Standard Deviation
Does the borrowers culture affect the growth of your project	4.04	1.717
Does the borrowers culture affect the revenues of your project	1.25	0.796
Does the borrowers affect the profitability of your project	2.68	1.476

Table 7

The second objective was to establish the effect of borrower's culture on micro lending in rural Kenya. Respondents were required to respond to set of questions related to effects of borrower's culture and gave their opinions. The findings indicated that effects of borrower's culture affects micro lending in rural Kenya with a mean score of 4.04 and standard deviation of 1.717 signifying an agreement that effects of borrower's culture impacts positively.

4.5. Dependent Variable: Poverty Alleviation

4.5.1. Hypothesis 1

$H0_1$: There is no effect of government policy on poverty alleviation in rural Kenya.

$\boldsymbol{\beta_1=0}$,

HA_1: There is an effect of government policy on poverty alleviation in rural Kenya.

$\boldsymbol{\beta_1\neq0}$,

In relation to the variable government policy, the results in Table 7 above indicate that government policy has a significant influence on poverty alleviation in rural Kenya. This is supported by regression analysis t-value of 3.194 which is greater than the critical value 2.0 and a p-value of 0.01 at 95% level of significance which is less than 0.05. Government policy is necessary to stimulate economic growth.

After testing the hypothesis by comparing the scores of calculated t-value and critical t ; Calculated t-values was, 3.194 for government policy, which is greater than the critical t_{36-1} (0.05) = 2.0, the study rejected the null hypothesis that there is no effect of government policy on poverty alleviation in rural Kenya. Therefore the study accepted the alternative hypothesis that there is an effect of government policy on poverty alleviation in rural Kenya.

4.5.2. Hypothesis 2

HO_2: There is no effect of change in technology on poverty alleviation in rural Kenya.

$\boldsymbol{B_2=0}$,

HA_2:There is an effect of change in technology on poverty alleviation in rural Kenya.

$\boldsymbol{B_2\neq0}$,

In relation to the variable change in technology, the results in Table 7 above indicate that change in technology has a significant influence on poverty alleviation in rural Kenya. This is supported by regression analysis t-value of 2.95 which is greater than the critical value 2.0 and a p-value of 0.04 at 95% level of significance which is less than 0.05.

After testing the hypothesis by comparing the scores of calculated t-value and critical t ; Calculated t-values was, 2.95 for change in technology, which is greater than the critical t_{36-1} (0.05) = 2.0, the study rejected the null hypothesis that there is no effect on poverty alleviation in rural Kenya.

Therefore the study accepted the alternative hypothesis that there is an effect of change in technology on poverty alleviation.

4.5.3. Hypothesis 3

HO_3: There is no effect of micro-lending terms on poverty alleviation in rural Kenya.

$\boldsymbol{B_3=0}$,

HA_3: There is an effect of micro-lending terms on poverty alleviation in rural Kenya.

$\boldsymbol{B_3\neq0}$,

In relation to the variable micro lending terms, the results in Table 7 above indicate that micro lending terms has a significant influence on poverty alleviation in rural Kenya. This is supported by regression analysis t-value of 4.111 which is greater than the critical value 2.0 and a p-value of 0.00 at 95% level of significance which is less than 0.05.

After testing the hypothesis by comparing the scores of calculated t-value and critical t ; Calculated t-values was, 4.111 for micro lending terms, which is greater than the critical t_{36-1} (0.05) = 2.0, the study rejected the null hypothesis that there is no effect of micro lending terms on poverty alleviation in rural Kenya.

Therefore the study accepted the alternative hypothesis that there is an effect of micro lending terms on poverty alleviation in rural Kenya.

4.5.4. Hypothesis 4

H_0: There is no effect of borrower's culture on poverty alleviation in rural Kenya.

B_4=0,

H_1: There is an effect of borrower's culture on poverty alleviation in rural Kenya.

$B_4 \neq 0$,

In relation to the variable of effects of borrower's culture, the results in Table 7 above indicate that effects on borrower's culture has a significant influence on poverty alleviation in rural Kenya. This is supported by regression analysis t-value of 3.109 which is greater than the critical value 2.0 and a p-value of 0.004 at 95% level of significance which is less than 0.005.

After testing the hypothesis by comparing the scores of calculated t-value and critical t ; Calculated t-values was, 3.109 for space capacity, which is greater than the critical t_{36-1} (0.05) = 2.0, the study rejected the null hypothesis that there is no effect on borrower's culture has an influence on poverty alleviation in rural Kenya.

Therefore the study accepted the alternative hypothesis that there is an effect of borrower's culture on poverty alleviation in rural Kenya.

4.6. Correlation Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination. In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 8 below. According to the findings, it was clear that there was a positive correlation between government policy and poverty alleviation shown by a correlation figure of 0.966; Change in technology and poverty alleviation shown by a correlation figure of 0.955; Micro lending terms and poverty alleviation shown by a correlation figure of 0.881 and effects of borrower's culture and poverty alleviation shown by a correlation figure of 0.943. This showed that there was a strong positive correlation between independent and dependent variables government policy noted to be the highest and lowest in micro lending terms with a positive correlation.

	Poverty Alleviation	Government Policy	Change in Technology	Micro Lending Terms	Effects of Borrower's Culture
Poverty Alleviation	1				
Government Policy	.966	1			
Change in Technology	.955	.965	1		
Micro Lending Terms	.881	.894	.941	1	
Effects of Borrower's Culture	.943	.944	.931	.809	1

Table 8: Pearson correlation

4.7. Multiple Regressions

Coefficients[a]								
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
(Constant)	.658	.136		5.511	.000			
Government policy	.483	.137	.282	3.194	0.01	.966	.110	.015
Change in Technology	.357	.015	.159	2.950	0.04	.955	.089	.025
Micro Lending Terms	.496	.121	.485	4.111	.000	.881	.594	.121
Effects on Borrower's Culture	.451	.145	.391	3.109	0.04	.943	.488	.092

Table 9

5. Summary, Conclusion and Recommendations

5.1. Introduction

This chapter deals with the overview of the findings, conclusions that can be drawn from the findings and what could be done about the findings. It further gives recommendations which are derived from the conclusions. The summary points out the findings of the research, showing their relationship with similar previous studies done by other researchers. It indicates the relevance of the findings to the objective of the study. The conclusion shows the inferences from the findings in the study, the relevance to the problem being studied finally the recommendations given.

5.2. Summary

The objective of this study was to establish the effects of micro lending on poverty alleviation in rural Kenya. The study was conducted on the 100 members of micro lenders out of 125 members of the micro lenders that constituted the sample size. To collect data the researcher used a structured questionnaire that was personally administered to the respondents. The respondents were the members of Kenya Women Finance Trust and YEHU. In this study, data was analyzed using frequencies, mean scores, standard deviations, percentage and correlation.

From the study findings, on age issues 18-30 years respondents were 37.9%. On the education, 39.8% had primary school education, while on 75.7% of the respondents were self-employed. Many of the respondents obtained there credit from merry go rounds. The respondents also agreed that loan repayment affects business growth. From the findings of the study it can therefore be showed that most of the respondents rated 'great extent' on government policy concluding that government policy affects poverty alleviation.

Government policy affects how business is run while changes in technology enhances businesses reducing time of transacting and availing much time to undertake other activities to create wealth. Micro lending terms increase the cost of doing business and therefore it eats into profitability whereas the effects of borrower's culture injects much needed capital in the business. It was established from the study that most of the respondents got credit from merry go round.

The correlation analysis indicates the coefficient of correlation, r equal to 0.966, 0.955, 0.881 and 0.943 for government policy, change in technology, micro lending terms and effects on borrower's culture. This indicates a very strong positive relationship between the independent variables, government policy, change in technology, micro lending terms and effects of borrower's culture and the dependent variable poverty alleviation.

5.3. Conclusion

From the research findings, the study concluded that:

1. The central bank Governance studied have significant effect on poverty alleviation in rural Kenya as indicated by the strong correlation with less than 0.05 (5%) error term
2. The guidelines on micro lending have significant effect on poverty alleviation in rural Kenya as indicated by the strong correlation of less than 0.05 (5%) error term.
3. The effects on borrower's culture have a significant influence on poverty alleviation in rural Kenya.
4. The change in technology has a significant influence on poverty alleviation in rural Kenya this is supported by regression analysis t-value of 2.95 which is greater than the critical value 2.0.
5. The micro lending terms has a significant influence on poverty alleviation in rural Kenya this is supported by regression analysis t-value of 4.111 which is greater than the critical value 2.0
6. Educating on the necessity of insurance has significant influence on poverty alleviation
7. The central bank governance has significant impact on poverty alleviation in rural Kenya
8. The Supervision requirement has significant impact on poverty alleviation in rural Kenya

5.4. Recommendations

The researcher recommends that:

1. The Central Bank governance should be friendly to micro lenders borrowers so that they can enjoy subsidies and stimulate business growth.
2. The change in technology should be embraced well to lead to tremendous business growth
3. The micro lending terms should be reviewed to allow borrowers to remain with much liquidity in order to allow them have internal sources of financing which are cheaper and easily available
4. Individuals should be encouraged to borrow wisely and pay promptly so that they can be given higher credit limits.
5. The micro lending borrowers to be educated on the necessity of insurance when taking credit
6. The micro lenders to educate borrowers to enable them understand and enhance more credit and thus alleviating poverty
7. The micro lending borrowers to be educated on the benefit of financing through credit terms
8. The central bank guidelines of micro lending should be made friendly that people can enjoy subsidies and stimulate business growth.

5.5. Suggestion for Further Studies

The study indicates government policy, change in technology, micro lending terms and effects of borrower's culture have significant effect on poverty alleviation in rural Kenya a case study of Kinango constituency. The researcher further recommends research in related areas in other constituencies in Kenya. The research should also be done in other constituency and the results compared so as to ascertain whether there is consistency on effect of micro lending on poverty alleviation in rural Kenya among respondents from other constituency.

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7. Acronyms

→ ECLOF Ecumenical Church Loan Fund
→ ICRISAT International Crop Research Institute
→ ILO International Labour Organizations
→ KWFT Kenya Women Finance Trust
→ MSE Micro and Small Enterprises
→ MFI Micro Finance Institution
→ NCCK National Council of Churches of Kenya
→ NGO Non Governmental Organizations
→ ODI Overseas Development Institute
→ POF Pecking Order Theory and Frameworks
→ ROSCAs Rotating Saving and Credit Associations
→ SPSS Statistical Package for Social Sciences
→ SFPI Specialized Financial and Promotional Institution
→ SMEP Small and Micro-Enterprises Programme
→ UN United Nations

8. Definition of Terms

i. Microcredit: According to Rao (2010) Microcredit is a component of microfinance in that it involves providing credit to the pool.
ii. Micro lending: This is the extension of very small loans (microloans) to impoverished borrower who typically lack collateral, steady employment and a verifiable credit history (Beatriz, 2005).
iii. Micro lender: Is an organization that makes business loans to individuals who are not able to obtain financing from traditional lenders. Recipients of micro loans are typicatally individuals in poverty or in development zones in the U.S or who live in developing nations (Neil,2010).
iv. Poverty : According to Combat Poverty Agency (2002) Poverty is when people lack the basic necessities for survival for instance, they may be starving, lack clean water, proper housing, sufficient clothing or medicines and be struggling to stay alive.

Annexure

JOMO KENYATTA UNIVERSITY
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MOMBASA

29th July, 2015

JKU/7/1/001

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: PERMISSION TO COLLECT DATA FOR JENISPHER JEPCHIRCHIR KORIR REG NO: HD333-C005-3600/2013.

The above mentioned is a student at this Campus undertaking a course in Master of Business Administration (Finance Option). JENISPHER is in her final year and is expected to collect data based on the project topic "EFFECTS OF MICRO LENDING ON POVERTY ALLEVIATION IN RURAL KENYA, ACASE STUDY OF KINANGO CONSTITUENCY".

Any assistance given to her will be highly appreciated.

Thank you.

Yours Sincerely,

for.

Dr. Fred Mugambi Mwirigi
DIRECTOR.

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY
MOMBASA CBD CAMPUS
29 JUL 2015
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JKUAT is ISO 9001:2008 and 14001:2004 CERTIFIED
Setting Trends in Higher Education, Research and Innovation

Appendix 1: Questionnaire

Please Tick Where Appropriate

- Section A: Personal Information

→ Age : 18-30.................... 31-40.....................41-50.................50 and above.............................
→ Education: None .... Primary...................... Secondary..................College.......................
→ Employment : Self................................Formal Employment........................Unemployed.............
→ Marital Status : Single...................Married...............Divorced ....Separated........................
→ Number of children:..

1. How many Micro lending institutions do you belong to?..
2. For how long have you been a member?...
   a. Have you ever taken any loan from the micro lenders? Yes......................No...........
   b. If yes, how many times have you taken a loan this year? ....
   c. How much did you borrow? ....

3. What are your other sources of credit?

Banks	
Cooperatives	
Relatives and Friends	
Employer	
Merry –go-rounds	
Banks	

4. Compare the following before and after credit

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

- Section B: Goverment Policy

5. What type of government policy is affecting your income generating project........................
....
....

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

	SA	A	UD	D	SD
My business would have performed better if there had been no government policies					
The government policies does not affect project performance					

7. Give your opinion on the following

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

8. What would be your recommendations to micro lenders in terms of the Government policies...
....

- Section C: Change In Technology

9. How often do technology change? Yearly..................After two Years.............From five years and above...........................

10. Give your opinion in regards to change in technology in the following

	To a Great Extent	Somewhat	Indifferent	Very Little	Not at All
Change in technology affect the profitability of my project					
Change in technology affect the growth of my project					
Change in technology affect the Revenues of my project					
Change in technology and cost amount affect the profitability of my project					
Change in technology affect the growth of my project					

11. How can the Micro lenders improve on the effects of change in technology?...................
....

- Section D: Micro Lending Terms

9. How often do you repay the loan? Weekly.........After two weeks...........Monthly.............
   a. What is your loan repayment period?......................................
   b. Do you know the rate of interest charged on your loan? Yes...................No......................

10. Give your opinion in the following lending terms:

	To a Great Extent	Somewhat	Indifferent	Very Little	Not at All
Interest rates affect the profitability of my project					
Interest rates affect the growth of my project					
Interest rates affect the Revenues of my project					
Loan repayment rate and amount affect the profitability of my project					
Loan repayment rate and amount affect the growth of my project					
Loan repayment rate and amount affect the revenues of my project					

11. How can the Micro lenders improve on their lending terms...
....

- Section E: Effects Of Borrowers Culture

12. Does borrowers culture affect level of your project growth? Yes ....No........................
a) If yes to what extent.. and how do you want the culture impacts be addressed...

16. Indicate your opinion on the following:

	To a Great Extent	Somewhat	Indifferent	Very Little	Not at All
Do the borrowers culture affect the growth of your project?					
Do the borrowers culture affect the revenues of your project					
Do the borrowers affect the profitability of your project?					