

Influence of Deposit Taking Micro-Finance Institutions on Micro-Credit Access in Busia County-Kenya

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Abstract

Microfinance has achieved much publicity since the work of professor Muhammad Yunus and Grameen bank, an institution he founded in 1970s. For a long time, the perception was that microfinance was full of success stories as far as poverty alleviation is concerned with minimal critique. This study intended to examine the impact of microfinance in Busia County. Depending on the findings, the study was to make recommendations on how the situation (impact) can be made better. The study targeted members of deposit taking microfinance institutes in the area under study. By end of 2012, there were (8) DTMs operational in the Kenya (CBK). The study targeted 40% of the total DTMs operating in County. Thus, three institutions (40% of 8) provided the population; this is in compliance with recommendation by Mugenda (2003) who suggest that a sample of 10% of all the MFIs is ideal. The target MFIs provided an equal number of respondents (i.e. 40) to give us a population of 120. The study used primary data collection method. The data was collected primarily through structured questionnaire. Raw data collected was sorted and presented using tables and diagrams. The researcher used the Statistical Package for Social Sciences (SPSS) to analyze the collected data. A comparative analysis was used for responses from open-ended questions. The study found out that Sixty percent of the respondents indicated that self-employment drove them to joining microfinance while 40% indicated that control of resources drove them to joining microfinance. The study concludes that self-employment drove them to joining microfinance. Majority of the respondents, who own enterprise, indicated that they owned an enterprise which started before joining the microfinance Institution. The study finds that though Microfinance is available and accessible in Busia County, its impact on Micro-credit access is minimal. The study recommends need for prolonged period of successive borrowing, investing and repayments. This is because a majority of the clients access only small micro-credit facilities and operate micro-enterprises with low returns.

Key words: Microfinance institutions, performance, interest