Journal of Economics and Sustainable Development www.iiste.org
ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)
Vol.7, No.8, 2016

Exploring the Challenges and Opportunities in Microfinance Group Lending Model among HIV and AIDS Affected Households

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Abstract

Microfinancing has been taken as the panacea in poverty reduction and disaster mitigation in many third world countries world over. The mode of application of this tool in HIV and AIDS disaster mitigation, however, poses unique challenges and opportunities to Microfinance Institutions (MFIs) and their clients. To find out the nature of these challenges and opportunities experienced by HIV and AIDS MF clients in group lending model, cross-sectional survey design was used to execute the study in Kakamega County, Kenya. Two hundred and five (205) HIV and AIDS affected households who were clients of Microfinance (MF) were purposively sampled for questionnaire survey. Separately, seven (7) Focus Group Discussions and five (5) in-depth Interviews were conducted among affected household heads and MF managers. The study found that microfinancing can be a major instrument in asset rebuilding to mitigate the impacts of HIV and AIDS disaster. However, MFIs face a number of challenges key to which is lack of government policy to guide MF operations in this essential sub-sector. Consequently, high interest rates, loan defaulting and loan hawking by MF clients abound. The study recommends that the government comes up with a clear policy to regulate and streamline this significant sub-sector. Local communities need to be sensitized on the role of MFIs in poverty alleviation in HIV and AIDS affected households in Kenya.

Keywords: Challenges, Opportunities, Microfinance, Group Lending, HIV and AIDs, Affected Households

1. Introduction

It is over three decades since the first Acquired Immune deficiency Syndrome (AIDS) case was reported in the world. Currently it is estimated that more than 36 million people have died of AIDS related causes (UNAID, 2015). According to WHO at the end of 2014 approximately 36.9 million people were living with HIV globally of which 2.6 million were children. UNAIDS report of 2015 showed that of the 36.9 million infected persons, 17.1 million did not know they had the virus and needed to be reached with HIV testing services. Further, around 22 million did not have access to HIV treatment, including 1.8 million children (UNAIDS, 2015). Sub-Saharan Africa being the most affected region had 25.8 million people living with HIV in 2014 and approximately 34 million people had died from AIDS related causes (WHO, 2015). In the year 2013, at least 1.6 million were estimated to be living with HIV infection of which women formed 7.6 percent and men only 5.6 percent in Kenya (UNAIDS, 2014). In addition, according to the Ministry of Health (MoH), 29 percent of annual adult deaths, 20 percent maternal mortality and 15 percent death of children under five are by AIDS in Kenya (MoH, 2014). It is also estimated that there are about 88,620 and 12,940 new adult and child infections annually (MoH, 2014). Kakamega, one of the heavily affected counties, recorded a 4 percent decline in HIV prevalence between 2013 and 2014 (MoH, 2014; UNAIDS, 2013).

These indicators have and will continue to pose considerable challenges to heavily affected households and communities in Kenya. The epidemic negatively affected the economy by lowering per capita income by 4.1 percent (UNAIDS, 2013). In Kakamega a total of 59,952 people are living with HIV majority of who are female adults (MoH, 2014). In addition, there is considerable unmet need for antiretroviral therapy (ART) in the county.

While 31,896 adults living with HIV are in need of ART, only 21,014 are on treatment (MoH, 2014). The situation is not any different for children living with HIV where only 33 percent of children in need of ART can access it (MoH, 2014). Additionally, over 60 percent of the population lives below the poverty line in the county (KNBS and ICF Macro, 2010). The County is home to about 47,914 households with HIV and AIDS orphans. These figures underscore actual and potential threats posed by HIV and AIDS to households' socio-economic stability in most HIV and AIDS heavily affected households in many parts of developing world.

Studies have indicated that high poverty level is aggravated by illness associated with AIDS and that all efforts in tackling poverty are undermined by the HIV and AIDS scourge (Mc Dough, 2001; Barnes, 2003). The impact of HIV infection in Kakamega County is associated with increasing number of orphans, child and elderly headed households, child prostitution and child labour, and high dropout rate from schools, and decrease in agricultural productivity (Republic of Kenya, 2005).

According to the World Bank (2000), the effects of HIV and AIDS on the household can be mitigated by the introduction of a security scheme which can only be provided by governments and local financial institutions. Understandably, banking systems usually do not offer loans to the poor (Mathuson, 2003). However, since the declaration of the year 2005 as a Microcredit Year, there has been an upsurge in the number of MFIs (Kim and Watts, 2005). This has made it easier for the poor households to borrow small loans. The MF loans have supported many poor households including HIV and AIDS affected in several ways. They have helped smoothen consumption including purchase of nutritional diet, filling a resource and financial flow gap, payment of school fees, payment of medical bill, act as capital to start and reinvestment into small business among the HIV-affected poor households. Barnes et al., 2002; Shauman and Johnson, 2009; Baired et al., 2009 and Bishop et al., 2006 among other scholars have found this in their various studies.

According to Consultative Group to Assist the Poor (2004), MFI loans enable the household to build and rebuild assets, stabilize consumption and cushion themselves against risks and also to recover from a shock brought by disasters that have affected them. Shaumann and Johnson (2009) assert that microcredit interventions have the potential to empower borrowers by helping them rise out of poverty and also replicate exclusionary process in society and further health inequity. Such affected households are less likely to seek medical treatment due to lack of funds (Barnes et al., 2002). However, with MF intervention, affected households have been able to cope in child education and household food consumption despite the negative impact of the epidemic. Baired et al., (2009) maintained that in modern times poverty status of the poor makes them more vulnerable than the wealthier population by robbing them of their income and asset base. But with MF they rebuild their financial base by pursuing income smoothing strategy. Households are able to take their children to school, pay for health care, make home improvements or build new homes. Women have also developed self-confidence and assertiveness, gained elevated status in their households and communities. These studies and many others have brought out the mitigating effect of MF loans to poor households.

In helping poor and affected households come out of their poverty, MFIs use different loaning models. Some use mixed models of both individual and group lending while others use purely group model and under very special circumstances do they offer loans to individuals. Group lending to poor members of the population is the dominant model adopted by many MFIs in Kenya, and particularly Kakamega County.

Barnerjee et al., 1974; Ghatak and Guimane, 1999; and Zhang, 2008a; found out that when lenders give out loans in groups, borrowers observe each others' actions and impose credible social sanctions on their members who default and efficiency in loan repayment is enhanced. Stiglizt (1990) observed that peer monitoring practiced in group lending can be used to mitigate future moral hazards. He further postulates that joint liability encourages members to make safe investment decisions which enhance efficient loan repayment (Ibid. 1990).

Besley and Coate (1995) observed that group lending enhances joint liability which has both positive and negative effects. On the negative effects he asserts that group members may repay the loan of group members whose projects have yielded insufficient returns to make repayment worthwhile. On the other hand Madajewicz (2011) affirms that in group lending, poorer borrowers monitor each other and offers them an opportunity for larger loans. Ghatak and Guinane (1999), Ghatak (2000) and Van Tassel (1999) avow that group lending enhances self selection and acts as a screening device for MFIs offering loans. Barnes (2000) observed that loans create a burden for those affected households already in crisis or who are chronically ill. However, credit officers still gave out loans to affected ill through group co-guarantors to help them cover short term costs.

Armendariz and Morduch (2000) observed that when group meetings are held there is likely to be a fall in transaction cost unlike when a credit officer from the MFIs visits an individual client. They further point out that group meetings facilitate education and training useful for clients with less experience and improve financial performance of their businesses. MFIs, apart from giving out loans, also offer services such as training in better and modern agricultural practices, educate household client entrepreneurs on book keeping and business management in general. Other MFIs also offer health education especially those that have mainstreamed HIV and AIDS into their MF services in the hope to prevent the spread and mitigate the effect of HIV and AIDS on households. The Foundation for International Community Assistance (FINCA) (www.villagebanking.org) through Foundation for Credit and Community Assistance (FOCCAS) project in Uganda has been using an integrative approach where they offer credit with education to their clients. During their weekly village banking meetings, loan officers also deliver training on a number of issues. Their education curriculum is inclusive of HIV and AIDS and a mix of six health and Nutrition topics. They also cover four better business topics with their clients.

MFIs, particularly those operating in Kakamega use the Grameen (group) model to issue loans to their clients. This model enables MFI to secure their loans through joint liability. It means members have to put pressure on their defaulting member(s) to repay the loan. The impact of this group pressure especially on the affected household was largely unknown. Further, MF challenges experienced by poor households are well documented, but those unique challenges experienced by HIV and AIDS affected households, especially in Kakamega County remained undocumented. Does the fact that they operate in groups give them a sense of acceptance and therefore positivity in life or does the group pressure together with MFIs' coercive methods of loan recovery further worsen the health status of the affected clients? The effect of group lending to HIV and AIDS affected households in Kenya and particularly in Kakamega deserve serious investigation. This study, therefore, sought to determine opportunities and challenges of group lending model in HIV and AIDS affected households in Kakamega County, Kenya.

1.1 Study objectives

1. To determine lending model preference by HIV and AIDS affected households in Kakamega County.
2. To examine challenges posed by group lending model both to MFIs and HIV affected households in Kakamega County, Kenya.
3. To explore existing opportunities of group lending model to MFIs and HIV affected households in Kakamega County, Kenya.

2. Methodology

The study adopted cross-sectional survey design with purposive and simple random sampling methods to select the study site and sample respondents respectively. Kakamega County, one of the counties with high HIV and AIDS prevalence (5.9%) in Kenya (KHER, 2014) was selected. It also hosts a number of MFIs. The study engaged an umbrella organization for all AIDS support groups in the study area (Pamoja Positive Voices Network) to identify HIV and AIDS support group clients of MF in the county since not all households in Kakamega County were affected. Household head respondents were sampled randomly from the list provided by the network organization and interviewed at the household level. HIV and AIDS support groups have AIDS infected individuals who accepted their health status, gone public and were living positively with HIV and AIDS.

Both quantitative and qualitative approaches were employed to gather information for the study. Questionnaire was used to collect data from 205 household heads clients of MF in seven sub-Counties in Kakamega County. Seven (7) focus group discussions consisting of between 8 – 12 members of HIV and AIDS affected household heads were conducted to obtain cross-cutting issues in group lending model. Ten (10) credit officers in charge of MFIs in the study area were interviewed to get deeper insight of their experience with MF group lending in the context of HIV and AIDS disaster in the area.

Data generated from questionnaires were analyzed descriptively. Information from FGDs and IDIs were analyzed using content analysis, where the responses were organized, summarized and analyzed in themes/categories and sub-themes in line with the study objectives. To validate study results, the two data sets were triangulated.

3. Results and Discussions

3.1 Individual Lending Model

Overall, 64.9% (133) of the affected households, given an opportunity, would favour individual loans. Giving reasons for preferring individual loaning model, the respondents in a multiple response gave varied reasons (see table 1).

Table 1. Percentage distribution of multiple responses to reasons for individual lending preference

Reasons	No. of times a reason was mentioned	% of cases	% Based on answer
Easy to manage	61	90	29.8
Avoid paying loan for defaulters	53	78	25.8
Sense of responsibility and hardwork	60	88	29.1
Avoid embarrassment	31	46	15.2
Total	**205**	**302**	**100**

Source: Field data, 2016

Ninety percent (90%) of the cases of affected households indicated that it is comparatively easier to manage individual loans. They argued that decisions are very easy to make alone; one is able to avoid unnecessary quarrels with their fellow group members, over delays in repayment; and one can make payments promptly and have all the profits for him/herself. In addition, 78 percent of the cases also reported that with individual loans one avoids paying loans for defaulters as is the case with group lending model. They will also not be denied loans unless defaulting member(s) of their groups complete paying their loans. Eighty eight percent (88%) of the cases also mentioned that individual loan would give them a sense of responsibility. They would work hard to repay the loan knowing that nobody would help them repay in case they default. Fourty six percent (46%) of the cases reported that they would want to avoid the embarrassment that comes with group loaning especially when every member within the group knows how much one owes the MFIs including performance in repaying. These findings suggested that majority of the respondents join groups to get MF loans because they have no chance of obtaining individual loans, their assets/collaterals having been depleted by the disease.

This finding is confirmed by Kassaye *et al.,* (2009) in Ethiopia who found that the majority 72.4 percent affected clients of MF would prefer individual loans to group loans arguing that every client should be able to repay their loans. A discussion with MFIs officials revealed that most of the MFIs in Kakamega County are deposit taking institutions whose major aim among others is profit making. This implied that MFIs in the area did not give loans to individuals they suspected not to be in a position to repay. MFI credit officers maintain that individual loans were very much available only to salaried clients who had an account and had been saving with the institution for at least six months. In addition, individual loans were also available to old clients on graduation basis. That is, they must have demonstrated good banking and repayment history and with a registered business that had a high turnover. Though, very few among the groups, such clients could easily access loans as individuals. Here, Client's history acted as a security and surety.

Moreover, MFIs credit officers also reported that they mainly targeted low income earners and owners of small scale business who do not have much (assets) to offer as collaterals. This, therefore, necessitated the loaning in groups. Most of their clients were women who did not have collaterals and title deeds as their ownership of such properties were limited by cultural practices, a situation made worse by dissipating nature of HIV and AIDS

scourge. These clients peg their loans on household items such as tables, television sets, radios, chairs and livestock such as cows, goats, and chicken among others.

3.2 Group Lending Model

Only 29.8 percent (61) of the affected household respondents preferred group lending approach. In justifying their preference in multiple response, 97 percent of cases reported that in case one defaulted in group model s/he would be able to get financial support from fellow members. They said that table banking that they practice during their merry - go - round meetings assists in repaying the loans. One hundred percent (100%) of the cases reported that in group loaning, members are able to get some advice, share ideas, experiences and challenges with fellow members during their usual weekly meetings. This is particularly important in the context of HIV and AIDS scourge as members require continuous psychosocial support from colleagues and the larger society. Sixty seven percent (67%) of the cases reported that in groups, when a member becomes seriously ill, fellow group members (at times) can assist them as they understand each other's situations.

It can be inferred that MFIs, apart from improving affected households income, also mitigated the impact of HIV and AIDS by offering a forum within which the affected could feel the sense of belonging in the society (see table 2.).

Table 2. Percentage distribution of multiple responses to the reasons for group lending preference

Reasons	**No. of times a reason was mentioned**	**% of Cases**	**% Based on answer**
Shared liability	75	97	36.7
Get advice, share ideas	78	100	37.9
Health care	52	67	25.4
Total	**205**	**264**	**100**

Source: Field data, 2016

Such a forum helps them fight stigma and discrimination and offer social capital which in-turn improves their self-esteem. Kassaye *et al*. (2009) in Ethiopia reported that affected MF clients who preferred group loaning asserted that if a group member gets weaker others will assist him/her, the income is better while working in groups and group arrangements avoids the need for loan collaterals.

Discussions with MFIs officers revealed that MFIs use group loaning model as it is easier to recover loans. They maintained that clients were required to have saved about 15% of the loan applied for from MFIs. Group savings acted as collaterals and in case a member defaulted, MFIs recovered their loans by attaching group savings. MFIs would favour household's items and livestock of the defaulter to recover the loan. In several cases members of the group had loans that they were still servicing, Therefore, MFIs were more likely to recover group than individual loans. Newly registered clients of MFIs, who were not salaried, therefore, could not get individual but group loans.

Only 5.3 percent (11) HIV and AIDS affected household respondents in Kakamega County indicated that it did not really matter which model one goes for since they are both avenues to access loans that must be repaid anyway.

The study concluded that even though MFIs used the group loaning model, most clients still had a greater preference for individual loaning. Going for group loan, they argued, is more of a burden to group members in case there is a case of defaulting. But, some affected households prefer group loaning, more so, as an avenue of sharing the burden of HIV and AIDS. This means that if these household respondents were not burdened by HIV and AIDS, they would rather individual loans.

3.3 Challenges faced by MFIs and Affected Household Clients in Group Lending.
3.3.1 Challenges faced by MFIs.

As much as MFIs prefer group to individual loaning model largely because of the surety of loan repayment, they are faced with several inherent challenges. They reported that there was no government policy to guide MF operation in this critical sector. Loan recovery, they pointed out, only depends on the old Auctioneers Act Cap 526 of 1999. This act according to MFIs, is not the 'real' law and can sometimes be challenged in court. In addition, government regulations overprotect the clients of MF. This finding is in agreement with that of Nasir (2013) in India where he found out that 55% of MFIs agree that due to weak law and legislation they are not able to make their loan collection system as effective as they want to.

MFIs officers alluded to the fact that many of their clients default. Some clients took loans and after some time ceased to attend group meetings to repay their loan. This burden then shifts to fellow group members, as is the policy. MFIs also reported that at the initial stages of their operation in the County, clients had a misconception that the MF was free money from the government. In the local community's misconception, MFIs were only used as channels through which the government reached the poor. Most clients, therefore, conspired, took money and refused to repay. Wilkinson (1999) in Zambia found out that communities that have had some history of MF services provision were unable to repay their loans under temporary conditions where grant foods or goods were provided to clients after a natural disaster. People simply became confused about what is a gift and what is not.

In addition, MFIs also asserted that the local community lacked education on the role of MFIs. In most cases they became hostile to any attempts at loan recovery. In the same vein they added that most groups in the villages are formed by people who are related by blood or marriage. This made loan recovery difficult especially when it comes to attaching assets of the defaulting relatives. In one of the in-depth interviews (IDIs), an MFI credit officer reported that they had to write off some loans because one day when they had gone to meet their clients for loan recovery they found the villagers waiting for them with machetes, pangas and clubs. The villagers insisted that no asset would leave their village in the name of loan recovery. Nasir (2013) in India found out that clients default rate was high because people were not properly informed and educated about services and products provided by the MF institutions.

The other challenge is that at times MFIs are forced to pay medical bill for their sick clients so that they can go back to work in their businesses to repay the loan. A number of sick clients also divert the loan to seek medication and later found it difficult to repay the loan. Others clients reportedly didn't use the whole amount of loan advanced to them for the purpose for which it was intended. Such diversions make loan repayment a big challenge. In addition, quite a number of MF clients hawked loans without the knowledge of MFI credit officers who reported that some of their clients were not open enough to tell them. In Ethiopia, institutions reported seeing more clients with multiple loans either through the MF or holding additional loans from other institutions, money lenders or relatives (Kassaye et al., 2009).

Infrastructure was also mentioned as a challenge. The inner rural roads in the County are very poor making it difficult to access the interior areas of the County. On the other hand, MF clients equally found it difficult reaching the local MFIs offices, which are mostly located in the urban centers especially in Kakamega town.

3.3.2 Challenges faced by Affected Household Clients.

Apart from the challenges experienced by MFIs with group loaning, clients of MFIs also face several challenges with the group loaning model. Ninety six percent (96%) of the cases of the affected household respondents reported that the interest rates were prohibitively high. For example, if one had a loan of Ksh 20,000 ($231.20) s/he would be required to pay Ksh 600 ($7.00) per week (i.e Ksh. 500 ($6.00) for the loan and Ksh 100 ($ 1.00) as weekly share contribution and Ksh 334 ($3.86) interest per month). This translates to a total of Ksh 2,400 ($28.00) per month. Discussants maintained that these amounts of monies were not easy to come-by especially from small scale businesses that they operated. Despite the fact that MFIs target poor communities, they reportedly charged high interest rates of between 16 percent and 22 percent per annum. A similar finding in India was documented by Nasir (2013) who reported that MFIs charge some of the highest interest rates.

The second most common challenge faced by MF respondents was harassment by MFI credit officials. Eighty seven percent (87%) of the cases reported that they get stressed up when credit officers visit demanding for repayment of the loans. Group members were often forced to repay the loan for the defaulters. If they didn't, they would be denied loans or their loan re-application would be delay until the defaulters had cleared paying their loans. This is also tied to the issue of confidentiality. Once a member had defaulted it was made public to all the members of the group, a factor that many members argue infringes on their confidentiality. These critical issues interfered with the solidarity and cohesiveness of the group. A female respondent aged 45years from Mumias sub-County had to say:

"As I took the loan, my intention was business, immediately I withdrew my cash, I purchased TVs for sale. At the same time my husband got an accident and died. So I spent some of the money on the funeral and the TVs were not bought because of the price I had put on them. I repaid my loan the first three months but on the fourth month, I could not raise the amount they wanted. They then brought me an auctioneer letter. There was nothing I could do rather than planning (contemplate) to commit suicide. I went to my brothers but they couldn't assist me at that time. Then came into my mind plan B not to commit suicide but to run away from this province (region) and I didn't tell anybody. My case must have been shared by everybody and my guarantors put on their toes".

Kassaye et al., (2009) maintains that when the burden becomes too much for affected group members to handle. It may lead to break down in group cohesiveness, peer dynamics and guarantee mechanism which may in turn lead to increased attrition rate as the sick and weaker members are rejected from groups. About 63 percent of the cases, on the other hand, reported that MFIs delayed in processing loans and at times did not give all the money that a client has applied for. This made the clients not to achieve their objectives leading to aborted business plans. To bridge the financial gap clients were in some situations forced to apply for loans from other MFIs so that they get enough for their business plans. This was mentioned as one of the reasons for loan hawking by HIV and AIDS affected households.

MF loans in Kakamega County also brought with it a lot of misunderstanding in the households. In this study 35 percent of the cases reported family brake –ups. This was particularly the case when a female client of MFIs took loan. The following case involving a female interviewee aged 48 years from Kakamega South Sub-County puts this issue into perspective:

"I took a loan of Ksh.20,000 from one of the MFIs (name withheld) in town (Kakamega town) through our group (name withheld). Teacher (MFI agent) taught us how to start and even run a business. He also told us that the interest rate was very low. I thought of taking a loan from them so that I can sell paraffin and dagaa (commonly known as Omena (small fish)). I enlisted my shares worth Ksh.5,600 and our dairy cow as my collaterals. But I didn't tell my husband about the loan because I knew that he could take my loan money and use it for something else. I started the business but it didn't fare on well because here in the village customers like buying items on credit. So I found it difficult to add stock. I had already paid part of the loan for five months after which I could not pay even the weekly contributions. I told them to give me some time to look for the money, but they (MFI officials) refused, brought me auctioneers who took our dairy cow and even my shares. That was the end of our marriage. My husband told me that he can't continue staying with someone that he doesn't trust since I sold his cow without his knowledge and even the money that I took he doesn't know what I used it for. Right now I'm staying in my mother's house. This is my home where I'm born not married. I can't step where I'm married and upto now they (MFI) are still keeping my shares".

These findings concur with that of Nathalie (2011) who found out that a 30 year old woman committed suicide after disagreement with the husband over modalities of repaying the MFI loan in India. Another challenge mentioned by 23 percent of the cases included the short loan repayment period (see table 3.).

Table 3. Percentage distribution of Cases of Challenges experienced by HIV and AIDS affected Clients of MF

Challenges	No. of times a reason was mentioned	% of Cases	% Based on answer
High interest rates	65	96	31.6
Harassment and lack of confidentiality	59	87	28.6
Delay in loan processing	42	63	20.7
Misunderstanding in the household	24	35	11.5
Short loan repayment period	15	23	7.5
Total	**205**	**304**	**100**

Source: Field data, 2016

They reported that most MFIs gave a grace period of one year within which one is expected to finish repaying the loan. Less income from loan and high interest rate coupled with short repayment periods made loan repayment very difficult among MF clients

3.4 Opportunities of group lending model.

Affected household respondents were requested to rate MFIs to show the extent to which MF services offered in group lending model have assisted them mitigate the impact of HIV and AIDS in the households. Findings showed that overly, 38.5% (79) and 58.0% (119) of the respondents rated MFIs as either very important or important respectively. Only 3.5% (7) could not rate MFIs asserting that either way MFIs did not give out free money but loans that must be repaid. However, households that rated MFI as either very important or important pointed out that MF facilities/services had boosted their income and enabled them learn how to start or improve their businesses. It was noted that most MF clients in Kakamega County had started business such as motorcycle taxi, cereal business, poultry farming, fish-mongering, vegetable and other food groceries among others (see table 4.).

Table 4. Percentage distribution of MF rating by households clients of MFI

MFI Rating	Number of respondents	Percentage
Very important	79	38.5
Important	119	58.0
Can’t rate	7	3.5
Total	**205**	**100**

Source: Field data, 2016

MFI loans and related services were largely praised for coming at a critical moment as they helped expand business of HIV and AIDS affected households leading to improved standard of living, higher income, and nutritional intake. Most respondents were reportedly able to afford basic needs including paying school fees for their children, something they were not able to do without MF. Quite a number of respondents who benefitted from agricultural loans reported that MF services were important because they had helped them improve on their food production. They were able to get seeds and even fertilizers on loan and together with the agricultural practices learnt in the loan scheme increased their yields (refer to plate 1).

Plate 1. A member of “Elwesero men” Support group selling newly harvested tomatoes at his farm in Kakamega Central, sub-county.

MF beneficiaries also learnt to save and become self-reliant due to stable income from their business. These savings, they said, made most of them acquire assets and lead better lives that they couldn't have had. Views from these two clients of MFI further illustrate the benefits:

> "*Before I got the loan I used to operate on a bicycle transport, when the information about microfinancing reached us we decided as a group to take up the loan. I bought a motorcycle with the loan. This motorcycle of mine I can ride on it the whole day because it doesn't require a lot of energy and I make a lot of money than I used to with a bicycle. The bicycle business I used to do it from morning to 12 noon it needs energy and good food. Since I started operating on this motorcycle I have gained weight and I'm even planning to buy another motorcycle and employ a young man to run it.*" (47 years old male interviewee from Kakamega Central sub-County).

> "*Myself, when I took loan, I started making bricks and as you can see there (pointing at a brick kiln in his compound) I have already prepared the soil and even bought firewood. Tomorrow I'll start making blocks. I have those two rental rooms by the road side that I want to finish and rent out as shops as you can see again I have already bought five bags of cement. I eat well and have taken my children to school with monies from this business. I tell you my sister if you have money from your own business even your immune system goes up automatically" (52 years old male interviewee; refer plate.2.)*

Discussions with the coordinator of Pamoja Positive Voices Network revealed that MF beneficiaries who had invested their loan properly had become a source of envy in their villages. Through loans they had been able to improve on their income generating activities (IGAs), can manage to buy food for their families and take children to school.

Findings from FGDs conducted revealed that MF had mitigated the impact of HIV and AIDS in many affected households. Such households had witnessed increased food production especially of traditional vegetables and foods that boost their immune system ("lishe bora"). They had been able to put up permanent dwelling units, and status acceptance level and social cohesion had risen with the formation of support groups which to a greater extent had reduced stigma and discrimination. Indeed, more HIV and AIDS orphans had continued to access education. They can afford to pay transport and buy drugs like Septrin and Multivitamins in case stock at the local public clinics run out. This study confirms that of Tighe (2011), Watson and Dunford (2006) who found that support groups enhances social cohesion, encourages collective action and improves financial management skills of MF clients (refer to plate 3.).

Plate 3. Tushauriane Support Group in Butere sub-County Assessing the Performance of their Vegetables in their 'Lishe bora' project.

Findings from IDIs with MFI managers revealed that MFI products had reduced poverty levels. MFIs were able to reach out to the poor and low income segments of society who had been abandoned by the mainstream banks. They had instilled a culture of savings among the clients and therefore promoted expansion of small scale businesses. MFIs that targeted those affected with HIV and AIDS had through counseling, and health and nutrition advice helped individual clients learn how to keep themselves healthy. They were able to practice kitchen gardening where they planted nutritional foods that promote their health. This is in agreement with Akrofi et al., (2010) in Ghana who found that home gardens contribute significantly to dietary diversity in HIV and AIDS affected rural households.

MFI managers also alluded to the fact that MF had reduced social and economic stigma associated with poverty and ill-health. They had assisted many widows, and supported orphans from poor backgrounds to go back to school. MFI officials indicated that due to rampant loan diversification, they often wrote cheques to schools directly and did not give out cash to guardians of orphaned children. MFIs have, therefore, invested in and promoted human and social capital.

Other contributions by MFIs mentioned were that through involvement in IGAs, the affected households had been kept busy on IGAs. Households had realized that through hard work they could improve on their income, repay loans and make weekly share contributions. MFI officials pointed out that through reduction in idleness, crime and HIV infection rate had gone down in the county. Again, MFIs that had offered insurance on loan and medical cover to their clients pointed out that they were able to take care of many negative eventualities. For instance, in an unfortunate event that a client trader lost property through fire or arson attacks, the insurance company reinstated them through the insurance cover. MFI management also indicated that they had equally helped to capacity-build their clients through business management training. Women, especially, were now able to keep business records, open bank account and run other errands in banks.

4. Conclusions and Recommendations

It was found that MF sub-sector lacks policy framework. It is recommended that the government should formulate a policy to guide operations of MFIs. Such a policy would spell out the loanee awareness, training and advisory. This will make the public informed about the functions of MFIs and the role of MFI in availing capital for business and other forms of investments. It should also include loanee vetting process, lender and lendee responsibilities, and loan recovery procedure among others. All these would help reduce business failure hence enhance business success rates. Business success is particularly critical since the continuity of the MFIs depended on the success of their clients.

To reduce capital loss, the study recommends that loans particularly those advanced to HIV and AIDS affected households should be insured in order for MFIs to be able to recover their monies in cases of default occasioned by vulnerabilities or even death of client. In addition, MFIs should consider giving non-monetary items like dairy cattle, chicken, goats, and farm in-puts among others on loan. This would, particularly help curb loan diversification and/or misuse by clients as evident in the study findings.

The county government should also improve on the physical and social infrastructure including better roads in the County side. Such a move would encourage decentralization of MFIs so that such essential services are easily accessible. MFIs operating in Kakamega County were reportedly concentrated in Kakamega Central Sub-county forcing poor clients and credit officers to travel long distances to operationalize this essential service, a fact that only makes loans more expensive.

MFIs should equally consider reducing their interest rates to manageable levels to their clients. Low interest rates would translate into reduced monthly repayment and hence help their client businesses grow much faster. MFIs should also do away with auctioning as one way of loan recovery as this further emotionally, socially and economically affect HIV and AIDS affected households. Such vulnerable people find it difficult to withstand harassment and stress associated with property loss in case of defaulting.

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