

**EFFECT OF MICROFINANCE SERVICES ON THE GROWTH OF PERSONS
WITH DISABILITIES SELF HELP GROUPS IN KENYA**

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DECLARATION

I declare that this Research project is my original work and has never been presented for the award of a degree in any other university for examination or academic purposes

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This research project has been submitted with my approval as the University supervisor.

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DEDICATION

To those who are working to make a change for a better world for Persons with Disabilities in Kenya and beyond.

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ABBREVIATIONS

| | |
|---------------|--|
| AMIFU | Association of Microfinance Institutions of Uganda |
| AMFI | Association of Microfinance Institutions |
| APDK | Association for the Physically Disabled of Kenya |
| ASA | Association of Social Advancement |
| BRAC | Bangladesh Rural Advancement Committee |
| CBOs | Community Based Organizations |
| DIFID | Department of Financial Development |
| DPOs | Disabled Persons Organizations |
| ECOSOC | Economic and Social Council |
| IGP | Income Generating Programs |
| ILO | International Labour Organization |
| KNBS | Kenya National Bureau of Statistics |
| MF | Microfinance Services |
| MFI | Microfinance Institutions |
| NAD | Norwegian association of the Disabled |
| NCPWD | National Council for Persons with Disabilities |
| NGOs | Non-Governmental Organizations |
| NUPIDU | National Union of Disabled Persons of Uganda |
| PWDs | Persons with Disabilities |
| SHGs | Self Help Groups |
| UDPK | United Disabled Persons of Kenya) |
| UN | United Nations |
| WHO | World Health Organization |

ABSTRACT

The United Nations Economic and Social Council estimates that 650 million people or about 10% of the world's population as people suffering from some form of disability of whom 80% are within developing nations. The current existing challenge is that there have never been enough studies on the relationship between recognizing disability and promoting successful development. The Millennium Development Goals (MDGs) call for increased focus on poverty reduction; disability and poverty are mutually reinforcing, as disability can be a cause of poverty and poverty can be a cause of disability. Disability affects the poverty levels of individuals, families and society because it affects access to education, employment and income generation. The World Bank estimates that 20% of the poorest are person with disabilities. Microfinance has been proven to be one of the strongest anti-poverty tools; it is a specialized field that combines banking with social goals. It is a well-known fact in Kenya that Microfinance is an effective way to reach out to the poorest. Access to financial services is one of the essential building blocks to achieving the Millennium Development Goals. In Kenya we have our own vision 2030 with aspirations as those of the MDGs with a vision to attain a globally competitive and prosperous nation with a high quality of life by 2030. Inclusion of persons with disabilities is therefore important for the achievement of Vision 2030. This study sought to evaluate the effect of Microfinance Institution services by Self-help Groups of Persons with Disabilities in Kenya. The research adopted a descriptive design in answering the research questions. Primary data was collected for a 5 year period, 2009 – 2013 from 25 respondents out of a target sample size of 35 respondents. The study reveals a statistically significant relationship between access to MFI services and the growth of Persons with Disabilities Self Help Groups. The study recommends those self-help groups not in a position to receive micro-financing from institutions should look for grants from NGO's and other organisations that seek to improve the wellbeing of persons with disabilities. Self-help groups should also have a clearly defined profit sharing plan that does not affect the growth of their businesses. The study further recommends that the groups should request small loans and increase the amount when needed and once they have received training and experience in running their businesses.

CHAPTER ONE

INTRODUCTION

1.1 Background to Study

1.1.1 Microfinance Services

Microfinance refers to the provision of banking services to low income people especially the poor and the very poor. The clients are not just micro entrepreneurs seeking to finance their businesses but the whole range of poor clients who use financial services to manage emergencies, acquire household assets, improve their homes and fund social obligations. The services go beyond micro credit and also include savings and transfer of services (Christen et al., 2003). The epicenter of Microfinance can be traced to Bangladesh in 1976 when Muhammad Yunus established Grameen bank as an experiment of providing unsecured loans to the poor but at full-cost interest rates. Microfinance has recently received a lot of attention from both policy makers and academicians. In particular, it has been mentioned as an important instrument to combat poverty and to support this view, the UN declared 2005 as the international year of microcredit. In 2006, the attention for microfinance and its role in reducing poverty was further increased when Muhammad Yunus received the Nobel Peace prize. These developments led to high expectations among policy makers and aid organizations about the potential poverty reducing effects of microfinance. The provision of micro credit to small business concerns has since blossomed into a financial movement referred to as microfinance and represented by the microfinance institutions (MFIs) (Dondo, 1999).

Microfinance Institutions refer to formal organizations whose primary activity is microfinance business. The range of institutions referred to as MFIs is wide and varies from country to country. There is emerging consensus that these institutions include commercial banks, state-owned development banks, financial non-governmental organizations (NGOs),

financial cooperatives and a variety of other licensed and unlicensed non-bank financial institutions, which focus on serving the poor (Christen et al 2003). The number of MFIs has risen from a few initial establishments mainly in Bangladesh, Bolivia and Indonesia in the 1980's to approximately 3,552 MFIs reaching over 154 million clients in 2007 thus meeting the objective defined on 1997 (Daley-Harris, 2009).

The microfinance industry in Kenya has grown over the past two decades in response to lack of access to formal financial services for most of Kenya's poor people. The number of known MFIs operating in Kenya is approximately close to 100 serving over four million clients with an outstanding loan portfolio of more than Kshs. 2.3 billion equivalent to 30 million US dollars (Aron, 2010). The industry has continued to experience impressive growth providing financial services to the largest segment of the Kenyan market consisting of individuals, groups and micro-enterprises (Faulu, 2013). Microfinance has gained prominence among the poor in developing countries of Asia, Latin America, Eastern Europe and Africa. It has been prompted the search for solutions to poverty alleviation. It has been argued that improving the supply of financial services to the poor enables them to build productive assets and enhance their productivity and potential for sustainable livelihoods. This can contribute to poverty reduction (World Bank, 2001).

1.1.2 Growth of PWDs Self-help Groups in Kenya

The concern of governments, national and international development agencies to the economically active poor people paved a way for semi-organized financial system; micro finance and self-help groups (SHGs) which have been emergent since the late 1980s. Under this system, a group of 10 to 30 poor people come together to save money and finance their needs on their own. If the SHGs survive for six to twelve months successfully saving the required amount as per the norms, then SHGs can be linked to formal commercial banks to

get loans. This is known as the linkages between SHGs and the bank. The model was designed through a pilot project in the year 1990 – 1991 and proved to be a very successful model (Swamy, 2009).

A crucial link between financial development and poverty reduction is through the growth of micro and small enterprises and Self-help Groups (SHGs). In this study, SHGs are defined as groups of individual members who by free association come together for a common collective purpose. They normally comprise of 10 to 30 members known to each other and coming from the same village, community or even neighbourhood. The groups provide both financial and technical services to members to enable them engage in income generating activities. The operations of SHGs are based on the principle of revolving the members own savings. External financial assistance augments the resources available to the group-operated revolving fund. Savings thus, precede borrowing by the members. In many SHG programs, the volume of individual borrowing is determined either by the volume of member savings or the savings of the group as a whole. Some NGOs operate microfinance programs by organizing federations of SHGs to act as the MFI which obtains external loan funds in bulk to be channeled to members via the SHGs (Ajai, 2005). SHGs play an important role in improving the livelihood of Persons with Disabilities (PWDs) as they face many barriers to their full participation in society, most of which place them at a greater risk of discrimination, abuse and poverty.

Growth is usually measured using financial indicators such as increase in turnover, profitability, growth in sales, increase in stock levels, increase in value of fixed assets, Performance of micro and small enterprises as a research topic has attracted a number of scholars with performance being operationalized in terms of growth of the enterprise

(Masakure et al., 2009; Vandenberg, 2009). Information on the financial indicators stated above can be retrieved from financial statements of a business. The statements provide a picture of the financial position of a business. The financial statements are the cash flow statements, income statements and the balance sheet; when taken together, they provide a picture of financial health of the business (Atril & Molaney, 2008).

A cash flow statement is one that shows cash movements; i.e. cash in and cash out over a particular period. An income statement on the other hand, shows the total revenue generated during a particular period and deducted from this the total expenses incurred in generating the revenue. The difference between total revenue and expenses will represent either profit or loss. While the balance sheet states the financial position of a business at a particular moment in time. It states the assets of a business on one hand and the claims against the business on the other hand. Assets are resources held by the business and which have a probable future benefit upon the sale of the item. Current assets are held for a short period of time while fixed assets are those held for long term operations (Pendril, 2004)

A claim is an obligation on the part of the business to provide cash or some other form of benefit to an outside party. It normally arises as a result of an outside party providing funds in form of assets for use by the business. Equity claims represent the owners claims against the business while liabilities represent claims of all individuals and organizations other than owners. Liabilities fall under current and long term liabilities; current liabilities are amounts due for settlement in the short term while long term liabilities are amounts due for settlement in the long term (Foster, 2004).

1.1.3 Microfinance Services and Growth of PWDs Self-help Groups in Kenya

MFIs play a vital role in the economic development of many developing countries. They offer loans and technical assistance in business development to low income communities in developing countries (Hartungi, 2007). MFIs offer a variety of products including micro loans, savings and other financial services that a commercial bank doesn't offer to low income clients in the banking system. Microfinance may be seen as a way of extending financial services to formerly unbanked people, thus deepening the financial system in the country by removing the frictions that prevent poor segments of the society their access to financial services. Access to microfinance has therefore been seen as a promising tool for poverty alleviation (Morduch, 1999). The strong growth in microfinance reflects an answer to an underlying demand and it brings the basic utility of finance to poor people (Green et al., 2005).

PWDs are usually a low priority and ill-treated target group when it comes to socioeconomic integration (ILO, 2002; Lewis, 2004). Despite studies indicating that persons with disabilities are on average among the poorest, not all persons with disabilities are poor. Persons with disabilities have better performance ratings in the job market when they have access to equal opportunities as their non-disabled counterparts; however, they often experience success as self-employed. Although most development financial institutions have considerable interventions to address cross cutting issues concerning vulnerable groups such as women, youth and children, PWDs are not accorded any sustainable attention hence they miss a key voice and financing on the international development agenda. The development of a healthy national financial system has long been viewed as a catalyst for the broader goal of national economic development. The challenge is whether PWDs consist of a separate group that should be targeted specifically for microfinance or whether they could be included in the broader target of vulnerable groups (United Nations, 2007). The World Bank estimates that

20% of the world's poorest people are disabled, and tend to be regarded in their own communities as the most disadvantaged and unemployment amongst the disabled is as high as 80% in some countries.

Majority of PWDs turn to self-employment in the job market, yet they tend to be excluded from mainstream finance services. Besides the physical and informational barriers, the exclusion mechanisms are typically related to policies and attitudes in financial institutions as well as low self-esteem and lack of entrepreneurial posture in PWDs. Micro-finance has been proved to be one of the strongest anti-poverty tools as it forms an effective way of reaching out to the needs of the poorest who they have realized are bankable. Since PWDs form 20% of the world's poorest and usually turn to self-employment as they are shunned from formal employment (Mersland, 2005).

The situation is no different in Kenya as PWDs are marginalized and looked upon as sick and incapable persons. Most families are even ashamed of being associated with relatives who have suffered some form of disability and in the case of children, they are even denied education. This stigma by the family is extended to the larger society thus resulting to PWDs being left on their own. It is as a result of this that they come together and form self-help groups to improve their livelihood and ensure self-sufficiency. Members engage in development activities using their own savings and microfinance institutes come in to offer services to augment those resources and assist in growing their economic activities.

1.1.4 PWDs Self-help Groups in Kenya

Persons with Disabilities (PWDs) are people who have long-term physical, mental, visual, hearing, intellectual, or sensory impairments, which impacts adversely on social, economic or environmental participation. In interaction with various barriers may hinder their full and effective participation in society on an equal basis with others. (United Nations Convention on the Rights of PWDs, 2006). The Convention on the Rights of Persons with Disabilities is an international human rights instrument of the United Nations intended to protect the rights and dignity of persons with disabilities. Parties to the convention are required to promote, protect, and ensure the full enjoyment of human rights by persons with disabilities and ensure that they enjoy full equality under the law (United Nations, 2007).

Disability as an umbrella term covers impairments, activity limitations, and participation restrictions. Impairment is a problem in body function or structure; an activity limitation is a difficulty encountered by an individual in executing a task or action; while a participation restriction is a problem experienced by an individual in involvement in life situations. Thus, disability is a complex phenomenon, reflecting an interaction between features of a person's body and features of the society in which he or she lives (WHO).

Association of Persons with Disabilities in Kenya (APDK) is an association that enables persons with different abilities to enjoy equal rights and have access to affordable quality rehabilitation services. It also enables PWDs to overcome their physical limitations and empower them economically and socially to become self-reliant and fully integrated members of their communities (APDK, 2002).

PWDs in developing countries face greater challenges than those in developed nations as institutions; political rights and social inclusion tend to be weaker in the former. Most developed countries have advocated policies that address concerns of PWDs ranging from

accessibility of services and education, social inclusion to self-empowerment and self-supporting employment and beyond. Employers often resist employing PWDs because they erroneously assume that persons with disabilities lack the ability to fully perform their tasks and responsibilities with the required adequacy and that they will raise labour costs. In developing countries, 80 to 90% of persons with disabilities do not have a formal job hence most of them turn to self-employment (United Nations, 2007). In the absence of enforcement of non-discriminatory employment laws, self-employment offer PWDs the best alternative to joblessness. In addition, self-employment offers economic independence in a market driven economy and contributes significantly to national development and reduces dependency. One of the main obstacles facing the self-employment is access to capital, either in the form of loans or accumulated savings. However, since most PWDs tend to be excluded from mainstream financial services, their economic activities tend to remain small (Handicap International, 2006; Mersland, 2005).

On December 13 2006, the United Nations formally agreed on the Convention on the Rights of Persons with Disabilities, the first human rights treaty of the 21st century to protect and enhance the rights and opportunities of the world's estimated 650 million people with disabilities. Countries that ratify the convention are required to adopt national laws that provide for persons with disabilities to ensure equal rights to education, employment, and cultural life; the right to own and inherit property; not to be discriminated against in marriage and childbearing. Kenya signed and ratified the Convention in March 2007 and May 2008 respectively. The varying approaches taken to defining disability notwithstanding, demographers agree that the world population of individuals with disabilities is very large and there is widespread agreement among experts that disability is more common in developing than developed countries due to many factors such as wars, poverty and sickness.

650 million people or about 10% of the world's population are estimated to be suffering from some form of disability; 80% of these conservative estimates live in developing countries, and evidence suggests that they tend to be poorer than their counterparts without disabilities. (UN ECOSOC, 2009).

In Kenya, the rate of disability is estimated to be between 3.5% and 10%. According to the released Kenya population census 2009, Kenya has a population of 1,330,312 disabled persons accounting for 3.5 percent of the total population (KNBS, 2010). However, it should be noted that the census data gave this as a conservative figure, owing to the fact that only the traditional areas of disability were considered these being; physical, mental, hearing, visual and speech. To ensure that employment issues and concerns of Persons with Disabilities are mainstreamed in the development process in Kenya, the Persons with Disabilities Act No. 14 of 2003 was enacted. It aimed at restoring their citizenship, humanity and providing a framework of fighting stigma, guaranteeing rights to employment, rehabilitation, barrier-free environment, sports and recreation and to achieve equalization of opportunities for PWDs.

The enactment of the Act established the National Council for Persons with Disabilities (NCPWDs) in 2004 as a machinery to speedily address the needs of persons with disabilities. The NCPWDs shall endeavor to secure the reservation of five percent of all casual, emergency and contractual positions in employment in the public and private sectors for PWDs (PWD Act, 2003 section 13). Section 37 of the Act further provides that it is the duty of the Minister responsible for matters relating to credit unions, co-operatives and other lending institutions to encourage the extension by such institutions of credit to PWDs.

1.2 Problem Statement

Majority of persons with disabilities in Kenya suffer major inequalities as indicated by extreme poverty, limited opportunities for accessing education, health, housing and employment opportunities (ILO, 2002). Employers often resist employing persons with disabilities because they believe PWDs will be unable to perform their duties and responsibilities resulting in extra manpower to support them thus leading to increased labor costs. Due to lack of employment opportunities, most PWDs turn to self-employment for income generation. Self-help Groups offer PWDs the best alternative to joblessness; it has various advantages for self-employment and economic independence in a market driven environment and contributes significantly to national development and a reduction in dependency. The idea of providing better access to microfinance services for persons with disabilities is not new, several projects have been initiated, but most have provided persons with disabilities with a combination of training and subsidized credit from non-financially specialized organizations like community based organizations (CBOs) or Disabled People's Organizations (DPOs) (Handicap International, 2006).

The results from these efforts have been mixed. In some cases, the results have been positive, but very few approaches have been sustainable (Lewis, 2004; Handicap International, 2006). Although studies have discussed the impact of microfinance interventions to vulnerable groups such as women and youth to facilitate their empowerment, very few studies have been done regarding microfinance interventions targeting persons with disabilities. Those that have ventured into this study have considered determinants of access to microfinance services among self-employed persons with disabilities and the impact of Microfinance among the poor; 20% of those being PWDs.

In the study, determinants of access to microfinance services among self-employed persons with disabilities in Nairobi, Kenya; it emerged that self-employed persons with disabilities

were able to effectively utilize the information to access microfinance services. The availability of these services within the linkage programs and groups also facilitated access to such services. However, the study further established that financial requirements remain a major hindrance to access of microfinance services by PWDs at the NGO mainstream banks or MFIs (Ayallo, 2013). In a study the impact of microfinance on rural poor households' income and vulnerability to poverty stated that there is a role for microfinance as a poverty reduction tool but the ability of households to begin informal sole micro entrepreneurship should not be assumed to be adequate for the improvement of household income. (Kiiru, 2007).

In Kenya, a number of studies on microfinance services have been done among them being; Mugori (2012) researched on the effects of access to microfinance on the financial performance of small and medium enterprises owned by youths in Nairobi Kenya, Gombe (2011) studied the impact of microfinance on the formal financial sector development in Kenya, Waiganjo (2010) looked at the impact of microfinance services on poverty alleviation at the household level. As seen, these studies were basically focusing on the youth, financial sector development and poverty alleviation generally. However, no study known to the researcher has been conducted on the impact of MF services to PWD self-help groups with the closest study being microcredit for self-employed disabled persons in developing countries the report indicated that microcredit is not always the answer and neither is it the best tool for every situation as there exists different categories of disabled persons and their potential benefit from microcredit varies according to their situation and the existence of other intervention strategies to strengthen poor persons self-employment initiatives such as; improved access to technology, markets and improved self-esteem and skills (Mersland, 2005).

This leaves a wide knowledge gap that this study seeks to explore. Research on microfinance for PWDs is scarce as compared to other vulnerable groups. Aside from Mersland (2005) who explored microcredit being only one of the many financial services needed by the disabled population in business. In order to address the inequalities faced by PWDs it is critical to address the impact of microfinance services on growth PWDs self-help groups which this paper seeks to explore.

1.3 Research Objective

The study seeks to determine the effect of microfinance services on the growth of PWD self-help groups in Kenya.

1.4 Research Significance

The study will assist microfinance practitioners in improving their institutions by helping them establish whether their programs have the desired impact. This will enable them to focus on tailoring products and services they offer to suit the needs of PWDs thus assisting the PWD segment to grow their businesses leading to an overall growth of the economy. One of the UN basic target areas for equal participation is accessibility (UN, 1993). MFIs will further obtain information on whether their physical environment, product information and communication are accessible to all persons suffering different forms of disability. The researcher intends to improve the level of awareness of PWDs regarding services offered by MFIs and how to take advantage of such services thus leading to expansion of their businesses. The study aims at increasing PWDs knowledge on micro-finance and micro-entrepreneurial issues including the pros and cons of micro-credit as one of the services of micro-finance institutions. PWDs will also obtain information on other non-credit financial services that can be beneficial to their businesses.

Providers of Funding to MFIs– Donors and Development Partners; Donors play a key role to enable increased outreach of microfinance to disabled persons; the study will enable them increase their level of awareness of the PWDs segment thus necessitating the provision of funding to this often neglected segment while emphasizing that MFIs commit to including PWDs in their programs. The study will also establish areas that PWDs may require further training in running their businesses hence allowing donors to promote research efforts on how to increase efficiency of self-employment for PWDs. Development partners will also see the need to promote inclusion of a micro-finance and self-employment session in disability conferences and the inclusion of a session on disability in micro-finance conferences for each group to obtain information on the other. Donors will also ascertain the performance of MFIs in providing services to these enterprises and they will capacity build emerging MFIs by providing grants and technical assistance to assist them reach operational and financial self-sufficiency needed to sustain large scale growth.

The study will assist the Government of Kenya and policy makers in designing all-inclusive policies and regulations that are necessary to guide the establishment, operations and other activities of the MFIs. The government will obtain information on the proportionate percentage of disabled entrepreneurs able to access financial services in line with the social and economic pillars of vision 2030 which targets the vulnerable groups and the ability of each Kenyan to access financial services by year 2030. The study will also enable the government improve the infrastructure thus enabling the MFIs operate in all areas and reach out to PWDs. Where the MFIs are found to be lacking, the government could assist in improving the capacity of the Association of Microfinance Institutions (AMFI) thus enabling them attract more members and ensure they sustain good practices in the industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a discussion of the various theories related to microfinance. This is followed by a review of the existing empirical studies, orientations on the experience of PWDs with microfinance institutions and variables governing this research. The review of literature focuses on the impact of microfinance services on growth of enterprises owned by persons with disabilities.

2.2 Theories of Microfinance

2.2.1 Imperfect Information Theory

According to Robinson (2001) this theory is based on the assumption that banks can't differentiate costs effectively, between low risk and high risk loan applicants. In addition, it is thought that formal financial institutions are unable to compete successfully with informal money lenders because such lenders have access to better information about credit applicants than formal institutions can obtain cost effectively. Imperfect Information theory suggests that it would be difficult for banks to operate profitably in developing countries credit markets and to attain extensive outreach. Based on this model, it would be difficult for economists, bankers, financial analysts, donors and government decision makers to muster much enthusiasm for advocating entrance of commercial banks into micro credit markets.

2.2.2 Savings of the poor Theory

Robinson (2001) indicates that savings are more crucial to microfinance clients than credit. The theory focuses on voluntary savings mobilized from the public. Most people choose to save excess liquidity for future use which can be mobilized by financial institutions serving the low income people. Proponents of this theory argue that MFIs are an important part of the solution to poor people's problems with dead capital. Savings accounts in regulated financial

institutions are legally recognized assets, and often the first that poor families' acquire. Their bank accounts are fungible assets (Live capital). Since banks are legally accountable for their savers deposits, the deposits can be used as collateral for loans and mortgages. Regulated MFIs provide voluntary savings accounts that are appropriate for low income savers and are recognized as loan capital.

2.2.3 Financial Systems Approach

The theory suggests that poor people are able to pay high interest rates that cover the lenders transaction costs and emphasizes institutional self-sufficiency (Robinson 2001). The main argument in support of this theory is that the large scale outreach to the poor on a long-term basis can't be guaranteed in MFIs; they are incapable of standing on their own feet. In other words, MFIs should be maintained by clients and not donors; referred to as operational self-sufficiency. This theory relaxes its attention to "impact" in terms of measurable enterprise growth and focuses instead on measures of increased access to financial services. (Otero and Rhyne, 1994).

2.3 Models of Disability

2.3.1 The Charity Model

The Charity model also known as the welfare model seeks to explain disability as a welfare issue. PWDs are seen only as recipients' of alms and as helpless members of the society who need to be helped out. This kind of thinking has long been practiced in the society by even the state and emphasized by various religions and communities all over the world. PWDs are generally disadvantaged as 90 percent of children living with disabilities in developing countries do not attend school (Konrad, 2009).

2.3.2 The Medical Model

The medical model that resulted from scientific advancements in the medical field indicates that PWDs were viewed as being sick and that their disability could be overcome if their impairment was fixed. The disabled person was seen as the problem and it was understood that if proper medical care was administered together with the use of assistive devices such as wheel chairs, hearing aids, the problem would be resolved. However, this was not the case as other social and environmental barriers still exist and needed to be overcome (Knorad, 2009).

2.3.3 The Social Model

The social model being the most recent model emphasizes on the rights based approach and sees disability away from the individual person alone but as a result of the interaction between the person with the impairment and the attitudinal and environmental barriers that hinders his or her full and effective participation in society on an equal basis with others. For example a person using a wheel chair might have difficulties gaining employment; not because of the wheelchair, but because there are environmental barriers such as inaccessible buses or staircases which impede mobility. This model emphasizes on changing the environment to accommodate the needs of the individual with the impairment. It is as a result of this model that various disability specific policies, legislations and instruments are anchored upon (Konrad, 2009).

2.4 Mechanisms of Exclusions

There are four mechanisms that lead to the exclusion of the poorest from microfinance services. These are; exclusion because of low self-esteem, exclusion by other members, exclusion by staff, and exclusion by service design. These four mechanisms are particularly acute for persons with disabilities. In addition to these, there is also physical and informational exclusion stemming from the disability. The assumption has been that by

understanding and gradually eliminating these barriers, persons with disabilities can be mainstreamed into MFIs (Simanowitz, 2001).

2.4.1 Exclusion because of low self-esteem

PWDs often experience exclusion and rejection. The accumulation of such repeated negative experiences produces secondary incapacities such as low self-esteem or furthers the lack of self-esteem, which often leads to self-exclusion from public and private services like microfinance (ILO, 2002). Besides, some PWDs and their families may have the expectation to constantly receive charity (Thomas, 2000), and families may also not invest in children born with disabilities hence these children may be disadvantaged from birth by low educational background hence compounding the low self-esteem (Simanowitz, 2001).

2.4.2 Exclusion by other members

Most MFIs use different types of group methodologies for microcredit, like self-help groups, solidarity groups or village banks, where members decide whom to include in the group. A core element in group methodologies is that all members are jointly liable for each individual's loan. There is therefore an increased likelihood that poorer and more vulnerable members tend to be excluded from such groups. Stigmatization or the perceived risk posed by PWDs becoming members in groups may discourage community members from including them (Simanowitz, 2001). There are also studies showing that poorer persons that do join a group have a shorter membership time than average (Montgomery, 1996). This can be resolved by social inclusion policies and dissemination of information.

2.4.3 Exclusion by staff

Due to attitudes and prejudices within society, the staff of an MFI will often deliberately or unconsciously look down upon or totally exclude PWDs in rendering their services. The

personnel often lack the necessary expertise and training to distinguish between real credit risk and perceived credit risk. Often a credit officer is not able to see through the disability and recognize the ability of a person with disability. MFI staff and particularly the credit officers, form a core target group to influence. However, is such influence is to be efficient; MFIs top management must back it (Simanowitz, 2001).

2.4.4. Exclusion by design

The credit methodology practiced by MFIs often hinders PWDs and other vulnerable groups from participating. Mobility challenges make weekly installment payments a greater obstacle for PWDs. Other examples include compulsory upfront savings, fees as high as 20% of the loan amount and short repayment periods, dependence on credit history, demand for collateral or guarantees, the main challenge is therefore to obtain the initial loan so that a relationship with the MFI can be established. To evaluate a possible client, an MFI looks at the personal skills and character in addition to assessing the business, many credit officers coming into physical contact with PWDs often find it difficult to measure personal skills beyond the person's disability; this challenge can be overcome by services such as mobile banking and internet banking (Simanowitz, 2001).

2.4.5 Exclusion because of physical and informational barriers

The form of disability can be a major barrier in accessing information. MFI provide information in verbal and written form thus making it inaccessible to the deaf and visually impaired persons. MFI branches are also located far away from people's homes and to enter the premises; one often has to use staircase while penetrating through crowds hence making it a challenge to the physically disabled. In many developed nations, news bulletins must be provided simultaneously in sign language or with sub-titles for those whose hearing is impaired and access to buildings has to consider those with physical impairments by offering

alternative access using ramps. In Kenya, the government has sensitized landlords to make their building disability friendly however; most landlords are yet to comply though recently developed buildings are considering the physically challenged citizens in designing the developments. Written documentation is not provided in Braille for the visually impaired and access to hearing aids is quite expensive, although progress is being made to consider services for PWDs as a compulsory requirement, this is largely viewed as an increase in the cost of business.

2.5 Review of Empirical studies

A number of studies have been conducted on microfinance services. According to Ismawan (2000), the real idea of microfinance is to help the weakest member of civil society who is the poor. He further calls for differentiation between two categories of the poor, those able to increase their income by themselves, create activities that would enable them to move closer to or above the poverty line and those unable to do so and would need permanent financial support from microfinance institutions.

On the other hand, Roth (1997) argues that microfinance programmes often treat the symptoms and not the causes of poverty and credit being only one ingredient in the mix of factors necessary for a successful enterprise. In the study, impact of microcredit on poverty in Zambia, concluded that those who graduated from their first to a second loan on average experienced significantly higher growth in their profits and household income as compared with other similar business operators. Borrowers also diversified their business activities more rapidly. However, some borrowers were worse off particularly, those who left the programme after receiving only one loan. The study also indicated that microfinance has a polarizing effect as there is discrimination in favour of richer clients who benefit from better access to credit and exclusion of poorer people. If one of the aims of microfinance is to assist

the poorest of the poor, then microfinance is not always the most appropriate intervention. (Copstake et al., 2000).

Hulme and Mosley (1996) argue that the better off the borrower, the greater the increase in income from a micro enterprise loan. Borrowers who already have assets and skills were able to make better use of the credit. They argue that the poorest are less able to take risks or use credit to increase their incomes. Some of the poorest borrowers interviewed became worse off as a result of micro enterprise credit which exposed them to high risk. In addition, findings of a study to examine the impact of owners of small business participating in entrepreneurship programs in operational efficiency and growth of small businesses in Nigeria, indicated that small businesses whose owner managers has experience participating in entrepreneurship programs exhibited superior managerial practice and higher gross margin rate of growth than small businesses whose owner manager did not have super experimental learning. This had a practical implication that there is need to improve managerial practice of small businesses through exposure of owner/manager to entrepreneurship programs in order to enhance their performance and their transition to medium and large businesses (Alarape, 2007).

Another survey comparing micro enterprise programs in El Salvador and Vanuatu found that the development of successful enterprises and the improvement of incomes of the very poor people were conflicting rather than complementary objectives. By selecting those most likely to be successful for credit and training the program inevitably moved away from working with the poorest of the poor (Tomlinson, 1995). Diagne and Zeller (2001) conducted a study in Malawi and concluded that microfinance does not have any significant effect in household

income. In other words, investing in MSEs will have no effect on rising household incomes because the infrastructure and markets are undeveloped.

Bennet and Cuevas (1996) argue that its only when people have some economic security that access to credit can help move them out of poverty by improving the productivity of their enterprise or creating new sources of livelihood. Dreze and Sen (1989) contend that microfinance specialists increasingly view improvements in economic security as the first step in poverty reduction. Access to monetized savings facilities can help the poor smooth consumption over periods of cyclical or unexpected crisis thus greatly improving their economic security. Strong microfinance institutions have the capacity to mobilize resources in the market, provide microfinance services demanded by small businesses despite the myth that the poor are not bankable, and since they can't afford the required collateral, they are considered un-creditworthy. Hence despite efforts to overcome the widespread lack of financial services, especially among small businesses, the majority still have only limited access to bank services to support their private initiatives (Braverman & Guasch, 1986).

Mosley (1999), states that microfinance makes a considerable contribution to the reduction of poverty through its impact on income and also has a positive impact on asset level. But the mechanism through which poverty reduction works, varies between institutions. Generally, institutions that given, on average, smaller loans reduce poverty much more by lifting borrowers above the poverty line, whilst institutions giving larger loans reduce it much more by expanding the demand for labour amongst poor people. In order to ascertain whether or not PWDs have to be specifically targeted as an interest group, it is necessary to understand the barriers they face in accessing finance. Issues regarding finance service provision among disabled poor have traditionally been left to organizations that work in the disability sector.

Most financial institutions consider PWDs as high risk category when it comes to lending. Microcredit lender increased in Bangladesh with more than one thousand opening since 1990 and offering interest rates between 10% and 30% (Chowdhury & Wright, 2005). The schemes work on a peer-group basis with delivery systems such as the Bangladesh Rural Advancement Committee (BRAC) and the Association of Social Advancement (ASA). Often, defaulting on loans by any member is the responsibility of the entire group (Johnson & Rogaly, 1997; Thomas, 2000).

Ratnala, in his article on microfinance focus indicated that participation of people with disabilities in microfinance programs in South Asia was negligible because the selection criteria was such that it excluded PWDs sometimes inadvertently since many PWDs did not meet the minimum threshold eligibility criteria set by the institutions perhaps, a starting impetus was needed to include them (2009). Some PWDs are less motivated for socioeconomic rehabilitation as they expect food grants rather than a self-generating income project (Fiasse, 2011). A study conducted in 2009 on accessibility to Microfinance services by people in Bushenyi District, Uganda, concluded that although disability in itself may not necessarily deny access to MF for those that meet the requirements; there were nonetheless several factors that could improve PWDs usage of MF. Some of these controllable factors related to the knowledge and attitude of the PWDs but there were also other externalities such as limited mobility, poor access to information and disabled persons own negative attitudes that limited the ability to improve the PWDs chances of success.

Dyer (2003), Leonard Cheshire International, in her article on 'the inclusion of Disabled People in Mainstream Micro Finance Programmes' argued; although the woman's face of poverty has importantly been acknowledged and social exclusion and economic inequality

due to race or ethnicity resulting in poverty is also acknowledged; disability is a dimension of poverty which on the whole remains neglected. Her review of major strategy papers and documents of governments, donors and development organizations on poverty alleviation reveal that the real needs and rights of this group of marginalized and poor people are rarely acknowledged. Only recently has it been recognized that in order to achieve the millennium development targets set, disabled people will need to be included in the poverty alleviation strategies already defined and there is need to develop specific initiatives which address disability (DFID, 2000, World Bank, 2002).

According to a survey conducted by Nakabuye, Mukasa and Mersland (2009), it was observed that, over the years, the Norwegian Association of the Disabled (NAD), together with their counterpart the National Union of Disabled Persons of Uganda (NUDIPU), had been searching for intervention models to improve access to mainstream microfinance services for persons with disabilities. Studies had been carried out and several discussions with stakeholders had taken place, but with few fruitful results. The message from the MFIs was always that PWDs was too risky a group for lending and their savings capacity was limited. When approaching the MFIs, NUDIPU and NAD tended to present the target beneficiaries as a needy group and often advocated that MFIs should provide services to PWDs at a lower cost compared to the costs incurred by their non-disabled counterparts. The MFIs on the other hand demonstrated little willingness to better understand the disability segment, and NUDIPU and NAD had limited understanding of the MFIs business model. As a consequence most efforts were in vain.

In 2005, NAD and NUDIPU opted to take a different approach; a microfinance specialist was hired and given the necessary time to understand the disability “movement” from inside. The

specialist discovered two things; the disability segment constitutes an enormous untapped market opportunity for MFIs and DPOs like NAD and NUDIPU knew little about the MFIs business models and the rationales behind them. In economic terms, a severe situation of asymmetric information was blocking the necessary interaction between the “disability world and the microfinance world.” To overcome this situation of asymmetry. The Association of Microfinance Institutions of Uganda (AMIFU) and the National Union of Disabled Persons of Uganda (NUDIPU) responded positively to NAD’s initiative of joint project efforts. The role of AMFIU was to promote inclusiveness in MFIs while NUDIPU had the role of informing the disabled population about microfinance and NAD to bring in technical expertise and funding.

The objective for the above project was to increase outreach of sustainable mainstream microfinance services to PWDs in Uganda through two main strategies; to increase awareness among MFIs (particularly members of AMFIU) about how to include PWDs in their services; and second to create awareness among PWDs and their organizations on the pros and cons of microfinance, The project took on a realistic scope, as it is clear in indicating that he target group for inclusion into the MFIs is those PWDs involved in or with the potential to become involved in, sustainable entrepreneurial activities. Furthermore, the project did not advocate reduced interest rates or any other special conditions for clients with disabilities. The collaboration between NUDIPU and AMIFU took place both formally and informally through quarterly, weekly and at times in daily meetings. Thus, the climate between NUDIPU and MAIFU was cordial and they both had a solid, in-depth understanding of both MF and disability. The achievement of such a close cooperation between a DPO umbrella and an MFI umbrella was a huge step forward, and this far, Uganda is the only country where such close collaboration is in place.

In a program between the Physically Disabled on Kenya (APDK) and Income Generating Program (IGP); a microfinance project for PWDs and works to further the mission of APDK by providing economic empowerment through capital assistance and capacity building for microenterprise development for PWDs by way of Income Generating Programs (IGP). The program was initiated in 1997 with a mission to alleviate poverty among PWDs in Coast province and since its establishment, IGP has made remarkable progress, by end of May 2009, the program provided loans to 955 clients and worked with 41 groups with a total of 1081 members.

The project interventions included capacity building and microfinance loans to clients to start or strengthen their businesses such as general retail shops, selling second hand clothing and second hand shoes, shoe repair, battery charging, charging of mobile phones, water kiosks, poultry keeping (chicken & ducks), livestock keeping (goats, cattle & sheep), food crop and fruit tree farming, rental houses, mobile hawking, carpentry, hair salons, tailoring among other small enterprises. The rate of defaults on loan repayments was very low with only 5 to 8 cases reported in 2007 and 2008 respectively this was as a result of the group system providing an adequate mechanism to reduce incidences of loan defaulting due to collective responsibility and social support of each group (Musyoki, 2009).

From the above project, there was evidence of reduced poverty among PWDs due to their increased abilities to accumulate wealth, including sewing machines, rental property, land and other assets. Improvement in household welfare was also noted which led to self-reliance and increased ability to cater for basic needs. Many IGP clients became role models and a real proof of disability not being inability by progressively developing to become respected members of their communities.

2.6 Effect of MF Services

This is the independent variable that this study seeks to examine. An independent variable is a variable that a researcher manipulates in order to determine its effect or influence on another variable. Independent variables predict the amount of variation that occurs in another variable (Mugenda & Mugenda, 2004). The provision of microfinance services which include loans, deposit saving facilities, rotating savings and credit associations, financial counseling, debt management and advocacy, financial training in basic business skills have a bearing on the growth of PWD self-help group. For instance if the loans advanced attract a high interest rate, then the cost of borrowing is high and this will in turn impact on the returns as there is a likelihood that the returns will end up covering the cost of borrowing. Low interest loans on the other hand are likely to push the growth of PWD self-help groups upwards.

Basic training skills accompanying the provision of credit will help self-help groups improve the capacity to utilize that credit. Investment training mainly involves capital investment, general business management and risk management. Capital investment decisions for instance allocation of scarce capital funds most effectively to ensure the best possible return.

2.7 Growth of PWD self-help groups in Kenya

This is the dependent variable that the study seeks to investigate; it attempts to indicate the total influence arising from the effect of the independent variable. It varies as a function of the independent variable. Accessibility of microfinance services may increase the growth of the self-help groups since microfinance services contribute to business growth and expansion. Improved profitability will result to improved income, improved resources and the propensity to save thus forming the basis of future capital for further growth and expansion.

There is a relationship between the decisions made on the accessed services and the potential growth of the self-help groups; therefore, a misjudgment on the application of an MF service

obtained can have a long lasting effect not only on the profitability but also on the survival of the group. MF services vary from one MFI to the other but the most commonly offered services are loans, saving facilities and training. (Musyoki, 2009).

2.8 Summary

The chapter has reviewed microfinance theories, past studies and various disability and microfinance models, it is evident that disability as a dimension of poverty remains neglected. The real needs and rights of this group of marginalized and poor people are rarely acknowledged; therefore PWDs are generally underserved when it comes to microfinance services. PWDs are considered a highly risky group with limited saving capacity factors contributing to the low penetration of microfinance services yet the disability segment constitutes an enormous untapped market opportunity for MFIs and disabled peoples organizations; especially through the group system which provides adequate mechanisms of reducing loan defaulting. MFIs as the rest of the society should not discriminate any persons due to their disability as ‘disability is not inability.’ The right to equal participation in the society is a fundamental human right and no institution can ignore it; this is advocated by the recent social model of disability. PWDs may actually form an interesting market segment for committed MFIs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a description of the methodology that was adopted in the study to achieve the research objective. The chapter starts with a description of the study design chosen along with the justification of the choice of design. A description of the population follows the sampling frame and a justification for the same. The subsequent section describes the data collection tools and procedures, followed by the various techniques that were used in the analysis of the data. Finally, the chapter closes with an explanation of the measures that were taken in order to control data validity and reliability in the questionnaires.

3.2 Research Design

Descriptive Census Survey method was employed in this study. A survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. A survey research is therefore a self-report study which requires collection of quantifiable information from the sample. A survey could be descriptive, exploratory or involving advanced statistical analysis (Mugenda & Megenda, 2003). The method is useful when a researcher wants to collect data on a phenomenon that cannot be directly observed. It allows the collection of large amounts of data from a sizeable population in a highly economical way (Saunders et al., 2008). Survey design is perceived to be authoritative in general as it is easily understood.

There are several studies that have used survey method, for example; Gombe (2011) used the survey method to conduct a study on the impact of microfinance on formal financial sector development in Kenya, and he surveyed 33 MFIS and 45 commercial banks. Waiganjo (2010) used the survey method to study impact of microfinance services on poverty alleviation at the

household level where he surveyed a sample of 50 household that had benefited from microfinance programs and another 50 who had not. Mbugua (2010) in her study on the impact of microfinance services on financial performance of small and micro enterprises in Kenya used survey method; a sample size of 47 SMEs was employed in the study.

3.3 Population

Population refers to an entire group of individuals, events or objects having a common observable characteristic (Mugenda & Mugenda, 2003). The population consisted of all PWD self-help groups in Nairobi Region. There are 35 registered PWD self-help groups registered with the NCPWD an organization falling under the Ministry of Labour, Social Security and Services as at 30th June 2013.

3.4 Sample

Sample refers to a small group obtained from the accessible population (Mugenda and Mugenda, 2003). In this study, the entire population of 35 self-help groups was sampled since the population size is of a manageable size and the data is also easily accessible to the researcher from an updated database maintained by NPCWD.

3.5 Data collection

The researcher used primary data. Data was collected through the use of questionnaires. The questionnaires were administered by contacting two officials from each self-help group requesting them to expect the questionnaires then the questionnaires were dropped and picked to and from the designated officials. This was done with the help of the self-help groups' regional officer and a research assistant. For those respondents who did not have designated offices or pick up locations, the question was drafted using the online data collection tool available at Qualtrics.com and the questionnaires were sent to their emails for completion.

3.6 Data Analysis

Descriptive statistics such as frequency distributions, percentages, variations and measures of central tendency were used to summarize basic features of the data in the study. Inferential statistics such as simple regression analysis were also used in the data analysis in order to assess whether the independent variable being microfinance services predicts the dependent variable which is the growth in PWD self-help groups in Kenya.

The Statistical Package for Social Sciences (SPSS) version 17 was used to perform the analysis of data in order to determine the effect of microfinance services in the growth of PWD self-help groups in Kenya.

The financial model to be employed is as follows: -

$$Y = \alpha + \beta_i X_i + \epsilon$$

Y= Growth of PWD self-help groups

α = Regression constant

X_i = MFI loans

ϵ = Margin of Error

3.6.1 Measurement of Variables

The measurement of growth in this study was the increase in sales turnover for the self-help groups.

3.7 Data Validity and Reliability

Validity is concerned with whether the findings are really about what they appear to be (Saunders et al 2009). It also refers to how well the result of a research can give the right answer to the research question (Remenyi et al., 1998). In order to ensure and maintain validity of the data that was collected, a pilot test of the questionnaire was conducted for the researcher to refine the questionnaire so that respondents do not experience difficulty in

answering the questions and recording the data. This also enabled the researcher to obtain some assessment of the questions validity. The pilot test of the questionnaire was carried out by members from two randomly selected self-help groups.

Reliability is the consistency of one's measures. It is the extent to which the data collection techniques or analysis yielded consistent findings (Saunders et al., 2009) and likely reliability of the data that was collected. Reliability was assessed by use of the test re-test method. This entailed administering the questionnaire twice after a period of two weeks to two respondents from the SHGs. The data obtained was correlated with the data that was obtained earlier using the same questionnaire, thus ensuring the correct data is collected.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

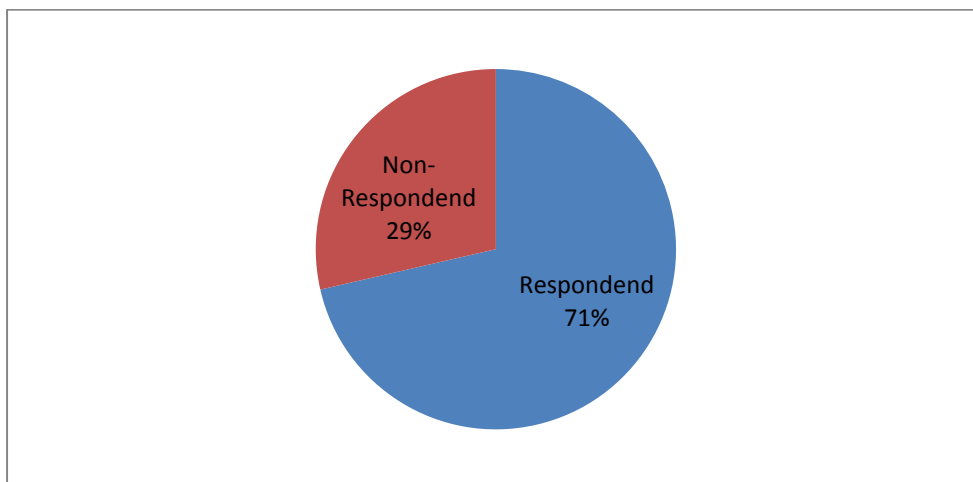
4.1 Introduction

This chapter discusses the results of the analysis and findings of the study with reference to the study objectives. The findings of the study have been presented in tables and figures that help explain the results of the analysis. The chapter also summarizes the findings and interprets the results of the study.

4.2 Response Rate

The study had a sample size of 35 respondents in collecting data, 25 out of the 35 target respondents filled in and returned the questionnaire resulting in a 71.4% response rate. This is shown in Figure 4.1 and this response rate was considered acceptable. This is an acceptable rate for data analysis and reporting because it is more than 50% of the responses. The response was within the recommended threshold of 70 percent. According to Mugenda and Mugenda (2008), a response rate of 70 percent is acceptable as representative of the sampled population. Babbie (2004) also claims that a response rate of 50% is considered adequate, that which is at 60% as good and 70% as very good also supports this opinion.

Figure 4.1 Response Rate

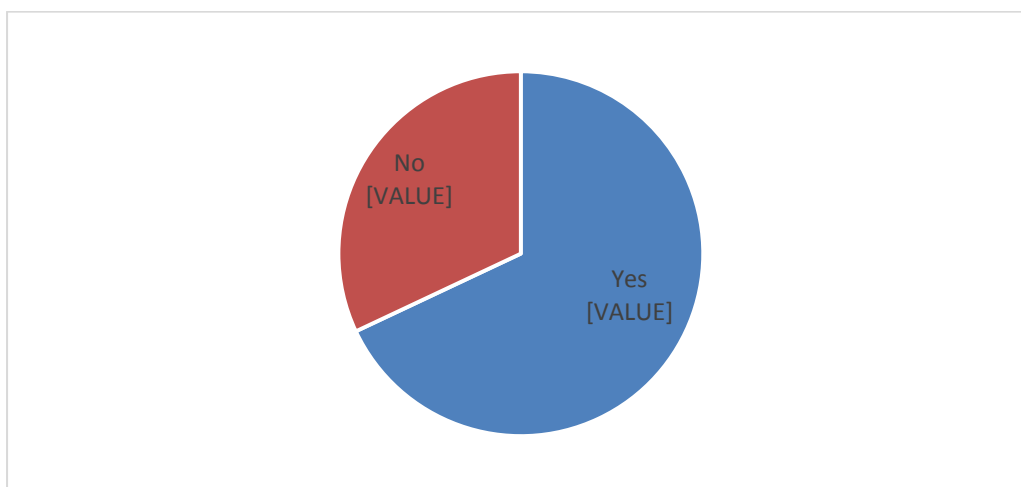


The organisations that responded were Deaf Empowerment Kenya, Deaf Women Initiatives Network, Disability Group of Trans-Nzoia, Disability Leadership and Resource Centre, DPA – Kenya, Embakasi Handicapped Empowerment Centre (EHEC), Focus Disabled Persons Kasarani, Furaha Centre for the Deaf, Handicap Bidii Self-help Organization, Integrated Development for visually impaired Kenya, Kenya Association for Parents of the Deaf Kenya National Association of the Deaf (KNAD), Laikipia persons with disabilities, Migori Christian Disabled group, Nairobi Family Support Services, Narok Disabled Integrated Program, NONDO, Nyeri disability network, parents of children with albinism network, Shield Women Empowerment and Development, Silent Voices Bushenyi, Tunaweza Disabled Women Group, Vision Group of the Blind, Westlands DSHG and Youth on the Move

4.3 Access to Microfinance Services

The study sought to determine if the organisations had ever been recipients of any microfinance services. The results are shown in Figure 4.2

Figure 4.2 Access to Microfinance Services



The findings indicate that the majority of the organisations (68%) had had some form of access to micro-finance services while 32% had not had any access to micro-finance services.

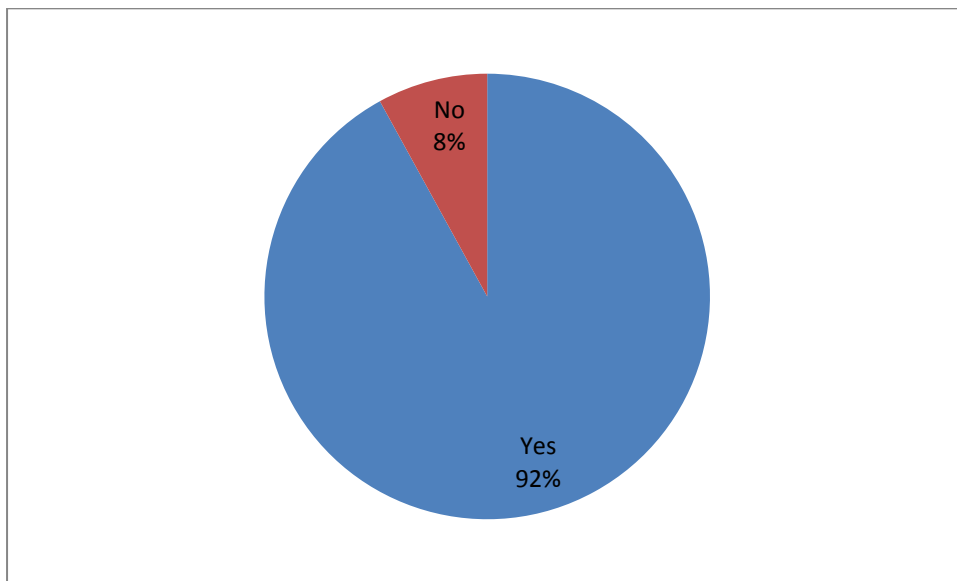
4.4 Reasons for Not Having Access to Micro-finance Services

The study sought to determine the reasons that the organisations did not have access to micro-finance services. The respondents indicated that they have implemented income generating projects amongst members instead to substitute financing from microfinance institutions, institutions think persons with disabilities and their institutions/organizations do not require such services and don't have resources to warrant those services, most of the services are not accessible to Deaf persons due to communication barrier at all levels of inquiry, training or application at the finance institutions, the groups have no skills and capacity in Micro Finance and no previous experience, many of the groups have just been recently registered and although they are registered with the government of Kenya's Women Fund program and been invited to apply for the loan, they are reluctant to take the loan as they are not well prepared, members have no access to varied opportunities, information, lack of employment, also, members have no access to offices, some groups are wary of micro-finance services, they received their funding from NCPWD and UDPK (United Disabled Persons of Kenya) and some of the groups run successful Village Savings and Loan Associations from which they get their funding.

4.5 Other Source of Financing Other than Funds from Microfinance Institutions

The study also sought to determine if the organisations had any other source of financing other than funds from Microfinance Institutions. The results are shown in Figure 4.3

Figure 4.3 Other Sources of Financing Other than Funds from Microfinance Institutions

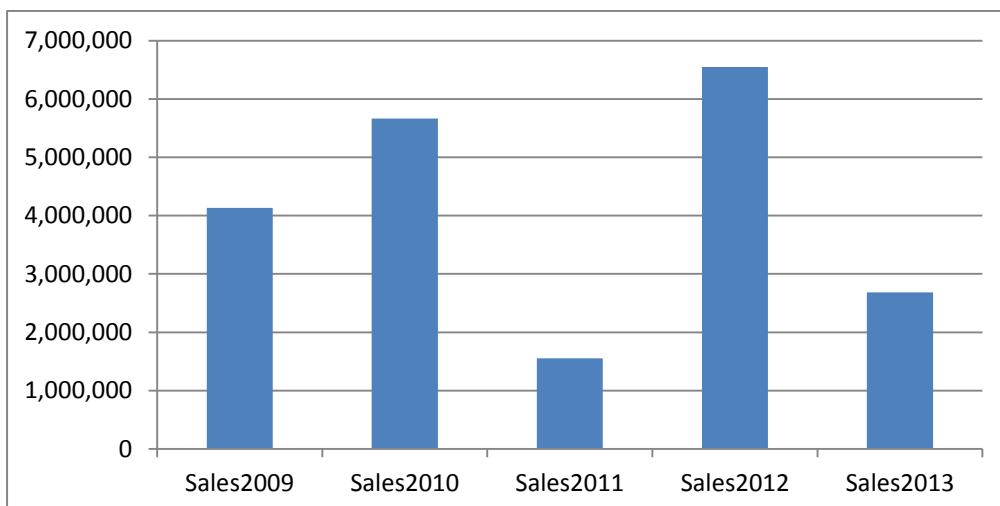


The findings indicate that the majority of the organisations (92%) had some form of other source of financing other than funds from Microfinance Institutions while only 8% did not have other source of financing other than funds from Microfinance Institutions.

4.6 Growth of Respondents Group after Receiving Microfinance Services

The study sought to determine the growth of the respondents group after receiving microfinance services. The results are shown in Figure 4.4

Figure 4.4 Growth of Respondents Group after Receiving Microfinance Services

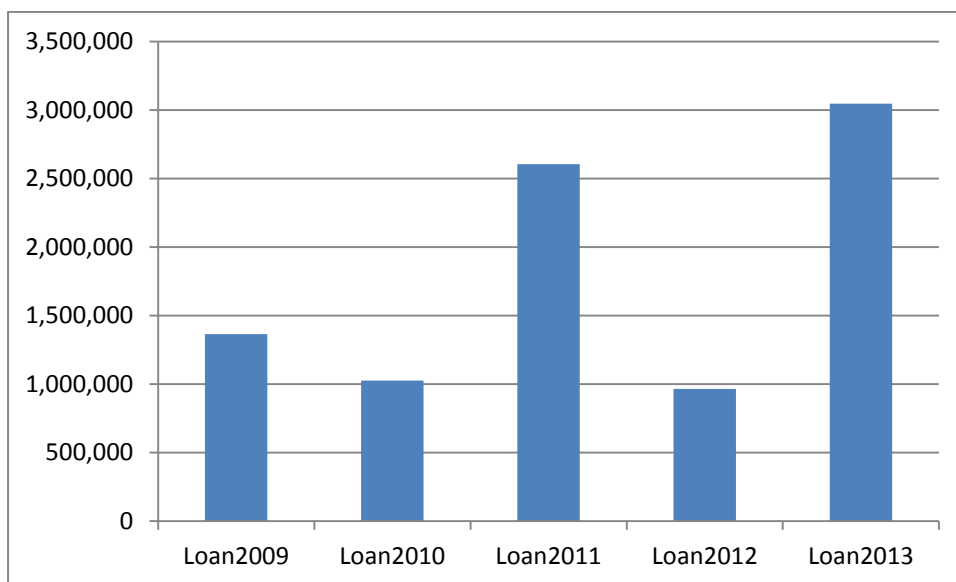


The findings indicate that all the groups that received microfinance services experienced increased growth in the fourth year after receiving microfinance services with a decrease in the final year when the services stopped. In addition, the groups had low growth in the third year when the groups distributed the income that they had saved in the first two years of receiving microfinance services.

4.7 Loan Amount Received

The study sought to determine the loan amount received through the years. The results are shown in Figure 4.5

Figure 4.5 Loan Amount Received

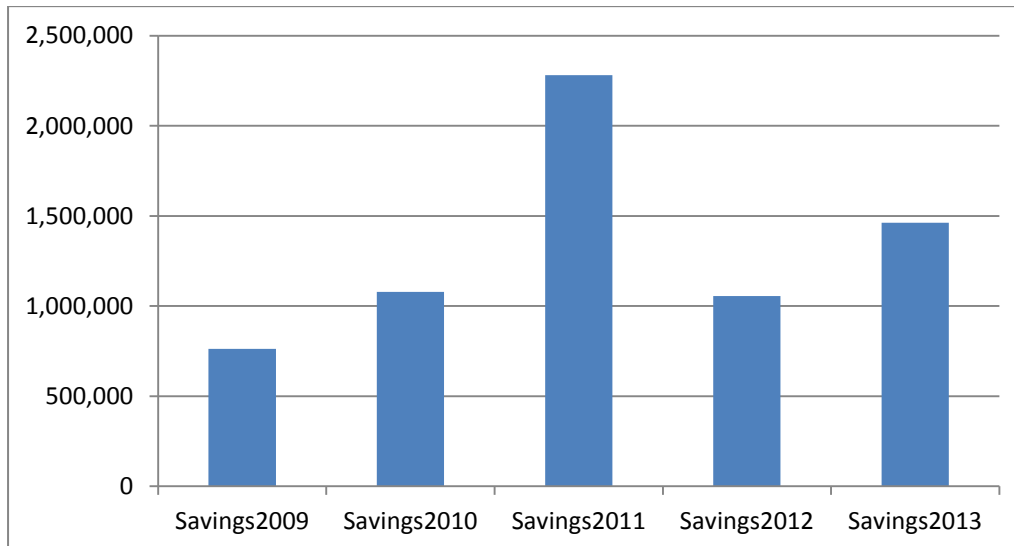


The findings indicate that all the groups started with medium amounts of loan in the first year, which decreased in the second year. However, this increased in the third year and declined in the fourth year. This trend indicates that the groups had a repayment period of two years after which they took a bigger loan.

4.8 Savings as At Each Year End

The study sought to determine the savings of the groups at each year end, the findings are show in Figure 4.6

Figure 4.6 Savings as At Each Year End

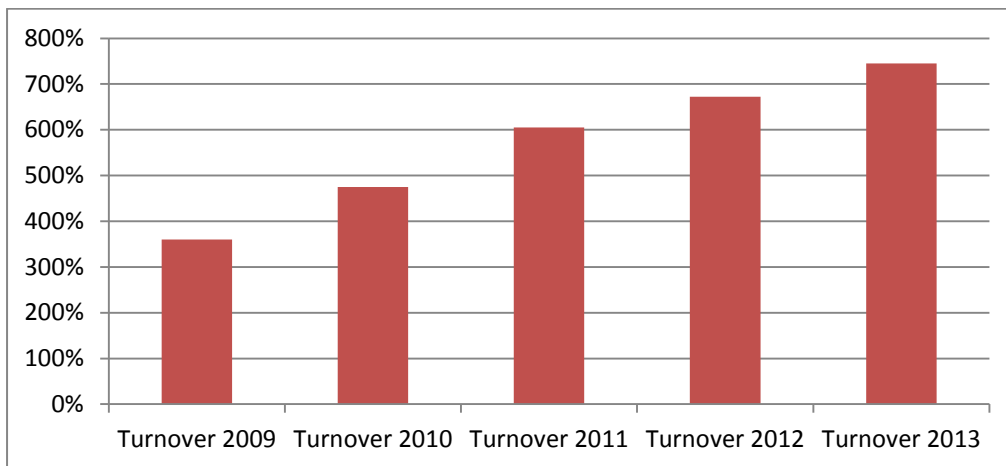


The findings indicate that the groups had the lowest amount saved in the first year and the highest in the third year. There was slight decline in the fourth year but this started to recover in the fifth year.

4.9 Group's Turnover after Receiving MFI Training

The study sought to determine the group's turnover after receiving MFI training. The results are shown in Figure 4.7

Figure 4.7 Group’s Turnover after Receiving MFI Training



The findings indicate that the groups have increased turnovers from the first year to the fifth year after receiving MFI training.

4.10 Relationship between MF services and growth of self-help groups

Table 4. 1 Model Summary

| Model Summary | | | | |
|--------------------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .819 ^a | .714 | .731 | 72.35570 |
| a. Predictors: (Constant), MFI Loans | | | | |

This table provides the *R* and *R*² values. The *R* value represents the simple correlation which is 0.819 (the "*R*" Column), which indicates a high degree of correlation between MF services and the growth of self-help groups. The *R*² value (the "*R* Square" column) indicates how much of the total variation in the dependent variable, Growth of self-help groups can be explained by the independent variable, MFI Loans. In this case, 71.4% can be explained.

Table 4. 2 ANOVA^b

| ANOVA ^b | | | | | | |
|---|------------|----------------|----|-------------|------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 1659.315 | 1 | 1659.315 | .317 | .039 ^a |
| | Residual | 115177.643 | 22 | 5235.347 | | |
| | Total | 116836.958 | 23 | | | |
| a. Predictors: (Constant), MFI Loans | | | | | | |
| b. Dependent Variable: Growth of PWD self-help groups | | | | | | |

The above table indicates that the regression model which predicts the dependent variable, growth of PWD self-help groups significantly well. This indicates the statistical significance of the regression model that was run, $p < 0.039$, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable.

Table 4.3 Coefficients

| Coefficients ^a | | | | | | |
|---|------------|-----------------------------|------------|---------------------------|-------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 115.752 | 15.883 | | 7.288 | .000 |
| | MFI Loans | 9.121 | .000 | .119 | .563 | .039 |
| a. Dependent Variable: Growth of PWD self-help groups | | | | | | |

The Coefficients table provides us with the necessary information to predict growth from MFI Loans, as well as determine whether MFI loans contributes statistically significantly to the model.

This gives us the model $Y = \alpha + \beta_i X_i + \epsilon$ as

Growth of PWD self-help groups = $115.752 + 9.121(\text{MFI loans})$

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study found out that the majority of the organisations (68%) had had some form of access to micro-finance services while 32% had not had any access to micro-finance services. The study also found out that self-help groups have implemented income generating projects amongst members to substitute financing from microfinance institutions are of the opinion that persons with disabilities and their organizations do not require such services and don't have resources to warrant those services, most of the services are not accessible to Deaf persons due to communication barrier at all levels of inquiry, training or application at the finance institutions, the groups have no skills and capacity in Micro Finance and no previous experience, many of the groups have just been recently registered and although they are registered with the government of Kenya's Women Fund program and been invited to apply for loans, they are reluctant to take the loans as they are not well prepared, members have no access to financing opportunities, information, lack of employment. SHG's have no access to offices, some groups are wary of micro-finance services, they receive their funding from NCPWD and UDPK and some of the groups run successful Village Savings and Loan Association from which they get their funding.

On the sources of funding the findings indicate that the majority of the organisations (92%) had some form of other sources of financing other than funds from Microfinance Institutions while only 8% did not have other sources of financing.

On the growth of the self-help groups the findings indicate that all the groups had the most growth in the fourth year after receiving microfinance services with a decrease in the final year when the services stopped. In addition, the groups had low growth in the third year when

the groups distributed the income that had been saved in the first two years of receiving microfinance services.

On the size of the loans the findings indicate that all the groups started with medium sized loans during the first year, which decreased in the second year. However, this increased in the third year and declined in the fourth year. This indicates that the groups had a repayment period of two years after which they took a bigger loan. While on the savings each year the findings indicate that the groups had the lowest amount saved in the first year and the highest in the third year. There was a slight decline in the fourth year but this started to recover in the fifth year. In addition, the findings indicate that the groups have increased turnovers from the first year to the fifth year after receiving MFI training.

On the relationship between loans and growth of the self-help groups, the regression analysis the R value which represents the simple correlation was 0.819 which indicated a high degree of correlation. The R^2 value which indicates how much of the total variation in the dependent variable, Growth, can be explained by the independent variable, MFI Loans was 71.4% The regression analysis also yielded the coefficients table which provides us with the necessary information to predict growth from MFI Loans, as well as determine whether MFI loans contribute statistically significantly to the model.

5.2 Conclusions

The study establishes that MFI loans are statistically significant in contributing to the growth of PWD's self-help groups in Kenya. Given that microfinance is a powerful tool in the war against poverty, for sustainable development and development outcomes in Kenya, persons with disabilities being a large minority and the poorest of the poor must benefit from financial services if they are to move from everyday survival to planning for their future,

hence reducing their inequality and poverty. Based on the research, some PWD self-help groups are unable to access Microfinance Institutions services due to physical and informational barriers. Most MFIs lack sign language interpreters for hearing impaired persons, information is not disseminated in braille for visually impaired persons.

Persons with disabilities like other poor people have entrepreneurial skills necessary to carry out their business but would be constrained by lack of funds. The Government of Kenya should devise all-inclusive policies to ensure that PWDs are not left out in accessing financing from the mainstream financial sector.

Due to attitudes and prejudices within society MFIs staff often deliberately or unconsciously exclude persons with disabilities, often a credit officer is not able to see through the disability and recognize the real ability of a person with disability.

5.3 Recommendations

The study recommends that those self-help groups which are not in a position to receive micro-financing from institutions should look for grants from NGO's and other organisations that seek to improve the wellbeing of persons with disabilities.

The self-help groups should also have a clearly defined profit sharing plan that does not affect the growth of their businesses. The study also recommends that the groups should request small loans and increase the amount when needed and once they have received training and experience in running their businesses.

5.4 Limitations of the Study

The study only focuses on the access to loans and training as services offered by MFIs, these are just a fraction of services offered by MFIs. There exist other services such as overdraft facilities, term deposits, transfers and savings among other services there is therefore need to investigate how other services affect the rate of growth of PWD Self-help Groups.

The study reveals that none of the respondents benefited from insurance services offered by microfinance institutions but the researcher did not go further to establish why all the groups did not enlist this service from MFIs.

5.5 Suggestions for Further Research

The study recommends that future studies should be done to determine other factors that contribute towards the growth of self-help groups as the study found out that loans contribute to 71.4% of the growth of the self-help groups indicating that there are other factors that contribute 28.6% of the growth in the groups.

In addition, the study provides insight into effects of MFI services to growth of PWDs Self-help Group's in Kenya. There is need for further study to investigate whether serving clients with disability is a good benchmark to indicate whether MFI's are poverty sensitive.

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APPENDICES

Appendix I: Research Questionnaire

1. What is the name of your group?

2. Have you benefited from any microfinance services?

Yes ()

No ()

If no, please specify the reason why?

.....

3. Do you have any other source of financing other than funds from Microfinance Institutions?

Yes ()

No ()

4. How would you describe the growth of your group after receiving microfinance services by completing the following table?

| Details | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------|------|------|------|------|------|
| Sales | | | | | |

5. How would you describe your group after you started receiving the following microfinance services?

| Details | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Loan amount received | | | | | |
| Savings as at year end | | | | | |
| Value of micro insurance | | | | | |

6. How would you describe the group's turnover after receiving MFI training?

| Details | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Sales | | | | | |

Thank you for your cooperation