

**EFFECT OF SOCIAL ENTREPRENEURSHIP PRACTICES OF MICRO
FINANCIAL INSTITUTIONS ON POVERTY REDUCTION IN ELDORET,
KENYA.**

BY

CHEBII, CYNTHIA NASIKE

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DECLARATION

This thesis is my own original work and has not been presented for degree to any other University. No part of this thesis may be reproduced without prior permission of the author and/or University of Nairobi.

Chebi, Cynthia Nasike

Signature: Date:

D66/71732/2014

Approval by Supervisor

This thesis has been submitted for examination with our approval as University of Nairobi supervisors.

Signature Date:

Dr. Mary Kinoti

Department of Business Administration. University of Nairobi

Nairobi, Kenya

DEDICATION

It is my pleasure to dedicate this work to Almighty God for enabling me to work through this project, my husband, Chebii Kangogo and my children Allan and Bryan for their continuous support.

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ABSTRACT

The main objective of this study was to investigate the effects of social entrepreneurship practices by micro finance institutions on poverty reduction. To achieve this, the study was guided by two objectives; to determine the extent to which the MFIs in Kenya have implemented social entrepreneurship practices and to establish the effect of social entrepreneurship practices on poverty reduction in Eldoret, Kenya. This study considered that services and products provided by MFIs are the major channels through which poverty reduction can be achieved. In carrying out the study, the beneficiaries of 7 Micro-Finance Institutions were involved. 100 questionnaires were distributed and later collected for analysis, interpretation and analysis. From the study, the main services offered by the MFIs were loans, financial advice and micro insurance. The products offered were individual loans, chama loans and agribusiness loans. The most preferred service and product for economic status improvement were loans and chama loans respectively. Through these services and products, the study has shown that clients were able to increase the level of income, start new business, purchase new machinery and increase farming output. The study also found out that most of clients enjoyed the customer support service from MFIs and this made it easier for them to engage the MFIs. The main challenge attributed to failure in total practice was the many cases of defaulters. Through the correlation analysis of the services provided and the range of income increase, it is clear that the services provide helped reduce the level of poverty among the beneficiaries.

It is observed from the study findings that there is a strong relationship between the products and services offered by MFIs and the level of poverty eradication through income generation. It's also been observed by offering services and products, MFIs have enabled many people start business, improve their saving knowledge, purchase new farming machinery and build modern homes.

There is need for studies to be carried further to determine whether there is any association between the policies by CBK and poverty reduction. Another issue that needs to be investigated is the lasting effect of the benefits provided by MFIs. Further research may be needed to study the relationship between individual sub-indicators and the social performance of an MFI.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The approach towards entrepreneurship, has been thought of for a long time in the lines of business and economic endeavors, however, there has been growth in its application to social problem-solving (Aryeetey, 2005). Social entrepreneurship involves the enterprises that employ entrepreneurial capacities to solve social problems (Swinburn, 2008). Through his report, Swinburn noted that there are a good number of initiatives that have specialized in transforming the lives of the thousands of people in the poor and marginalized populations around the world.

According to Drucker's Theory of Entrepreneurship (2008), resources, entrepreneurial behaviour and innovation are a start-up to entrepreneurship. Drucker believes entrepreneurship is involved with increasing customer satisfaction, conceptualizing new values and combining resources in a new more beneficial combination. (Global Entrepreneurship Monitor, 2006). Social Entrepreneurs are agents of change. They do this by finding new and innovative solutions to problems thus achieving social impacts with new methods (Ghosal, 2005). Social Entrepreneurs are starters; people who see possibilities to improve and commit to getting new ways to convey this improvement. According to Drucker (2008), business management is an art that involves social and psychological aspects of life. As such, MFI that seeks to eradicate poverty try to solve both social and psychological problems for its customers. Drucker's Theory (2008) has been very influential in changing the way business relate to the community that serves as its customers. Therefore, understanding this theory is beneficial in understanding how poverty reduction and social entrepreneurship relate.

Microfinance institutions are powerful instruments against poverty. Microfinance involves creating new and permanent local finance institutions that provide financial assistance to low income earners on a permanent basis (Guarneri, Moauro, & Spaggiari, 2011). These institutions should be able to propel resources to them and recalibrate domestic saving strategies. They should be able to extend credit and provide various other services both financial and non-financial in nature thus diminishing the government's continuous dependence on donor-funding leading to the flourish of local financial institutions and private capital markets. The Kenyan Government has recognized the critical elements to poverty alleviation which include more

prominent access to and the reasonable stream of money related administrations particularly to the low-wage families. In this manner proper arrangement, legitimate and administrative frameworks have been developed under the Microfinance Act 2006 to promote viable and sustainable systems of Microfinance in Kenya. The Microfinance Regulation was issued thus laying the foundation for legitimate, administrative and supervisory system for the industry in the country.

1.1.1 Entrepreneurship

In the words of Onuoha (2007), Entrepreneurship is the act of initializing or uplifting organizations, specifically new ones so as to tap into new business potential. Schumpeter (1965) considers entrepreneurs to be those people who utilize technical and/or organizational innovation to exploit market opportunities. Entrepreneurship is about taking a risk as per Frank H. Knight (1921) and Peter Drucker (1970). For Bolton and Thompson (2000), a business visionary is a man who develops routinely in order to make a result of perceived esteem in order to exploit the perceived opportunities. Hisrich (1990) portrayed a business person as "somebody who shows activity and inventive considering. This is somebody who can sort out systems both social and financial in order to turn assets and circumstances to functional record the entrepreneur acknowledges the risks and is prepared for failure". The claim that the study of entrepreneurship should be expanded to international markets was made by Thomas and Mueller (2000). They believe that it is necessary to examine the conditions and attributes that energize entrepreneurial movement in different nations and areas. The way that business visionaries reflect the overwhelming estimations of his or her national culture is a reasonable desire. National culture has positive impact on business enterprise (Thomas & Mueller, 2000).

The earliest known form of human trading was from New Guinea in 1700 BC where locals exchanged a black volcanic glass called obsidian that was used to make hunting arrows for other much needed goods. These early traders (entrepreneurs) exchanged one group of goods for another. Richard Cantillon in his posthumous acknowledged the entrepreneur as a major economic factor. He was the first to do so among economists to according to Van Praag (1999), "Essai sur la nature du commerce en general" first published in 1755 (Cantillon, 1959). Cantillon envisaged the trader (entrepreneur) and the key link in entrepreneurship and had the responsibility for exchange, trade and circulation of goods in an economy. The entrepreneur in contrast with wage workers and land owners who earned profit or received a set income or rent,

earned uncertain profits (Hebert and Link, 1988). Cantillon's entrepreneur was seen as an individual whose trade created an equilibrium in supply and demand in an economy. His work bore risks as well as uncertainties. But due to the work of French Economist J.B Say, the concept gained credibility from 1800. Say used the term to describe someone who transfers economic resources to an area of higher productivity and greater yield from one of lower productivity. The view of Adam Smith was that the entrepreneur is a person who forms an enterprise for the purpose of making profit. The entrepreneur would therefore play the role of industrialist. In his view, entrepreneurs became the economic agents who transformed demand into supply. They had to react to economic change. (Onuoha, 2007).

Today, the factors that determine causes of economic growth are important goal of contemporary economics. The factors include areas like property rights, savings propensity, climate, education etc (Ryan, 2013). Since 1990s, entrepreneurship has been attributed to economic growth in different methods. Entrepreneurs through innovation introduce new products and services and enter into unexplored markets (Acs and Audretsch, 1990). They are able to increase efficiency by increasing competition in the markets. They also enhance our knowledge of products that are technically viable and accommodate the consumer's preferences by reengineering products already existing in the market. This leads to an accelerated learning process and the discovery of a dominant design for product-market combinations.

Knowledge spill overs play an important role in this process (Audretsch and Feldman, 1996; Audretsch and Stephan, 1996). An entrepreneur's role in establishing micro, small and medium enterprises may be seen as a powerful tool to address several socio-economic issues having generation of employment opportunities being a key issue. (Tembo, 2011). Tembo notes that the role of the entrepreneur is very significant and well set-out especially in an economy like Kenya where the labor supply outstrips its demand. Entrepreneurial advancement offers ascend to financial freedom through independent work. Tembo views the making of smaller scale, little and medium endeavors by entrepreneurs prompts to the expansion of both independent work and wage business opportunities thus providing a solution to the unemployment problem in the economy. In the rural parts of Kenya, for example, some non-governmental organizations have chipped in by offering support especially to widowed mothers who have come together to start

small businesses from their self-help savings while other women in urban areas have also come together to start up small enterprises to boost their income (Sabana, 2005).

1.1.2 Social entrepreneurship

This refers to the practice of combining opportunity, innovation, opportunity and the exploitation of the available resources to address some of the most challenging problems: economic, social, and environmental in nature (Schumpeter, 1965). As such, it is a promising approach to development work that seeks to eliminate the causes of poverty and environmental degradation. In order to achieve their transformational goals, social entrepreneurs start ventures that may be for-profit or non-profit, though priority is having market-oriented activities that will generate system changes that will improve the lives of people and the planet (Swinburn, 2008). Swinburn indicates that different social entrepreneurial program contribute to poverty eradication in different ways.

Social entrepreneurship combines commercial enterprises with social impacts (Onuoha, 2007). As per this view, knowledge and skills in business are used by entrepreneurs to build up enterprises that are viable in the commercial sense as well as accomplishing social purposes (Emerson & Twersky, 1996). Organizations that are not-for-profit may produce commercial subsidiaries and utilize them to create revenue or employment that will realize those obligations that are social in nature; for-profit organizations may decide that some of their profits could be used to accomplish their civil objectives. Resources utilized to fulfill these initiatives come from commercial activities. According to Global Entrepreneurship Monitor (2006), social entrepreneurs are society's representatives of change. The innovations that they create disrupt the status quo and transform our world. Social entrepreneurs identify people and programs that are already presenting positive change, want to empower them and extend their mandate and improve the society immensely.

According to Aryeetey (2005), the term and concept of social entrepreneurship was highly widespread in the '80s and '90s when some of the most influential social entrepreneurs ever were taking a shot at their social dares to address convenient issues. These were for example, an absence of money related independence in Bangladesh and lessening the ecological effect of cleaning items in in the United States. The idea has however been noticed to have been tossed around since the 1960s. The twenty-first century was not to be left behind, It also saw a rise of

great social entrepreneurs. These were mainly aiming to give sight to those in need, put shoes on the feet of millions of children and most prominently, to encourage literacy. The development and rise of social enterprise sectors can be clustered into two main areas of social enterprise, these are, the market-based form and the hybrid-based form. There have however been have different paths in different geographical regions of the world. The market-based form emerged in North America and Africa, whereas the hybrid-based form emerged in Europe and Latin America (Swinburn, 2008).

There is a desire to create sustainable social enhancement and to work towards a better society. These are the motivation of social entrepreneurs, though, sustainability of financial matters along with returns to stakeholders' investment are also important. The work of Muhammad Yunus, founder Grameen Bank, for instance, gave rise to the concept of Microfinance. This created a new paradigm and provided new possibilities for financial institutions in modern society. Today, inspired by Yunus's vision, many Microfinance Institutions have been established around the world (Accion International, 2007; Chu, 2006).

1.1.3 Social Entrepreneurship practices.

The concept of social entrepreneurship has grown immensely. Trivedi (2010) observes that a large number of traditional civil society organizations such as charities, non-profits, for-profit enterprises as well as non-governmental organizations (NGOs), have begun to identify themselves as 'social enterprises'. This demonstrates not only the attractiveness of this concept, but also the ambiguity surrounding its definition. Generally attempts at conceptualizing social entrepreneurship can be placed under four main areas, social profits rather than economic profits, the role of the social activist as represented by the social entrepreneur, the elements of social innovation and entrepreneurship and the use of economic profit as a way of solving problems rather than a finality in itself (Trivedi, 2010). Organizations that practice social entrepreneurship include, Microfinance Institutions, Community Based Organizations (CBOs), Nonprofit Organizations, Faith Based Organizations (FBOs), Non-Governmental Organizations (NGOs), Trade Unions, Academia, Farmers' Associations, Professional Associations, Students' Movements, trusts, Service clubs, foundations, kinship and traditional welfare associations and other socioeconomic and cultural groupings.

In Kenya, social entrepreneurship practices offered by MFIs range from individual to group services. In individual services, MFIs give loans to individual persons based on their saving

patterns with a respective MFI (Amyx, 2005). At the local level, collective and cooperative support is an important and major microfinance strategy, creating solidarity groups and forming networking groups at the national and regional levels among the advantages of collective organization in microfinance initiatives is the pool of human and material resources. Kenya Women Microfinance Bank (*KWFT*) banks on women with the main aim to create wealth for them (KWFT, 2016). As such, KWFT provides “chama” loans (group), personal loans for business, school, and emergency among other investments. These practices enable those from poor households to afford cheap loans with an interest rate for as low as 13%. Faulu Bank also provides a wide range of social entrepreneurial services for its customers (Faulu Bank, 2016). It provides services such as savings plans and credit products where customers are given loans as groups (chamas) or individuals.

Across the globe, MFIs offer different services that are meant to improve the living standards of the customers. In general, MFIs offer services such as education loans, farming loans, and business loans, renewable energy loans among others (Accion International, 2007; Chu, 2006).

1.1.4 Micro Finance Institutions in Kenya

The banking and formal financial sector in Kenya is relatively well-developed. The financial institutions include, Central Bank, Commercial Banks, Non-Bank Financial Institutions, Building Societies, Mortgage Finance Companies, , Development Financial Institutions, Savings and Credit Co-operative Societies, Post Office Savings Bank, as well as the Insurance Companies. These however, having the mandate of serving the rapidly growing Kenyan financial market’s demand, have to some extent not been able to reach every citizen due to their inability to secure financial services in these institutions. The presence of Micro Finance Institutions (MFIs) in the market, though not restricted, serves this neglected market share as these institutions provide favorable services to the ordinary citizen in the market towards financing the whole economy. MFIs are now offering a limited range of banking services, through front office operations though legitimacy of their banking operations has been an issue under discussion. It is becoming clear that MFIs offer the best opportunity for entrepreneurs to access micro finance services especially in the rural areas due to their extensive outreach and proven ability to mobilize savings for on lending to members (Aleke, 2003).

In Kenya the Microfinance industry has experienced incremental growth over the years as it tries to meet the increasing demand for the estimated 38% who do not have access to financial services (Sabana, 2005). Prior to the Microfinance industry around the world people have borrowed and saved using different sources away from the formal financial sector. The informal services used include loan sharks and the savings and community member's groups that were the only place for low income individuals who had no access to banks. These avenues are still commonly used both in rural and urban areas although the microfinance institutions are emerging as an option for accessing loans, savings and insurance needs for the estimated 38% of Kenyans who are unable to gain access to the formal financial services and the 35% Kenyans who are not satisfied with the informal financial services available to them (Tembo, 2011).

1.2 Research Problem

The MFI industry is facing major challenges in various parts of the world irrespective of the rapid growth and impressive outreach. These difficulties were experienced for instance, in Nigeria in 2005, Nicaragua in 2008, India in 2010, Pakistan in 2010 and in Kolar, Bosnia and Herzegovina in 2009. They have been caused by major loan defaults by customers and thus eminent closure of the MFI's has been blamed on their commercialization (Brook, Lloyd, & Syms, 2011; Tambiah & Geake, 2011).

According to scholars, MFIs have been preoccupied with profitability in their quest to commercialize. This has limited their poverty reduction objective and the other key development goals to which they blame the MFIs' governance structures. (Consultative Group Against Poverty CGAP, 2005, Ayuso & Argandona, 2007; Cull, Demirguc-Kunt, & Morduch, 2007, Beltratti, 2005.)

Microfinance, according to Otero (1999), is "the provision of financial services to self-employed, low-income, poor and very poor people". Savings and credit as well as other financial services like insurance and payment services are the main financial services that people receive. This is according to Ledgerwood (1999). Schreiner and Colombet (2001) have defined Microfinance as "the attempt by poor households to improve access to small deposits and small loans as they have been neglected by banks". This provision of financial services such as loans, savings, and insurance to low income people residing in both the urban and rural settings who have been denied access these services from the formal financial sector is the key goal of microfinance

institutions. Since 1970s, in an effort to break the the cycle of poverty, microfinance institutions started providing small loans to poor families in their villages in order to improve their economic status.

The low income earners were able to save when they experienced times of prosperity as well as borrow and collect insurance from the microfinance institutions when they experienced downtimes so that they would be able to maintain their level of lifestyle and consumption without having to sell off their income-generating assets. The microfinance institutions also provided them with opportunities to expand as well as pursue new business opportunities that would allow the low income earners to increase as well as diversify their sources of income. (Ryan, 2013).

Microfinance institutions have assisted in raising the development standards of the Kenyan rural economy, to a large extent (Betty, 2006). She said, “Microfinance institutions will doubtlessly decrease unemployment in the country territories as they will keep serving the rural individuals and in this way will change themselves into group based microcredit units. This”. Mjomba (2011) studied the development of micro-finance in Kenya. He specialized in the manner in which microfinance in Kenya has had a positive financial empowerment of women. The study majored the Kenya Women Finance Trust (KWFT), which was a company created with a bias to women. The challenge of this study is that it lacked evidence of the impact of microfinance in other areas in Kenya. Joy (2007) carried out a similar study, though she majored on the impact of microfinance on rural development, concentrating on Makueni County. This study was a great milestone as it focused on the impact of microfinancing services though the only challenge it concentrated on the poor households in the rural areas of the county.

A lot of literature exists on the impact of microfinance institutions around the world. These include, Luyirika (2010), who sought to identify the role of microfinance in socio-economic development of women in Uganda, Obli (2011), who sought to identify impact of microfinance on SME's in Ghana, and Mustafa (2012), who sought to identify the performance and interventions of microfinance institutions in Sudan. There is however, limited information and literature on the local sector in Kenya especially connected to the MFI's practices.

Consequently, literature has yet to adequately and exhaustively address the effects of MFI practices on poverty eradication. There is an increasing interest to have additional comprehensive, theoretical and empirical investigations towards the effects of MFIs social entrepreneurship practices on poverty eradication (Manderlier, Bacq, Giacomini, & Janssen, 2009; Ioannou & Serafeim, 2010, Hartarska, 2005; Mersland & Strom, 2007). Webster and McGrath (1996), Yunu, (2006) and Tilman (2006) argued that less has been done to show the relationship between the rendered social entrepreneurial practices to poverty reduction. Though microfinance institutions have researched on various topics on microfinance in Kenya, a gap still remains on extent to which MFI social entrepreneurial practices alleviate poverty in Kenya today (Mugo, 2010; Maina, 2011,;Hermes et al., 2008; Rhyne & Otero, 2006). The purpose of this research is to bridge the existing knowledge gap.

To achieve this, the study will attempt to answer this main question; what are the effects of social entrepreneurship practices of micro financial institution on poverty reduction in Eldoret, Kenya

1.3 Objectives of the study

This research aims to determine the following set of objectives:

- i. To determine the magnitude of the implementation of social entrepreneurship practices by the MFIs in Kenya.
- ii. To establish the effect of social entrepreneurship practices on poverty reduction in Eldoret town in Kenya?

1.4 Value of the study

The study will also generate valuable empirical literatures which will be used by the researchers and the community of scholars for advancement of knowledge and basis for future research. As already seen, this research obtains materials from previous scholars who have written materials related to the topic of study and as such, this will form a platform for further studies.

The discoveries of this study will help the government determine the extent to which MFIs in Kenya are helping reduce poverty. Once the government is able to determine the extent, then it will be able to formulate better policies to aid in improving the level of services that Kenyans receive from the MFIs. Additionally, through the studies' recommendations, the government will

be able to identify those areas that need urgent attention and those that can have a long term effect in the level of poverty in Kenya. Furthermore, the recommendations will assist the stakeholders; the Kenya government's development partners, NGO's and Donor communities. They will effectively and efficiently target their assistance for the betterment of the microfinance sector.

This study aims to contribute to the MFI sector by informing its professionals on critical aspects of financial sustainability. This will enable them to ensure that the MFIs become and remain sustainable as social entrepreneurs. The findings of this study will eventually assist the MFIs to grow in scale, as well as to provide better products and services that will ultimately reduce the level of poverty in among Kenyans. Moreover, it will also aid other benefactors, including, microfinance strategists, policy makers, aspiring microfinance researchers, university and college students pursuing a career in entrepreneurship or microfinance. The awareness that is created on the challenges facing MFIs' would also help create a good saving culture in Kenya, thus leading to the creation of a strong capital base which can be invested in profitable ventures creating employment opportunities and uplifting the living standards.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will provide an insight on work done previously by other scholars on the area of the stud. Specifically, the literature on theoretical foundation; social entrepreneurship practices, measures of poverty reduction and measures that exist for social entrepreneurship.

2.2 Theoretical Foundation

Incidentally, as a byproduct of their successful business lines a number of regular entrepreneurs are improving the world's state without intending to. But, as Dees (1998) saw it, not all entrepreneurs are social entrepreneurs; intention matters.. In 1998, Gregory Dees published "The Meaning of Social Entrepreneurship" (Dees, 1998) He wrote this short but seminal article when the term was still novel. It was hardly utilized, even by the society's innovative problem solvers who gave themselves the title of social entrepreneurs. In the article, Dees, provided the definition that the concept really required. He expounded on the various difficulties of putting together the entrepreneurial mind-set with social activism as well. In his theory, Dees (1998) said that social entrepreneurship combines the "an image of business-like discipline with innovation, the passion of a social mission and determination commonly associated with, for instance, the high-tech pioneers of Silicon Valley."

Dees (1998) in his article 'A Tale of Two Cultures: Charity, Problem-Solving and the Future of Social Entrepreneurship', explained the two different (sometimes complementary, sometimes conflicting) value systems, or clusters of cultures, that are the center of social entrepreneurship (Dacin, Dacin, & Tracey, 2011). According to his theory, the two cultures that are demonstrated in social entrepreneurship are, the antiquated convention of charity and entrepreneurial problem solving that is more contemporary. These two cultures are firstly based on the activities of the resource providers, to those of the front line operators. All the activities have their roots in our psychological responses to the needs of others and are reinforced by social norms. These can work together or they can work separately. Some key personalities in the social entrepreneurship movement have criticized the culture of charity, yet some of them have come to depend on, to some degree, at the early formation stages, on the resources that are distributed through charitable ventures. For social entrepreneurship to succeed, it needs a combination of values

from each of these cultures. The satisfactions of giving should be correlated with the social benefits of problem solving.

One of the areas is the age-old culture of charity which is giving without a thought of getting back and done for the benefit of the other person. This is extended through a hand of compassion and the giver has the reward of self or personal happiness (Murphy & Coombes, 2009). According to Dees (1998), the second system is a more modern culture of entrepreneurial problem-solving, where talents are judged by the advantages received and the positive results acquired based on the various ways of contributing to people's lives meaningfully. Thus in Dees view, Social entrepreneurship, can be seen as the recent extension of the analytic problem-solving cluster. He stressed on five areas of differences and tension between charity and entrepreneurial problem-solving. These are, honoring sacrifice and justifying weak results versus the need for talent and expertise to address challenges, impulsive donations versus planned social return, pure giving versus employing business-like approaches, compassion towards our neighbors versus empowering people and relieving suffering versus solving problems and their causes.

Murphy and Coombes (2009) explain that Dees (1998) argues that normally at the early stages of the social entrepreneurs activities they relied on resources that were provided by charity. Dees (1998) indicates for social entrepreneurship to succeed they would need to depend on bring together the two cultures so that the personal gratification of helping and giving can further assist in the contribution of the smart problem-solving for the betterment of the society. In the final part of the article, Dees (1998) presents a strategy for a completely new and bound together culture that he emphasizes the importance of: making performance information more visible and accessible, improving the affective positioning of the problem, learning empathy and problem-solving skills, engaging supporters in problem solving as well as making "smart giving" fashionable.

From this theory, it's clear that what societies around the world are facing significant social problems for which they often do not have cost-effective solutions. The societies are faced with uncertain as well as rapid changes due to technology as well as movement of populations, which is currently leading to new, complex and shifting problems and giving new opportunities for new approaches as well as solutions. Dees thus argues that the societies now need to be increasingly

more innovative and adaptive so as to improve their efficiency and effectiveness to solving social problems both now as well as in the future.

2.3 Social Entrepreneurship Practices

The role of social enterprises in the economy has been a popular discussion. This has been proven by the numerous real-life examples both in the developed and developing worlds (Porter & Kramer, 2011). For example, Lendstreet Financial social mission is mainly to assist indebted people by helping them minimize their debts by providing training, literacy programs as well as incentives that will empower the people to make responsible repayment. Before they provided these services to a new client, Lendstreet paid off the debt from the institution where their client owed the debt. As the client increased their repayment, Lendstreet earned revenue. This enabled it to sustain its operations. Another good example is the commercial microfinance sector where the main social mission of the sector is to have relaxed borrowing for the poor people so they may be parallel to them, thus gaining profit at the expense of the low income people. This resulted in raising their level of ‘mission drift’ (Yunus, 2011).

Financial services, for commercial reasons, have been historically targeted to the richer members of the community as they have a greater capacity to pay back the loans as well as maintain savings levels. The poor on the other hand have not been serviced and are underbanked and therefore not offered any appropriate financial services. (Stewart, 2000). Thus to meet these challenges, microfinance emerged in the last three decades as an approach to provide appropriate financial services to the poor clients,. The following are some of the practices provided by MFIs to help the low and middle income earners:

2.3.1 Savings services

In several countries, only a small fraction of the population have bank accounts. The main reason is most people do not have a good enough option to be able to save money (Salim, 2010). As large sums of money cannot be stored in their homes due to the fear of the money being stolen by thieves, the people resorted to saving their money through material assets like purchasing of livestock. The advantage of having liquid cash available like is versatility and its divisibility is lost. Bank accounts would allow the people to save money securely (Aryeetey, 2005). Microfinance institutions offered the best possibility for low income earners to open accounts.

According to Patel & Mitlin, (2005), a critical mechanism to building economic independence as well as safeguarding the peoples futures was found in the creation and opening of bank accounts. The entrepreneurs residing in poverty-stricken countries are not able to access formal banks. They thus end up paying high fees to loan sharks or saving collectors or have the option of hiding the money in their homes which is very risky. With this a number of MFIs came up with products specifically designed to benefit their income group. The savings products have flexible deposit amounts, interest rates and terms. In this way, the MFI's have been able to get their customers to have access to a more secure and convenient way of managing their money as well as prepare them for anything ranging from a crisis to a business opportunity (Trivedi, 2010). This has also helped "poor entrepreneurs" build potential and secure their future.

In Kenya, KWFT and Faulu Bank Ltd have more than five savings accounts that cut across all ages (KWFT, 2016; Faulu Bank, 2016). This MFI caters for young children, teenager, youth and adults. These savings accounts are attributed to minimum operating balance and enable members to qualify for personal loans. Additionally, MFIs in Kenya have embraced the idea of "chamas" as this ensures the rate of defaulters is minimal. The chamas comprise of a group of between 5 and 15 members. The members are encouraged to save for a certain minimum period of about 3 months, after which they qualify for individual loans in a chama.

Other organizations like Joyful Women organization came up with a product called "Table Banking" (Joywo, 2016). The essence of table-banking is encouraging member in a particular group, who meet monthly to place their savings, loan repayment and other contributions on the 'table' and they are expected to borrow immediately either on short-term or long-term based on the loan agreements. The women in this case have been able to use the money they borrow as capital to improve their livelihoods as well as engage in income generating projects. The table banking type of savings have created a sense of discipline on the women and through this many of them have been able to change their lifestyles as well as livelihoods.

Mobile banking has taken root in Kenya's economy and all MFIs and Banks have adopted the system. According to The Economist (2013), mobile banking has been a major breakthrough in the world of banking. Nearly all MFIs in Kenya today have a mobile banking platform that enables customers to save every little amount collected without having to travel to the banking

halls. As such, this has seen the saving culture of many improve. In Kenya, MFIs use mobile banking to deposit savings, disburse loans, offer savings plans among other services. The Economist, indicates that mobile banking has transformed the lives of middle and low income earners as they can now save for as low as 100 shillings from their houses (The Economist, 2013).

2.3.2 Loan services

Self-employment and significant income improvement has been facilitated by the ability of people to take up small loans. (Global Entrepreneurship Monitor, 2006). The loans that range from USD 50 – 500 have been able to open up new opportunities for individuals. However the established banks have not been able to provide such small loans. This is because the administrative cost would be very high, and the profit margins very low. The micro financial institutions however, have developed products that have allowed for small loans to be taken. Incidentally, the percentage reimbursement has been very high as these institutions are normally the only option available for the low income earners to take loans. They often take advantage of these opportunities and will not want to lose their chances of gaining additional finance. (Tembo, 2011).

According to KWFT (2016), MFIs offer personal, business and community loans. Personal loans are provided for reasons such as emergency, health, school fees etc. Business loans are given for business expansion while community loans involve groups (Chamas and Ushirika). These types of loans have low interest rates as low as 9% and flexible repayment period of up to 72 months. In a chama, each individual is given a loan according to how much they have saved in their personal account.

The collective guarantee loan repayment posed by being a member of a group has been a great advantage. The members are able to access subsequent loans so long as the repayment by all members is made. The repayments are made usually after one week, but always after a given specific period. (Ledgerwood, 1999). This model of micro financing has proven to be more effective in the long run as there are few loan defaulters. This is because each member of the group is a guarantor of the other. Therefore, it is the most popular in banks. (Tembo, 2011).

MFIs provide loans for asset purchase, business investment, school fees and other emergencies. This has been a major breakthrough to many poor households as now they can afford to build up projects using borrowed money.

2.3.3 Insurance services

A new form of insurance “micro-insurance” is now offered by some microfinance institutions (MYCA, 2013). An individuals’ savings may also be considered as a form of insurance. Minor challenges as well as short-term financial needs may also be absorbed by an individuals’ savings. But this is a greater challenge for people living in developing countries and the threshold countries which are significantly higher. The poor living conditions make diseases more probable. The people have poor eating habits is not having any food at all, the water quality is very poor and the hygiene levels are very low. Accident risks are very high as safety regulations are often ignored or they are not complied with (Salim, 2010). Additionally, the effects of natural disasters are also much higher. A micro-insurance can offer a certain level of protection for those people who are living below or barely above the poverty line (Short, Moss, & Lumpkin, 2009). According to (The Economist, 2013), low-income households can be provided with insurance which provides a greater degree of protection for health, property, disability and death risk. There is a much lower cost or premium per person because probability of these events occurring is pooled over a large number of people. The cost of insuring against an uncertain event is small relative to a household’s budget and is considerably lower than self-insuring through savings.

Different types of insurance covers; life, health, disability, motor, agricultural and general insurance are offered by MFIs(Global Entrepreneurship Monitor, 2006). Products such as pension schemes to cater for expenses after the retirement age are also offered (KWFT, 2016). Formal health insurance has the potential to mitigate the financial impact of health shocks. However, insurers have been hesitant to offer policies other than the most basic products researchers have also found that demand for insurance products has generally been low among poor households (Short, Moss, & Lumpkin, 2009). This is due to worries that insurance will only be taken up by the unhealthiest or the riskiest clients will (referred to as "adverse selection") and the possibility of clients taking on more risk because they have insurance (called "moral hazard"). To reduce moral hazard issues and adverse selection, bundling insurance with other

financial products like microcredit has been seen by some as a simpler method. It is of benefit to financial institutions as it lowers their administrative costs, and it also provides poor households with a package of useful financial products. (Dacin, Dacin, & Tracey, 2011).

Very limited support from the formal insurance sector is given to the poor people in Kenya, therefore, they are not able to manage their risks effectively. The informal insurance systems are the only means by which the low income earners are able to deal with risks. Thus, a variety of strategies have been developed by low-income people to manage risks and crises in their households, whether they are structural, crisis or lifestyle risks (Rahman and Hossain, 1995).

2.4 Scope of Social Entrepreneurship

Social entrepreneurship is designated to the activities of non-governmental organizations, policy makers, international institutions, grassroots activists as well as corporations (Nichols, (2006). The above mentioned organizations have a more innovative approach to a variety of social issues. Social entrepreneurship fortifies the expertise involved in business discipline, passion to address a specific social mission, innovation and high level determination (Dees, 1998). The pitfalls of the market, government and philanthropy are addressed by the entrepreneurial approach to social problems. Social entrepreneurship also includes the social purpose of business and for profit activities along with the contemporary and non-profit character. Some examples of civil purpose businesses are profit community development banks and hybrid organizations that mix for-profit elements with non-profit such as homeless shelters.

Social entrepreneurship is set apart from corporate strategies such as, corporate social innovation, corporate social responsibility, and the triple bottom-line, though they are closely related. (Hulgard, 2010) These bottom-lines foster the need for survival, taking care of environmental concerns while still addressing the social mission. Social entrepreneurship signifies different aspects to different sectors of the economy. For example, within the third segment, social enterprise represents the advancement of the voluntary associations and non-benefit ones towards getting to be market specialists, the general population area in Europe considers it to be a trial for all the more captivating social arrangements that are receptive to the

requirements of the subjects (Ferri and Urbano, 2011). Hulgard (2010), defines social entrepreneurship as the creation of social value as a result of collaboration between the community organizations and the people. This cooperation results in economic activity usually brought up by social innovations.

Conversely, Bacq and Janssen (2011) outline the same as entrepreneurial initiatives aimed at cultural, ecological and social change. Thus, social entrepreneurship has four important traits; social value, innovation, civil society, and economic activity. The civil society trait disassociates it from the private commercial sector and the public sector. Social entrepreneurship is restricted to the activities of the civil society, (Young, 2006). Social value is linked to the general improvement of people's welfare done by simplifying their capacity to get to fundamental administrations. The expanse of innovation stresses that social business enterprise is about growing new ways to deal with taking care of social issues. The exercises of social business economically affect both the group and the undertaking (Drayton, 2006). For this situation, social business is distinguished from non-entrepreneurial social activities and commercial entrepreneurship by intrinsic characteristics. Perceptions of capitalism and the role of the government in welfare activities has led to social entrepreneurship being conceived differently in Europe and the United States (Bacq and Janssen, 2011).

Entrepreneurship's role is to promote prosperity by reducing unemployment through creating new jobs along with increment financial development and improvement of a locale. It is accepted to be a crucial component of monetary development and improvement. It likewise increment efficiency by bringing new development and accelerate structural changes. This is managed because their enterprises increase competition thereby forcing existing business to reform. (Global Entrepreneurship Monitor, 2006). By providing such opportunities, social entrepreneurs have been known to provide opportunities to alleviate poverty.

2.5 Measures of poverty reduction

Historically, income, assets and socioeconomic benefits have been the common measure of poverty. These socioeconomic benefits have been used more greatly than the normal fiscal data to account for health, nutrition, infant mortality, sanitation, and other aspects of human welfare. Yunus (2003) believed that the levels of poverty went beyond the association with the level of

income, assets as well as the socioeconomic benefits. He also believed that the development and the elimination of poverty should be viewed as a human rights issue and not just as a quest to increase the gross national product (GNP) of a nation. (Yunus, 2003). According to the *2005 Poverty Reduction Strategy Document of the Government of Kenya*, the poverty prevalence rate needs to be tackled and given urgent priority due to the intolerably high poverty prevalence rate in Kenya. The government and its development partners are pursuing the fight against poverty with a heightened sense of urgency thus it is not conceivable that the kinds of policy instruments placed forth to fix the problem will actually be tried and tested.

The world is now approaching the end of the second decade of the twenty first century, policy makers both nationally and internationally are determined and committed to letting the world know that they are achieving the Millennium Development Goal (MDG) of halving poverty is within reasonable grasp. Moreover, poverty-stricken developing countries such as Kenya are prone to try any poverty reduction policy, in some instances without any detailed prior background of the potency of the feasibility of policies. A growing body of empirical evidence also indicates that citizen participation through entrepreneurship is important for the success of any development endeavour (Chambers, 1997; Diamond, 2005; Cornwall & Brock, 2005; Maathai, 2009; Grindle, 2010; Carroll, 2011). Drawing from this viewpoint, this thesis valorizes the efficacy of social entrepreneurship in augmenting development outcomes, arguing that lack of meaningful participation in Kenya's development process could be one of the missing links in the country's fight against poverty.

Though they have not been uniformly distributed, impressive gains in reducing extreme poverty have been made at the global level. Estimates of extreme poverty, as measured by the proportion of people living on less than USD 1.25 per day, were 21% in 2010, down from 43% in 1990 and 52% in 1981 (World Bank, 2013). According to this measure, the world managed to meet the target to halve the rate of extreme poverty set by the Millennium Development Goal (MDG) five years ahead of the 2015 deadline. Most of this overall poverty reduction is due to progress in the People's Republic of China. The focus on measuring global averages makes us lose sight on progress made by individual countries relative to their starting points (Klasen, 2012). Leaving China aside, only 5% of people have passed this USD 1.25 per day income threshold over the past 20 years (OECD, 2013). It is visible that important differences within and across countries is

obscured from the concentration on global aggregates, in this way,. For instance, MDG results by country reflect considerable variation depending on whether one compares relative or absolute progress. Absolute measures show change regardless of the starting point, while relative measures reflect nation advance in connection to introductory beginning positions, as it were how much nations have "shut the hole" towards the MDG target (ODI, 2010). Relative measures tend to support high and center salary nations with more grounded starting conditions, while low-wage nations, particularly those in Africa, tend to rank higher on supreme advance.

The MDGs were valuable drivers of worldwide and national activities to decrease destitution, notwithstanding, they didn't assess the way that distinctive nations were taking part in the MDG procedure from various beginning stages and they were not generally adjusted to nations' specific conditions (Patel and Mitlin, 2005). Keeping in mind the end goal to deliver this and to react to the interest for more national strategy space communicated at the MDG High-Level Meeting in 2010, a two-level approach is suggested. This would include worldwide objectives close by national level objectives supplemented by nation particular targets and markers. As all nations will have a section to play in a post-2015 charter, it will be paramount to them that they define how to encompass the universal objectives into national level goals and targets (OECD, 2013).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design; the target population; the sampling technique, methods for data collection and, analysis methods used for the purpose of this study.

3.2 Research Design

For the purposes of this study a quantitative survey design was employed. In a survey research design, the relationships that take place between two or more variables at a given time are examined (Wellman & Kruger, 2001). Survey research is a quantitative research method that needs standardized information to describe or define variables or to study the relationship between variables in the given population. It is also used to assess interrelationships amongst variables within a population. It is ideally suited for the descriptive and predictive functions related to correlation research.

3.3 Population of the study

Peil (1995) defined a population as all the cases or individuals that fit a certain specification. It is the aggregate of interest and consists of elements (Tryfos, 1996). According to Buckely et al (2007) population refers to the totality of the individuals in the research study; that is, all members of the group being censored by the researcher. As such, this study was carried out in Eldoret region that has 7 of the 13 Central Bank of Kenya licensed MFIs and have benefited many clients in varied ways. To ensure efficiency, the study involved a total of 100 beneficiaries from 4 different MFIs. These individuals have all the information that was required by the researcher in explaining the role of social entrepreneurship in eradicating poverty in Kenya. They clarified on whether MFI services and products played any role in reducing poverty in the region.

3.4 Sample size

Out of the 13 MFIs, only 7 MFIs are licensed by the Central Bank of Kenya and have benefited many clients in varied ways. To collect accurate and reliable data, the researcher identified 4 MFIs out of the 7 that are registered. To ensure efficiency, the study involved a total of 100 beneficiaries from 4 different MFIs. The 4 MFIs represented 58% of the registered MFIs in Eldoret. Since the sample size is above 50% the data collected was accurate and reliable

(Pfefferman, 2009). Pfefferman suggests that any relevant study should involve more than half the target population.

After a random selection of the target MFIs the researcher then issued 25 questionnaires randomly to 25 beneficiaries of each of the MFIs.

3.5 Data Collection Method

For the purpose of this study, primary and secondary data was utilized with the aim of gathering adequate information from the respondents. Primary data was collected using questionnaires designed by the researcher. According to Leary (2004) the advantages of using a questionnaire are that you can cover a large number of respondents at once and it is less costly in terms of finance and time. The questionnaires were administered to beneficiaries of the MFI's products and services. Before administration of the questionnaires a study was carried out to determine whether the questions in questionnaires are validity and dependability to this study.

Secondary data was obtained from all materials like financial reports and articles that relate to the topics of study. This aimed to support the details of the data obtained using the questionnaires.

3.5 Data Analysis Method

Data collected using the questionnaire was cleaned to ensure completeness and then be coded. The dependent variables were subjected to tests to determine if it was normally distributed. If the dependent variable is not normally distributed this has to be done by use of Smirnov Kolmogorov test. The data was subjected to validity analysis so that the data would meet the threshold and subsequent analysis conducted. Factor analysis was used for these purposes. Cronbach Alpha reliability test was performed on the data. After these tests were done the data was subjected to tests of relationships to establish whether there was any relationship between the preconceived variables and the dependent variables under study. Therefore co-relational analysis was utilized. The data analysis tool that was used was the Statistical Package for Social Sciences (SPSS). This tool was chosen as it is very versatile. The raw data was cleaned in order to detect any errors and omissions and to ensure data entered was accurate. Questionnaires were individually coded and input in to the Statistical Package for Social Sciences (SPSS) for analysis.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS OF THE FINDINGS

4.1 Introduction

This chapter presents data analysis for the data collected; both quantitative and qualitative and the data have been organized and presented in tables. The findings were given based on the objectives of the study as explored using specific questions in the questionnaire. A total of 100 beneficiaries were asked to respond to a questionnaire on the effects of social entrepreneurship practices of micro financial institution on poverty reduction in Eldoret, Kenya. The data was cleaned and analyzed using SPSS. The analysis is presented in this chapter.

4.2. Response Rate

The total number of questionnaires distributed was 100 and the collected were 100. This means the response rate was 100 hundred percent. This level of response was very good.

The good response rate is attributed to the fact that the researcher distributed the questionnaires personally to beneficiaries with the help of the respective MFI group leaders.

4.3 Bio-Data of respondents

Respondents were asked about their gender, age, marital status, work experience and the level of education. This information is essential in understanding the kind of decisions made by the respondents on day to day business.

4.3.1 Gender

The researcher sought to find out the number of male and female respondents who took part in the study. The findings are summarized in table 1 below.

Table 1: Gender of respondents

		Frequency	Percent
Valid	Male	48	48.0
	Female	52	52.0
	Total	100	100.0

From the findings, 52% of the respondents were women while 48% were men. The findings correspond to the fact that the number of women in involved in MFIs is bigger than that of their

counterparts. However, the trend seems to be changing with more men also using the services and products of the MFIs (Global Entrepreneurship Monitor, 2006).

4.3.2 Marital status

The researcher needed to find out the marital status of the respondents so the study could establish any relation that could exist between marital status of the respondents and their level of involvement with MFIs, level of poverty and the measures of poverty reduction. The findings are contained in table 2.

Table 2: Marital status of respondents

	Frequency	Percent
Single	11	11.0
Married	43	43.0
Separated	24	24.0
Divorced	12	12.0
Widowed	10	10.0
Total	100	100.0

The study findings show that 43% were married, 24% were separated, 12% were divorced, 11% of the respondents were not yet married and 10% of the respondents were widowed.

From the findings, it shows that the study involved respondents of different status which could be important in analyzing whether there is a group that is highly dependent on the MFIs services and products. Additionally, the findings indicate that the beneficiaries of the MFI product and services are not limited to a specific group. The biggest number of beneficiaries is those who are married which is the number that is within the middle age and are involved in different projects like paying school fees, building modern homes, starting new businesses among others.

4.3.3 Age

The MFI products and services have benefited people of different ages. The researcher therefore sought to find out the age of the respondents. The discovery is summarized in table 3.

Table 3: Age of respondents

Age	Number	Percentage
18-30	19	19.0
31-40	38	38.0
41-50	28	28.0
Above 51	15	15.0
Total	100	100.0

The study findings show that the respondents' age was distributed across the board. 38% of the total number of respondents were between 31 and 40 years, 28% were between 41 and 50 years 19% were between 18 and 30 years while 15 % were above 51 years.

From the findings, the highest number of the beneficiaries of the MFI products was those between 31 and 40 years. This is attributed to the fact that most of the respondents within that bracket have a wide range of responsibilities such as bringing up young families and starting up new business or farming ventures.

4.3.4 Level of education

Level of education is an important issue in matters relating to financial management (Ghosal, 2005). As such, understanding the level of education of the respondents was necessary so as to understanding their finance management skills. The findings are given in table 4.

Table 4: Level of education

Level of education	Frequency	Percent
KCPE	5	5.0
KCSE	16	16.0
DIPLOMA	25	25.0
BACHELOR'S DEGREE	54	54.0
Total	100	100.0

From the above findings, 54% of the respondents had a bachelors degree, 25% had diploma's in various areas, 16% had reached fourth form and 5% had KCPE certificate only.

From the findings, the beneficiaries range from the less educated to the educated. It's also clear that those with bachelor's degree rely mostly on the MFI products and services in order to build up their projects. This high rate of graduates can also be attributed to the fact that most of the respondents have used the MFI loans to study. The learned are better managers of funds and as such this could be the reason why the number of beneficiaries is higher.

4.4 Extent to which the MFIs in Kenya have implemented social entrepreneurship practices.

4.4.1 Services provided by MFIs

The services common to Kenyan MFIs are loans, micro insurance and financial advice. The researcher sought to find out what services were common and needed by the respondents.

Table 5: Services provide by MFIs

Service offered	Frequency	Percent
Loan	25	25.0
Micro Insurance	1	1.0
Financial advice	7	7.0
Loan/Micro insurance	1	1.0
Loan/Financial advice	57	57.0
Micro insurance/Financial advice	1	1.0
Loan/Micro insurance/Financial advice	8	8.0
Total	100	100.0

The finding show that the most provided services was loan and financial advice with 57% of the respondents saying they received these services from the current or past MFIs. 25% said they only received loan services from MFIs, 7% received financial advice, 1% received micro insurance services, 1% received loan and micro insurance services while only 8% of the respondents received all the three services investigated.

Most MFIs have concentrated in providing financial advice in terms of trainings on how well to manage funds before they can issue loans. After clients are done with the training, they are issued with loans. This is why the rate of those who indicated that they received financial advice

and loans stood at 57%. Micro insurance services came last as many clients are not even aware of what micro insurance involves.

i. Services needed to improve financial status.

The researcher sought to find out what services the respondents felt that if provided with, they would improve their economic status.

Table 6: Service needed to improve financial status

	Frequency	Percent
Loan	55	55.0
Micro Insurance	2	2.0
Financial advice	10	10.0
Loan & Financial advice	23	23.0
Micro insurance & Financial advice	3	3.0
Loan & Micro insurance & Financial advice	7	7.0
Total	100	100.0

As noted above in table 6, 55% of the respondents indicated that they needed loans to improve their financial status. 23% needed loan and financial advice, 10% indicated they needed financial advice, 7% felt that if given all the three services, they would be able to improve their financial status. 3% needed micro insurance and financial advice while 2% said they only needed micro insurance services. Most of the respondents relied on loans to start new businesses, build new homes, and pay school fees among other projects. This is the main reason why the highest percentage indicated that if offered the loan services, then they would be able to improve their status. Since most of the respondents didn't know much about micro insurance services, those who needed the service were less than 10%. This can be attributed to the fact that most MFIs have not done much sensitization on the importance of insurance to low and middle income earners.

The 7% that indicated that they needed all the three services are those who felt that the services were all related somehow and acquiring all of them would enable them attain more stable financial status. This was the number that had bachelor's degree in some business courses and therefore understood the need to have all these services together.

4.4.2 Products offered by MFIs

The different products offered by most of the MFIs in Kenya are Individual loans, Chama loans and agribusiness loans. Understanding the common products among the respondents would help the researcher understand the products that essential in reducing poverty among MFI clients.

Table 7: Product offered by MFIs

Product offered	Frequency	Percent
Individual loan	14	14.0
Chama loan	12	12.0
Agribusiness loan	7	7.0
Individual loan & Chama loan	3	3.0
Individual & Agribusiness loan	3	3.0
Chama & Agribusiness loan	2	2.0
Individual & Chama & Agribusiness loan	59	59.0
Total	100	100.0

The findings in table 7 show that 59% of the respondents said their current MFI provided all the three products to its clients. 14% said they were provided with individual loans, 12% were provided with chama loans, 7% were provided with agribusiness loans. Individual and chama loans were the most popular products that respondents received.

Table 8: Most preferred product

Preferred Products	Frequency	Percent
Individual loan	36	36.0
Chama loan	51	51.0
Agribusiness loan	12	12.0
Individual & Agribusiness loan	1	1.0
Total	100	100.0

As shown in table 8 above, 1% of the respondents said that chama loans were the best, 36% said that individual loan was the product that was the best for them, 12% enjoyed agribusiness loans while only 1% preferred agribusiness and individual loans.

Individual loans were preferred since respondents are able to start major projects using those loans as compared to chama loans where the terms of issue and repayment must be agreed upon by all members. Those who preferred chama loans indicated that the issuance and repayment terms for chama loans are favourable as compared to those of individual loans. Additionally, the findings on chama loans could be attributed to the fact that most MFIs prefer issuing loans to groups more than to individuals. This way, the MFIs are assured of getting back their money since each member acts as a guarantor to the other member.

The respondents indicated that the best product to improve economic status is the Chama loan followed by individual loan. With group loans and individual loans clients are able to carry out different projects that are diverse and not necessarily farming.

Table 9: Product required to improve economic status

Product required	Frequency	Percent
Individual loan	19	19.0
Chama loan	47	47.0
Agribusiness loan	21	21.0
Individual & Chama loan	4	4.0
Individual & Agribusiness loans	1	1.0
Chama & Agribusiness Loan	3	3.0
Individual & Chama & Agribusiness loan	5	5.0
Total	100	100.0

When asked about what products had the best repayment terms, the respondents gave the following responses:

Table 10: Product with best terms

Product with best terms	Frequency	Percent
Individual loan	33	33.0
Chama Loan	45	45.0
Agribusiness loan	18	18.0
Chama & Agribusiness loan	4	4.0
Total	100	100.0

Chama loan were termed as the products with the best repayment terms (45%) followed by individual loans (33%) while agribusiness came third with 18% saying they were satisfied with the repayment terms.

Group loans are attributed to low interest rates and since most of the MFIs issue loans to groups as compared to individuals, then this may be the reason why they preferred to work in groups. Additionally, in group loans, chamas are able to negotiate for better repayment periods as compared to individual loans where the MFI sets the repayment period.

Agribusiness were least preferred since most MFIs set certain periods of repayment based on the harvesting seasons in the regions. This is not good since some farmers run at losses with their produce not meeting the required repayment amount which lands them in crises with the MFIs.

4.4.3 Business support services.

In terms of business support services, table 11 shows a summary of the responses;

Table 1: Business support services

Statement	<i>True</i>	<i>Not sure</i>	<i>FALSE</i>
MFIs provide adequate financial training before issuing loan products to clients	41	51	5
The terms offered for the different accounts are favorable to me	83	15	2
The application for the different products available is easy	77	21	2
The time taken to process the required service/product is favorable	79	18	3
the repayment duration is favorable	81	17	2
Mobile phone deposit/ loan processing is efficient	100	0	0
MFI provide good savings accounts	100	0	0

After the study, the findings show that 41% of the studied indicated that the amount of instruction given before being issued with loans was adequate, 51% were not sure while 5% said that the training offered was not adequate. MFI offer the same kind of training to all clients and as such limit the need for clients to explore new projects on their own. This leads to loses on the clients' side when they attempt to carry out projects they are not informed about.

Of the respondents 83% indicated that the terms offered on different accounts were favourable with only 2% not satisfied with the terms. 77% indicated that the application process for the different products was easy and fast. Mobile money transaction and savings account received full support from the respondents.

Mobile money has enabled clients to receive loans applied for right from their handsets and the repayment is done in the same manner. As such, they are able to deposit every small amount they get and this has made it easier for clients to repay loans or enquire about loan status among other issues.

4.5 Challenges MFIs face in implementing Social entrepreneurship practices

MFIs have attributed their failure to fully practice social entrepreneurship to different challenges as shown in table 12 below. The researcher sought to find out if the challenges cited were true from their client's side of view.

Table 12: Challenges faced by MFIs

Statement	True	Not sure	False
Language barrier is a major problem affecting training	34	62	4
The are many cases of defaulters	44	48	8
Interests rate given by CBK are not favorable to MFIs	27	71	2
Regulations and policies surrounding money lending are favorable	29	59	12
Chamas are effective than individual products	38	57	8

From the findings, 34% of the respondents said it was true that language barrier affected trainings by MFIs while 62% were not sure if language had any relations to how training was done. 4% said language was not a problem. Language used by MFI trainers matters a lot with the local community. Some clients from rural areas do not understand English or Kiswahili and therefore have problem understanding what is taught. However, today most of the clients are

educated or at least have some basic knowledge of Kiswahili and therefore this is not supposed to post such a major challenge.

The findings show that 44% indicated that many cases of defaulters was a challenge, 48% were not sure if cases of defaulters hindered full implementation of social entrepreneurship practices by MFIs while 8% indicated that there was no relation between cases of defaulters and implementation of social entrepreneurship practices. MFIs have every right to use any mean possible to acquire back their money. Therefore, the fact that the cases of defaulters are there should not be a hindrance in any way to implementing social entrepreneurial practices.

The findings show that 71% of the respondents were not sure how interest rates by CBK affect MFIs with 27% indicating that CBK rates affected MFIs operations and efforts to implement social entrepreneurship. CBK regulates what activities are carried out by MFIs but does not stop MFIs from carrying out social entrepreneurial practices. This is indicated by the high percent of respondents who don't see any relation between CBK regulations and how MFIs implement social entrepreneurial practices.

4.6 Extent by which MFI services reduce poverty

4.6.1 Benefits of MFIs products and services

The researcher sought to find out the benefits that clients have achieved by engaging with local MFIs. The summary of the findings is given in table 13.

Table 23: Benefits of MFI products and services

Benefits of MFIs products/services	<i>True</i>	<i>Not sure</i>	<i>False</i>
Started a new business	60	8	32
Increased education levels	4	39	57
Increased farm outputs	42	27	31
Increased farming area	58	32	10
Improved financial knowledge	79	9	12
Increased savings knowledge	84	7	9
I have built a modern home	5	37	58
I have purchased a farming machinery	17	39	49

From the study findings, 60% of the respondents were able to start a new business with funds from the MFIs. 32% indicated that they did not use the services provided to open up new businesses. Often, MFIs encourage clients to apply for the products if they have a project to undertake. Only 4 % used services and products from MFIs to increase their education levels. 57% on the other hand did not use the benefits to increase their educational levels. This is attributed to the fact that most of the beneficiaries are working and family men and women and as such find going to further their study a hard task.

Additionally, 84% improved their savings knowledge, 79% increased their financial knowledge, 58% increased the farming area, 42% increased farming outputs, 17% purchased farming machinery and 5% build modern homes.

The findings indicate that a most of the respondents used the MFI services and products for productive activities that served to improve their lifestyles.

4.6.2 Extent of improved lifestyles

As a result of MFI products, it's important to understand how these products have changed the lives of the beneficiaries. Table 14 gives a summary of the range of income increase as recorded by the respondents.

Table 34: Range of income increase

Range of income increase	Frequency	Percent
5-10k	31	31.0
10-15k	29	29.0
15-30k	36	36.0
above 30k	4	4.0
Total	100	100.0

From the findings, 36% of the respondents increased by between fifteen and thirty thousand, 31% increased the range of their income from between five thousand to ten thousand, 29% increased by between ten and fifteen thousand. Only 4% of the respondents recorded an increase of the monthly income by more than thirty thousand.

Table 15: Range of farming output increase

Range of increase of farming output	Frequency	Percent
5-10k	54	54.0
10-15k	26	26.0
15-30k	17	17.0
above 30k	3	3.0
Total	100	100.0

According to the study findings, 54% of the respondents have increased their quarterly farming outputs by between five and ten thousands, 26% increased by ten to fifteen thousand, 17% increased their quarterly farming output by between fifteen and thirty years. Only 3% of the respondents had their farm outputs increased by more than thirty thousand.

Table 46: Worth of machinery bought

Worth of machinery purchased	Frequency	Percent
5-10k	68	68.0
10-15k	14	14.0
15-30k	15	15.0
above 30k	3	3.0
Total	100	100.0

The study findings show that 68% of the respondents purchased their machinery by between five and ten thousand. 14% purchased machinery worth between ten and fifteen thousand, 15% purchased machinery worth between fifteen and thirty thousand while only 3% of the respondents purchased machinery worth over thirty thousand.

On average, respondents indicated that they have been able to purchase machinery, increase farming outputs and increase monthly income by a good amount.

4.7 Correlation Analysis of Services provided and the range of income increase

The researcher carried out a correlational analysis to understand the relationship between the services and products provided to the increase in the level of income among the respondents.

Table 57: Correlation Analysis of Services provided and the range of income increase

Correlations			
		Services provided	Income range increase
Services provided	Pearson Correlation	1	.826**
	Sig. (2-tailed)		.000
	N	100	100
Income range increase	Pearson Correlation	.826**	1
	Sig. (2-tailed)	.000	
	N	100	100
** . Correlation is significant at the 0.01 level (2-tailed).			

From the analysis, the correlation is .826. This indicates a strong positive linear relationship between the services provided and the level of income increase. As such, the Pearson correlation = .826, $p = .000$ (2-sided). This illustrates that services and products offered by the MFI have a strong effect on the level of income among the respondents. For the purpose of this study, the reduction of the level of poverty reduction was measured by the range of increased income as a result of the services provided by MFIs.

4.8 Discussion of the findings

From the findings, both men and women are involved with MFI services and products. Respondents who were involved in the study were of different level of study with the highest being those who Bachelor's degree. This shows that MFIs have been able to attract people of all kind which is also indicated by the different age groups of the respondents. Of the services offered by MFIs, loan and financial advice scored the highest while chama loans were the most preferred MFI products among the respondents. The findings also indicate that Micro insurance was the least preferred service and agribusiness loan being the least preferred product.

The study findings show that most of the respondents have been able to improve their lifestyles both economically and through skills enhancement. As shown by the findings, respondents have been able to purchase machinery, increase the level of income and farming output. As such, the correlation analysis of the services provided to the level of income increase shows that there has been an improvement in the rate of poverty reduction among the clients of the MFIs.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The main objective of this study this was to discover the effects of social entrepreneurship practices of micro financial institution on poverty reduction. The study was guided by two objectives; to determine the extent to which the MFIs in Kenya have implemented social entrepreneurship practices and to establish the effect of social entrepreneurship practices on poverty reduction in Eldoret, Kenya. The research reviewed other literatures related to the topic of study before covering the research methodology. The study involved the use of quantitative research where data was collected using questionnaires. After data was collected, analysis was done and findings presented in Chapter Four. This chapter gives a summary of the study findings, the conclusion and recommendations of the study.

5.2 Summary

From the number of questionnaires distributed, the response rate was very good as the data collected was adequate.

From the findings, the respondents were both male and female with female. This shows that the study was inclusive and fair. From the findings, it shows that the number of men who use MFI services and products has been going up unlike some years back.

The study findings indicated that those involved in the study were across the marital status. The high number of married respondents in the study was because most of those who use MFI services and products are those building up major projects and in most cases have families to care of. The low number of those who are still single is attributed to the fact that most of the young people are still not committed to major projects that require money or too impatient to save money with MFIs. Those who are above 50 years are either stable or some have people who take of them. From this, it's clear that those in the middle age from 30 to 50 years use MFI services and products the most.

From the study, the highest number of respondents had bachelor's degree in varied courses with the least being those with KCPE certificates. The main point observed is that MFI products are used by all despite the educational background. The fact that most of those who took part in the study were graduates can be attributed to the fact that most of the data was collected around

Eldoret town where a lot of the people are educated and there are plenty of training opportunities as well as education institutions in the town.

When asked about the services provided by the current MFIs, the highest number indicated that MFIs offered loans, micro insurance and financial advice. A combination of the three services – loan, micro insurance and financial advice is a great recipe for poverty reduction. Through these services, clients are able to make the right kind of decisions on money matters ranging from loans, security and safe investments. By making this judgments, their lifestyles are improved which in turn reduces poverty reduction among the clients.

The highest percentage of the respondents indicated that they needed loans so as to improve their financial status. Other respondents said that if provided with loans and financial advice, their lifestyles would be different in terms of their financial position. Only a small number indicated that they needed financial advice so that they can make the right kind of investment decisions.

From the findings, MFIs in the region provided chama (group) loans, individual loan and agribusiness loans. The second most available product was individual loan with the least being a combination of chama and agribusiness loans. Most MFIs in the region provide all the three loans which offer an opportunity to their clients to choose the most preferable product.

From the findings, the most preferred products were the chama loans. Individual loans were also most preferred products offered by the MFIs. Chama loans were preferred since they often provide other benefits like negotiable repayment period, security to both the clients and the MFI involved and the training offered before the loans are issued plays a major role in key decision making. Individual loans are preferred since they enable clients to plan their own repayment plans and the projects carried out are also private. Agribusiness loans were the least preferred. These loans are less preferred because the MFI require one to show proof of farming and the loan repayment period is set as per what one is farming. Farming is not always assured to make profits and this brings problems during repayment.

To improve economic status, respondents indicated that chama offered the best solution to this. Chama also had the best repayment terms according to the study findings with only a small number indicating that agribusiness had better terms of repayment.

In terms of business support services, most of the respondents agreed that the services offered by MFIs are efficient with the exception of the training. Those who felt that the services were less efficient felt that the bank still had a lot to do to fully meet the demands of the clients.

Cases of defaulters served as the biggest challenge that MFIs had to deal with in an effort to implement social entrepreneurial practices in the region. Most of the respondents were not sure how the listed challenges hindered MFIs from fully implementing the practices. A small number though disagreed with the fact that MFIs faced these challenges.

From the findings, a big number of respondents have used MFI services and products to boost their lifestyles with some starting new businesses, some going to further their studies, some bought farming machinery while others increased their financial knowledge. Only a small percentage of the respondents used the services and products offered to go back to school and build modern homes. A large number indicated that through the services offered by MFIs, they have been able to improve their knowledge on saving money.

From the study, respondents have been able to increase their monthly income by between fifteen and thirty thousand. However, only a small percentage of the respondents were able to increase their income by above thirty thousand.

From the study results, most of the respondents have increased their quarterly farming outputs by between five and ten thousands while some have increased the quarterly farming outputs by above thirty thousand. The study findings show that a good number of the respondents purchased machinery worth between five and ten thousand

From the correlations analysis between the services provided and the range of income increase, it is clear that a strong positive linear relationship between the services provided and the level of income increase.

5.3 Conclusion

It is observed from the study findings that there is a strong relationship between the products and services offered by MFIs and the level of poverty eradication through income generation. It's also been observed by offering services and products, MFIs have enabled many people start

business, improve their saving knowledge, purchase new farming machinery and build modern homes.

From the study results, MFIs have invested in the residents of Eldoret by providing different services that have helped many change their lifestyles to the best. From the Pearson correlations, MFIs social practices have achieved a lot in reducing the level of poverty among many clients. Although there are still challenges that have to be overcome, progress has been made. By increasing the efforts, MFIs will see more reduction in poverty.

5.4 Recommendations from the study

To achieve improved social performance by MFIs, the researcher recommends that larger MFIs should be encouraged to increase their investment in social performance. This recommendation stems from the findings that the size of MFIs has a moderating effect on relationship between board characteristics, leadership characteristics, stakeholder involvement, accountability practices and their social performance. Stakeholders seeking to improve social performance for any Kenyan MFIs must establish its size.

Additionally, MFIs need to review the terms offered on agribusiness loans. Based on the study findings, there has been a low adoption of these products. MFIs have not pursued maximum benefits for the common people understandably because elites who have their own interests, some of which run counter to those of the common people, control these institutions. These Institutions needed to do more; they need to open up their spaces for greater public participation and to pursue poverty reduction efforts with dedication.

5.5 Limitations of the study

The current study was not adequately representative of all the MFIs in Kenya as it was limited to Eldoret region only as well as having a limited number of respondents. Future studies should incorporate a broader and more representative sample of MFIs so that the preliminary findings of the present study might be validated.

Common method bias like determining the reliability and validity of the data could have been made.

5.6 Recommendation for further studies

The current study tested the effects of social entrepreneurship practices of MFIs on poverty reduction without determining possible causation. Further research may be needed to study the relationship between individual sub-indicators and the social performance of an MFI.

As indicated from the findings, MFIs relate the incapability to practice social entrepreneurship practices effectively to the rules and policies made by CBK. There is need for studies to be carried to determine whether there is any association between the policies by CBK and poverty reduction.

Another issue that needs to investigate is the lasting effect of the benefits provided by MFIs. From the study, some respondents suggested that since there is no follow up on their projects, they slide back to their old economic status after a while.

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Appendix 1: QUESTIONNAIRE

Dear respondent,

Thank you for your time and willingness to participate in this research project. Your cooperation in completing this questionnaire is **highly** appreciated!

This project aims to investigate on Social Entrepreneurship Practices and Poverty Reduction Implemented by Micro-Finance Institutions in Kenya. Please answer all the questions as honestly as possible. You should be able to complete the questionnaire in approximately **20 minutes**. The questionnaire is completed anonymously, thereby providing **full confidentiality**. Please complete **ALL** the questions.

SECTION A: PERSONAL INFORMATION

1. Gender

Female Male

2. Age

18-30 years 31-40 years 41-50 years 51 years above

3. Marital Status

Single Married Separated Divorced Widowed

4. Working Experience

Less than 5years 6-10 years 11-15yrs over 15yrs

5. Highest Level of Education

KCPE KCSE

Diploma Bachelor's Degree

Section B: Extent to which the MFIs in Kenya have implemented social entrepreneurship practices.

[Please tick where appropriate]

1. Services

Statement	<i>Loan</i>	<i>Micro-Insurance</i>	<i>Financial advice</i>
These service(s) are provided by my current MFI			
This is the most common service among Eldoret residents			
To improve financial status, I need this service			

2. Products

Statement	<i>Individual loan</i>	<i>Chama loan</i>	<i>Agribusiness loan</i>
These products are provided by my current MFI			
This product works best for me			
In my opinion, the best product to improve economic status is			
Which is the product with the best repayment terms in your MFI?			

3. Business Support services

Statement	<i>True</i>	<i>Not sure</i>	<i>False</i>
MFIs provide adequate financial training before issuing loan products to clients			
The terms offered for the different accounts are favorable to me			
The application for the different products available is easy			
The time taken to process the required service/product is favorable			
the repayment duration is favorable			
Mobile phone deposit/ loan processing is efficient			
MFI provide good savings accounts			

Section C: Challenges that MFI's in Kenya face in implementation of social entrepreneurship practices

Statement	<i>True</i>	<i>Not sure</i>	<i>False</i>
Language barrier is a major problem affecting training			
The are many cases of defaulters			
Interests rate given by CBK are not favorable to MFIs			
Regulations and policies surrounding money lending are favorable			
Chamas are effective than individual products			

Section D: Extent by which the services provided by MFIs support poverty reduction in Kenya.

Benefits of MFIs products/services	<i>True</i>	<i>Not sure</i>	<i>False</i>
Started a new business			
Increased education levels			
increased farmoutputs			
Increased farming area			
Improved financial knowledge			
Increased savings knowledge			
I have built a modern home			
I have purchased a farming machinery			

Extent of improved lifestyle	<i>5K-10K</i>	<i>10K-15K</i>	<i>15K-30K</i>	<i>ABOVE 30K</i>
As a result of MFI products, I have been able to increase my monthly income between the range of				
I have increased my farming outputs (quarterly) by a range of				
I have purchased machinery worth of				