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An Evaluation of Microfinance Services on Poverty Alleviation in Kisii County, Kenya

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ABSTRACT
Despite the success of microfinance in including the poor people in the financial sector, critics claim that this antipoverty tool lacks hard data to prove its positive impact on reducing poverty levels. This study sought to establish the impact of micro-finance services on poverty alleviation in Kisii County. The study employed a causal study. The population for this study consisted of six microfinance institutions registered under AMFI that were consistently operational in the Kisii County between January 2008 and December 2013. Stratified random sampling was used to select 200 respondents for the study. Data was collected by use of a questionnaire. The data was pre-processed using Statistical Package for Social Sciences (SPSS). Multiple regression analysis between different variables related to standards was conducted to determine whether a group of variables together predicted a given dependent variable. The study found out that the four variables considered in this study were relevant in explaining the effects of microfinance institutions on the poverty alleviation in Kisii County. Credit facilities had the highest impact followed by personal savings of the residents, training services and finally insurance. The study also recommends that the MFIs operating in the County be empowered through provision of finances which can be advanced to the locals as credit to facilitate rapid economic growth. With an elaborate MFI structure in the County, the County population will be more than willing to take up the financial advances and undertake development projects. To build capacity among the County residents, the study recommends that the MFIs operating in the County undertake regular training especially on financial management courses so that the local can learn the best financial management skills and thus improve their businesses.

Key Words: Micro finance services on poverty alleviation in Kisii County, Kenya

1.0 Background to the Study

Poverty is a pervasive problem in our society. Spanning across the world, poverty exists in different levels and various forms. At the current threshold of $1.25 a day, the World Bank estimates that around 25% of the population in developing regions lives below the poverty line (United Nations, 2009). This figure translates to 1.3 billion people living in poverty, or about 20% of the global population (The World Bank Group, 2010).

As the World Bank broadly defines it, poverty is a “pronounced deprivation in well-being,” (as cited in Khandker & Haughton, 2009). The poor are deprived of basic necessities in life, such as food, shelter, clothing, and clean drinking water. They also lack access to health care, quality education, and employment opportunities that are important in improving their human capital and facilitating social mobility. Due to the profound impact that poverty has on the poor’s well-being, efforts have been made by various multilateral organizations, such as the United Nations, to address these problems and combat poverty. Through the years, different poverty reduction strategies and instruments have been developed in order to improve the poor’s standard of living and help the people break the vicious cycle of poverty.

One such poverty alleviation tool is microfinance, which has gained worldwide recognition since the 1990s and has been proven to have positive effects on poverty levels in developing countries (Hossain et al, 2008). Microfinance is the provision of financial services to the poor, aiming to empower low-income populations by providing them with access to credit and other financial services. Through microfinance institutions (MFI), the poor can obtain collateral-free loans at relatively low interest rates and use the money for creating microenterprises (small businesses owned by poor people), funding children’s education, and improving homes, among others. Aside from microcredit (small loans to the poor), MFIs have also developed numerous financial products, such as micro-insurance and micro-mortgage that are designed to accommodate the poor’s financial needs. Most of these institutions have also required their clients to open up savings accounts, which could be used for emergency and investment purposes (Carr & Tong, 2002). Indeed, microfinance has so much to offer to the poor that it has now become a global phenomenon.

The microfinance revolution has changed attitudes towards helping the poor in many countries and in some has provided substantial flows of credit, often to very low-income groups or households, who would normally be excluded by conventional financial institutions. Bangladesh is the starkest example of a very poor country, where currently roughly one quarter of rural households are direct beneficiaries of these programs (Khandker, 2003). Much has been written on the range of institutional arrangements pursued in different organizations and countries and in turn a vast number studies have attempted to assess the outreach and poverty impact of such schemes. However, amongst the academic development community there is recognition that perhaps we know much less about the impact of these programs than might be expected given the enthusiasm for these activities in donor and policy-making circles.

Microfinance industry in Kenya took its present shape on the onset of economic liberalization and it currently provides the largest financial services to the largest segment of the Kenyan market (Koros 2007). Based on a survey by the Ministry of Trade and Industry, MFI clients constitutes 96% of all business people in the country and contributes about 20% of the country's GDP. He goes on to say that, MFIs in Kenya are a credible vehicle through which the poor can be empowered to take control of their economic wellbeing with the aim of reducing poverty (ibid).

Decades after MFIs have been accepted as the single most effective strategies for delivering the poor out of poverty, in Kenya, many are still living in poverty. As at June 2003, there were an estimated 3460 legally constituted microfinance providers in Kenya, 3897 savings and credit co-operatives, 56 microfinance Institutions, 4 commercial Banks practicing microfinance and 2 building societies (Macharia 2005). The researcher argues that if all these microfinance providers in the country were genuinely involving the poor in the identification and design of their products, Kenya could not be ranking among the last 20 poorest countries in the world (ibid). This is a wakeup call to client based MFIs to re-evaluate their delivery systems if they are to make sustainable impact in the field of poverty alleviation in Kenya.

Alleviating poverty remains one of the key challenges in many developing economies. In Kenya, a recent nation-wide survey, the 2006 Kenya Integrated Household and Budget Survey, (KIHBS) found that 46% of the total Kenyan population is absolutely poor, i.e. below the poverty line, whereas 49% of the rural population is absolutely poor (Kenya National Bureau of Statistics, 2007). The 1997 Welfare Monitoring Survey showed a poverty rate of 57% overall and 60% in the rural population. There has, therefore, been some reduction in poverty across the country and across rural areas over the last decade.

Poverty is not a static concept. People often move in and out of poverty from year to year. This is unsurprising in Sub-Saharan Africa, given that these economies mainly depend on agriculture and are dominated by seasonality and highly variable weather conditions. Changes in poverty status can be due to economic cycles and shocks, such as poor weather, loss of employment, or loss of a major income earner through death, injury, or long illness. Adding to this, institutions for income and consumption smoothing in these economies are either inadequate or are absent altogether. Some households do manage to escape poverty, while others remain in poverty for extended periods of time. Understanding what factors drive household movements in and out of poverty is extremely important for the design of poverty reduction strategies, and is still an open area of research (Kiiru, 2010).

Microfinance has become very important in global poverty reduction debates. The popular assumption is that enabling poor households access to credit helps households begin micro entrepreneurship which would enable them improve their incomes. Evidence from research so far has been scanty, and many results have been highly contested. So far no rigorous study has proved strong robust positive impact of microfinance in poverty reduction. On the other hand many studies suggest the possibility of positive impacts of microfinance on poverty reduction. Microfinance, the provisions of financial services to the low-income households and micro and small enterprises (MSEs), provide an enormous potential to support the economic activities of the poor and thus contribute to poverty alleviation. Widespread experiences and research have shown the importance of savings and credit facilities for the poor and MSEs. This puts emphasis on the sound development of microfinance institutions as vital ingredients for investment, employment and economic growth (Owino, 2005).

Despite the success of microfinance in including the poor people in the financial sector, critics claim that this antipoverty tool lacks hard data to prove its positive impact on reducing poverty levels. Some researchers also question the real impact of microfinance institutions (MFI) in women empowerment, and argue that assistance from the public and private sectors must be made available to effectively improve the lives of the poor. Others are also concerned at how these institutions would be able to fulfill their social goals while trying to achieve long-term sustainability (Mordeno, 2010).

This study is about microfinance and its contribution to the improvement and poverty eradication for thousands of the poorest people in Kisii County. Kisii County is located to the south east of Lake Victoria and is bordered by six counties with Narok to the south, Migori to the west, Homa Bay to the north west, Kisumu to the north, Bomet to the south east and Nyamira to the east. The county has a total population of 1,152,282 and a population density of 874.7 people per Km^2 .Of this 48% are male and 52% are female. 51% of population lives below poverty line. There are more than 8 commercial banks and over 6 micro-finance Institutions. The main economic activities/industries include: subsistence agriculture, vegetable farming, small-scale trade, dairy farming, tea and coffee growing, commercial businesses and soapstone carvings and agricultural products consisting of Tea, coffee, bananas, tomatoes, vegetables, dairy products, maize and sugarcane (Kenyacounties.org 2010). The inhabitants of the area attach great importance to better quality education for their children, good health and the reduction of poverty but this has not been achieved (Mobegi et al 2010).

1.1 Statement of the Problem

A World Bank study has produced evidences of wide-ranging impacts of microfinance on the condition of the borrowers (Khandker, 1999). The overall findings showed that among the BRAC members there has been a gradual improvement in the indicators such as wealth, revenue earning assets, value of house structures, the level of cash earned, per capita expenditure on food and total household expenditure (Husain, et al., 1998). Despite these hard evidences some observers have raised questions about the efficacy of microfinance in alleviating poverty. Their question is: If microfinance was so good, how come it had not eradicated poverty (Chowdhury, 2000).

Studies about micro-financing in Kenya (Kithinji, 2002), shows that the Kenyan government in the beginning of May 1999, recognized the importance of the microfinance sector in the nation's financial community. **Kiiru (2007)** carried out a study in Makueni District, on microfinance, entrepreneurship and rural development, found significant (though weak) positive impact of microfinance on household income. Owino (2005) adds that in Kenya, like in many other countries, approaches to the regulation of MFIs are complicated by the fact that many institutions are involved in providing microfinance services under different legal structures Lack of access to income opportunities keep many people in Kisii shackled to poverty. This study therefore seeks to evaluate the impact of micro finance service on poverty alleviation in Kisii County, Kenya.

2.0 LITERATURE REVIEW

2.1 Characteristics of Micro finance

Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Most people think of microfinance, if at all, as being about micro-credit i.e. lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings (Barr, 2005).
According to James Roth, "Microfinance is a bit of a catch all-term. Very broadly, it refers to the provision of financial products targeted at low-income groups. These financial services include credit, savings and insurance products. A series of neologisms has emerged from the provision of these services, name micro-credit, micro-savings and
micro-insurance" (Kirkpatrik et al, 2002)
The Canadian International Development Agency (CIDA) defines microfinance as, "the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions" (CIDA, 2002).
Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be 'bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary.
Micro finance products are characterized by : Little amounts of loans and savings; Short- terms loan (usually up to the term of one year); Payment schedules attribute frequent installments (or frequent deposits); Installments made up from both principal and interest, which amortized in course of time; Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable overtime; Easy entrance to the microfinance intermediary saves the time and money of the client and permits the

intermediary to have a better idea about the clients' financial and social status; Application procedures are simple; Short processing periods (between the completion of the application and the disbursement of the loan); The clients who pay on time become eligible for repeat loans with higher amounts; The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates. Further, no collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken (Murray & Boros, 2002).

2.2 Micro Finance Lending Model (Grameen Model)

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially adopts the following methodology:

A bank unit is set up with a Field Manager and a number of bank workers, covering an area of about 15 to 22 villages. The manager and workers start by visiting villages to familiarize themselves with the local milieu in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan (Murray et al, 2002).

2.3 Village Banking

Village banks are community-based credit and savings associations. They typically consist of 25 to 50 low-income individuals who are seeking to improve their lives through self-employment activities. Initial loan capital for the village bank may come from an external source, but the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, distribute loans to individuals, and collect payments and savings. Their loans are backed, not by goods or property, but by moral collateral: the promise that the group stands behind each individual loan (Murray & Boros, 2002). Macharia (2005) adds that decades after MFIs have been accepted as the single most effective strategies for delivering the poor out of poverty, in Kenya, many are still living in poverty. It is a fact that poverty still prevails in many parts of Kenya, especially in the rural Kenya, and all participants of microfinance programs have not crossed the line of poverty.

2.4 Group and Individual Lending

The Group Model's basic philosophy lies in the fact that shortcomings and weaknesses at the individual level are overcome by the collective responsibility and security afforded by the formation of a group of such individuals. The collective coming together of individual members is used for a number of purposes: educating and awareness building, collective bargaining power, peer pressure etc. (Boros et al, 2002).

Individual methodology is a straight forward credit lending model where micro loans are given directly to the borrower. It does not include the formation of groups, or generating peer pressures to ensure repayment. The individual model is, in many cases, a part of a larger 'credit plus' programme, where other socio-economic services such as skill development, education, and other outreach services are provided (ibid).

2.3.4 Rotating Savings and Credit Associations

Rotating Savings and Credit Associations (ROSCAs) are essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle. For example, a group of 10 persons may contribute Ksh. 100 (US$96) per month for 12 months. The Ksh. 1,152 collected each month is given to one member. Thus, a member will 'lend' money to other members through his regular monthly contributions. After having received the lump sum amount when it is his turn (i.e. 'borrow' from the group), he then pays back the amount in regular/further monthly contributions. Deciding who receives the lump sum is done by consensus, by lottery, by bidding or other agreed methods (Gongera et al, 2013).

2.4 Poverty Impact

One of the early and most widely cited of the poverty impact studies is Hulme and Mosley (1996). This employed a control group approach looking at the changes in income for households in villages with microfinance programs and changes for similar households in non-program areas. Programs in a number of countries are considered including the Grameen Bank in Bangladesh and the Bank Rakyat Indonesia (BRI). In general a positive impact is found on borrower incomes of the poor (1988-92) with on average an increase over the control groups ranging from 10-12% in Indonesia, to around 30% in Bangladesh and India (Hulme & Mosley, 1996). Gains are larger for non-poor borrowers, however, and within the group the poor gains are negatively correlated with income. However, despite the breadth of the study and its use of control group techniques, it has been criticized for a possible 'placement' bias, whereby microfinance programs may be drawn to better placed villages, so that part of the advantage relative to the control group may be due to this more favorable location. Further, the quality and accuracy of some of the data, particularly in relation to the representative nature of the control groups, has been questioned (Morduch, 1999).

Coleman (2004) uses the same survey data but reconsiders the estimation strategy to control for self-selection. He argues that the village bank methodology, which relies on self-selection by loan size and monitoring by frequent meetings, may not reach the poorest. As many wealthy households tend to be on village bank committees, the failure to control for this leads to systematic biases. The regression results of Coleman (2004) indicate that there is a substantial difference between ordinary members and committee members of village banks. The impact of micro credits on ordinary members' well being is either insignificantly different from zero or negative. On the contrary, the impact of microfinance programs on committee members' measures of wealth, such as income, savings, productive expenses and labor time is positive, implying a form of program capture by the better-off in the village, even though this group may not be well-off by national standards. A similar result in terms of rationing micro credit in favor of better-off groups or members is found by Doung and Izumida (2002) in a study of six villages in Viet Nam. There whilst credit availability is linked with production and income, household economic position and prestige in a village plus the amount of credit applied for are the main determinants of how credit is allocated.

2.4 Review of Empirical Studies

Microfinance institutions provide small-scale financial services to poor people who are otherwise "excluded from the formal banking sector" (Morduch, 1999) and standard financial systems. Operating merely in developing and emerging countries, they have specialized in offering loans of minor scale to enable individuals to start small productive businesses and enhance entrepreneurship. Especially in rural areas of developing countries, the development of financial systems is often poor; sometimes they have not fully emerged at all. In this case, microfinance institutions often represent a first opportunity for the local population to participate in financial systems and to benefit from access to business and capital.

Hudon and Traca (2006) found that a higher subsidy level in microfinance institutions is associated with lower sustainability. The authors use detailed data from a microfinance institution rating agency. The authors note that the sample is not representative in that these rated institutions are more likely to have achieved sustainability, having already achieved operational scale. Their study also did not control for overall economic activity. The study conducted here addresses these two issues by using both new and established institutions across many countries and controlling for economic activity in the country.

Strong (2008) in his research titled "beyond Microfinance: Entrepreneurial Solutions to Poverty Alleviation" concluded that although microfinance has become extremely popular as an approach alleviation, there are still various controversies associated with it. For instance, he argued that microfinance is primarily used for debt and consumption rather than real investment in revenue-generating business. In the same effect, Copestake (2002) argues that microfinance has a polarizing effect as there is discrimination in favor of richer clients, who benefit from better access to credit, and exclusion of poorer people. He adds that if one of the aims of microfinance is to assist the "Poorest of the Poorest" the microfinance is not always the most appropriate intervention.

A study carried out by **Kiiru (2007)** in Makueni District, using an experimental case study design and by the inclusion of time dynamics in the analysis, found significant (though weak) positive impact of microfinance on household income. To this end the thesis argues that there is a role of microfinance on the improvement of household incomes, it reasserts that providing affordable financial services to the rural population still remains to be an important component of development strategy. Secondly; the thesis recognizes that as long as there is still a role for entrepreneurship in economic growth, and that microfinance could be used as a source to finance small entrepreneurships then once again the case for microfinance in poverty reduction still stands.

Studies about micro-financing in Kenya (Kithinji, 2002), shows that the Kenyan government in the beginning of May 1999, recognized the importance of the microfinance sector in the nation's financial community. In March the same year, an Association of Micro-Finance Institutions (AMFI), was formed, where a total of eleven large micro-finance institutions (MFIs) together served over 97 000 clients. Its mission is to develop a micro-finance industry and an institutional framework that serves poor and low-income people in Kenya. Its long-term objectives are to ensure that the micro-finance legislation is passed by parliament and to increase membership in the network among MFIs .Most Kenyan micro-credit programs have been slow to embrace more commercial practices and to make the transition to financial sustainability. With the increase of demand on these institutions to become financially, there has been a shift on emphasis from the very poor to the entrepreneurial poor. This shift has totally left out the very poor, which has defeated the initial goal of micro-finance for poverty alleviation.

2.5 Summary of Literature Review

Income is one of the important elements of living standards as well as of savings. The MFIs provides loans to the poor not only to increase their income but also to mobilize their savings. By mobilizing savings, poor people can secure their future and feel safe. Apart from these, other factors that contribute to human development, like education, level of access to treatment facilities and empowerment was included in this as these variables was related to the core program and methodology of microfinance.

Decades after MFIs have been accepted as the single most effective strategies for delivering the poor out of poverty, in Kenya, many are still living in poverty. The inhabitants of Kisii County attach great importance to better quality education for their children, good health and poverty reduction but this has not been achieved. The researcher endeavored to establish and find out how the standard of living of poor people has been influenced since they joined the microfinance program.

RESEARCH METHODOLOGY

3.2 Research Design

A casual study approach was employed to explore relationships between variables. The population for this study consisted of six microfinance institutions registered under AMFI that were consistently operational in the Kisii County between January 2008 and December 2013. Stratified random sampling was used in this study in capturing the employees of micro finance institutions and stakeholders because the population was heterogeneous, since there were differences among the respondents in terms of gender, age, academic qualifications, business experiences, marital status, sources of initial capital and challenges facing them. Data analysis was processed using Statistical Package for Social Sciences (SPSS). Multiple regression analysis between different variables related to standards was conducted to determine whether a group of variables together predicted a given dependent variable as presented in this model:

$Y = a + b_1X_1 + b_2 X_2 + b_3X_3 + b_4X_4 + \acute{\varepsilon}$

Where Y = poverty alleviation

a = constant

b1, b_2, b_3, and b_4 are co-efficient associated with X_1, X_2, X_3, and X_4 respectively.

X_1 = savings

X_2 = credit

X_3 = training services

X_4 = insurance

$\acute{\varepsilon}$ = the error term

4.0 DATA PRESENTAION AND INTERPRETATION

4.1 Level of Household Loan from a Microfinance Institution

The study sought to establish the agreement level of the household or a person after he or she had received loan from a microfinance institution. According to the findings, the respondents agreed that their savings had increased and that operational assistance received from MFIs was helpful to run the business as shown by a mean score of 4.1691 and 4.0682 respectively. They also agreed that there's better financial situation of the family which score a mean of 3.9852 and their role in decision making process had increased (empowerment) as indicated by a mean score 3.8496.those who agreed on better access to education and that their income had increased since joining this program registered a mean score of 3.7794 and 3.7761 respectively. In addition, the respondents agreed that the procedure of obtaining loans from MFIs is easier than conventional banking as indicated by a mean of 3.763.

On the other hand, the respondents were neutral that employment opportunities had increased which had a mean score of 3.3582; better access to healthcare scoring a mean of 3.2148 and the rate of interest of micro credit is reasonable which registered a mean score of 3.1343. This is well illustrated in table 1 below.

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Table1: Agreement Level of the Household or a Person after He or She Has Received Loan from a Microfinance Institution

	Mean	Std. Deviation
The Savings Has Increased	4.1691	1.10591
Operational Assistance Received From MFIs Was Helpful To Run The Business	4.0682	0.91796
Better Financial Situation Of The Family	3.9852	0.98485
Role In Decision Making Process Has Increased (Empowerment)	3.8496	0.8572
Better Access To Education	3.7794	0.90833
The Income Has Increased Since Joining This Program	3.7761	1.2363
The Procedure Of Obtaining Loans From MFIs Is Easier Than Conventional Banking	3.763	1.01634
Employment Opportunities Have Increased	3.3582	1.09958
Better Access To Healthcare	3.2148	1.14856
The Rate Of Interest Of Micro Credit Is Reasonable	3.1343	1.21884

Source: Research Data, 2013

4.5 Regression Analysis

In addition to the above analysis, the researcher conducted a multiple regression analysis so as to test relationship among variables (independent). The researcher applied the statistical package for social sciences (SPSS) aid in the computation of the measurements of the multiple regressions for the study as shown in table 2.

Table2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.9925[a]	0.855	0.287	0.73413

Source: Research Data, 3013

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (poverty alleviation) that is explained by all the four independent variables (savings, credit, training services and insurance).

The four independent variables that were studied, explain only 85.5% of the effects of microfinance on the alleviation of poverty in Kisii County as represented by the R^2. This therefore means that there are other factors not studied in this research which contributes 14.5% of the effects of Microfinance on the alleviation of poverty in Kisii County. Therefore, further research should be conducted to investigate these factors affecting (14.5%) the alleviation of poverty in Kisii County.

Table3: Coefficient of determination

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	Std. Error	Beta		
(Constant)	1.131	1.325		0.917	0.353
Savings	0.386	0.163	0.165	3.062	0.324
Credit	0.428	0.154	0.069	2.614	0.267
Training Services	0.261	0.213	0.166	2.861	0.054
Insurance	0.214	0.241	0.0624	3.148	0.041

Source: Research Data, 2013

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In order to determine the relationship between poverty alleviation in Kisii County and the four variables, the researcher conducted a multiple regression analysis. As per the SPSS generated table 3, the equation ($\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$) becomes:

$Y= 1.131+ 0.386\ X_1+ 0.428X_2+ 0.261\ X_3+ 0.214X_4$
Where Y is the dependent variable (alleviation of poverty in Kisii County), X_1 is the Savings independent variable, X_2 is Savings variable, X_3 is Training services and X_4 is insurance.
As per the regression equation established, if all factors were taken into account (Savings, credit, training services and insurance) to be constant at zero, Poverty will be alleviation in Kisii County be 1.131. The data findings analyzed also shows that if all other independent variables are taken at zero, a unit increase in savings will lead to 0.386 unit increase in the poverty alleviation in Kisii County. Further, a unit increase in credit facilities will lead to a 0.428 increase in poverty alleviation in Kisii County whereas a unit increase in training services will lead to 0.261 increase in poverty alleviation and a unit increase in insurance will lead to a 0.241 increase in poverty alleviation in Kisii County. From the above analysis of the betas, it can be inferred that credit facilities contributes a lot on the alleviation of poverty in Kisii County followed by savings at 0.386.
At 5% level of significance and 95% level of confidence, savings had a 0.324 level of significance, credit facilities had a 0.267 level of significance, Training services showed a 0.054 level of significant and insurance showed a 0.041 level of significant hence the most significant factor was savings. The t critical at 5% level of significance at k = 4 degrees of freedom is 2.245. Since all t calculated values were above 2.245 then all the four variables were significant in explaining the alleviation of poverty in Kisii County.

4.6 Summary of Findings

The performance of households after having received a loan from a microfinance institution showed that the respondent's savings had increased and that operational assistance received from MFIs was helpful to run the business as shown by a mean score of 4.1691 and 4.0682 respectively. They also agreed that there was better financial situation of the family with score a mean of 3.9852 and their role in decision making process had increased (empowerment) as indicated by a mean score 3.8496.those who agreed on better access to education and that their income had increased since joining this program registered a mean score of 3.7794 and 3.7761 respectively. In addition, the respondents agreed that the procedure of obtaining loans from MFIs is easier than conventional banking as indicated by a mean of 3.763. On the other hand, the respondents were neutral that employment opportunities had increased which had a mean score of 3.3582; better access to healthcare scoring a mean of 3.2148 and the rate of interest of micro credit is reasonable which registered a mean score of 3.1343.

The four independent variables that were studied, explained 85.5% of the effects of microfinance on the alleviation of poverty in Kisii County. This therefore meant that there were other factors not studied in this research which contributes 14.5% of the effects of Microfinance on the alleviation of poverty in Kisii County. Therefore, further research should be conducted to investigate these factors affecting (14.5%) the alleviation of poverty in Kisii County. If all factors were taken into account (Savings, credit, training services and insurance) to be constant at zero, Poverty will be alleviation in Kisii County be 1.131. The data findings analyzed also shows that if all other independent variables are taken at zero, a unit increase in savings will lead to 0.386 unit increase in the poverty alleviation in Kisii County. Further, a unit increase in credit facilities will lead to a 0.428 increase in poverty alleviation in Kisii County whereas a unit increase in training services will lead to 0.261 increase in poverty alleviation and a unit increase in insurance will lead to a 0.241 increase in poverty alleviation in Kisii County. From the above analysis of the betas, it can be inferred that credit facilities contributes a lot on the alleviation of poverty in Kisii County followed by savings at 0.386.
At 5% level of significance and 95% level of confidence, savings had a 0.324 level of significance, credit facilities had a 0.267 level of significance, Training services showed a 0.054 level of significant and insurance showed a 0.041 level of significant hence the most significant factor was savings. The t critical at 5% level of significance at k = 4 degrees of freedom is 2.245. Since all t calculated values were above 2.245 then all the four variables were significant in explaining the alleviation of poverty in Kisii County.

5.0 SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the Findings

Poverty is a pervasive problem in our society. Spanning across the world, poverty exists in different levels and various forms. At the current threshold of $1.25 a day, the World Bank estimates that around 25% of the population in developing regions lives below the poverty line (United Nations, 2009). This figure translates to 1.3 billion people living in poverty, or about 20% of the global population (The World Bank Group, 2010). This study sought to establish the impact of micro-finance services on poverty alleviation in Kisii County. The study was guided by the following specific research objectives finding out the strategies for the survival of the MFIs, determining the effects of MFI services on the stakeholders establish the challenges facing the clients in accessing loans from the MFIs and suggest possible solutions to the challenges

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (poverty alleviation) that is explained by all the four independent variables (savings, credit, training services and insurance).

5.2 Conclusions

From the above summary of the findings, the study concluded that the four variables studied in affects poverty alleviation in Kisii County as supported by 85.5% of respondents. This means that the four variables contributed 85.5% in the alleviation of poverty in Kisii County. Most of the respondents were female aged between 25-40 years having had educational experience spanning between 6-10 years. In addition, most of these respondents were married and having family members between 2 and 5.

The respondents had business experience having sourced their capitals from personal savings. Most of the respondents had loans they received from microfinance institutions ranging from Ksh. 1000 and above. These variables affected poverty alleviation in Kisii County to varying Degrees. Credit facilities had the greatest effect at 0.428 followed by personal savings of the respondents at 0.386. Training services came in third at 0.261 and insurance came in fourth at 0.214.

5.3 Recommendations

Micro finance is recognized as an effective tool to fight poverty by providing financial services to those who do not have access to or are neglected by the commercial banks and financial institutions. Financial services provided by Micro Finance institutions (MFIs) generally include savings and credit. The main features of the microcredit institution which differentiate it from other commercial institutions and make them suited for poverty alleviation in rural areas include: their substitutability for informal credit; generally requiring less or no collateral; having simple procedures and less documentation; mostly group lending; easy and flexible repayment schemes; financial assistance of members of group in case of emergency; the most deprived segments of population are efficiently targeted, and groups interaction with each other's thus promoting learning and sharing of the necessary skills in business management. In Kisii County, the Microfinance sector has blended well with the community. It has offered all the benefits listed above which accompany the microfinance institutions. This study therefore recommends that an elaborate microfinance institution presence be availed in the County to facilitate easy access to the MFIs services.

The study also recommends that the MFIs operating in the County be empowered through provision of finances which can be advanced to the locals as credit to facilitate rapid economic growth. With an elaborate MFI structure in the County, the County population will be more than willing to take up the financial advances and undertake development projects.

To build capacity among the County residents, the study recommends that the MFIs operating in the County undertake regular training especially on financial management courses so that the local can learn the best financial management skills and thus improve their businesses.

5.5 Suggestions for Further Studies

The study suggests that further research be conducted on the effects of Microfinance services in other Counties in Kenya so as to facilitate the generalization of the research findings to the whole country.

The study further recommends that another study be conducted in Kenya on the relationship between Small Medium Enterprises and economic growth so as to assess the contributions of the SME sector to economic development.

The study further recommends that the same study be repeated after the full implementation of the new Kenyan constitution to measure the changes brought about by the full implementation of the new constitution in rural population's accessibility to finance.

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