MICROFINANCE SERVICES AND POVERTY REDUCTION IN RURAL AREAS; A CASE OF KITUI COUNTY, KENYA

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ABSTRACT

Poverty is a cruel and unwelcome condition that affects people all across the world and its reduction is ideally an important goal. Most countries have given this agenda preeminence where by microfinance programs have been deemed one of the most important vehicles for reducing poverty. This study, therefore, sought to investigate the influence of microfinance services on poverty reduction in rural areas of Kitui County, Kenya. Specific objectives were; to determine the influence of microcredit on poverty reduction in rural areas of Kitui County, Kenya; to examine the influence micro savings on poverty reduction in rural areas of Kitui County, Kenya; and to determine the influence of empowerment programs on poverty reduction in rural areas of Kitui County, Kenya. The research study was informed by the three theories: microfinance theory of change, social capital theory and modern development theory. A descriptive survey research design was used. The target population was 5699 members of six microfinance institutions in Kitui County. The study used stratified random sampling method in this study to come up with a sample of 359–members. The study used structured questionnaires to collect primary data. Data collected was analyzed using statistical package for social sciences software and results generated in terms of descriptive (frequencies, percentages, means and standard deviation) and inferential statistics (Pearson correlation and multiple regression). The findings were presented using tables and figures. The study established that micro credit had an inverse statistically significant influence on poverty reduction with a one-unit change, resulting to .175 (p=.005) change in poverty reduction in the opposite direction. Micro savings influenced poverty reduction which was not statistically significant with one unit change, resulting to .064(p=.303) change in poverty reduction in a reversed manner. Lastly, empowerment programs had a negative influence on poverty reduction with a one unit change, resulting to .104 (p=.090) change in poverty reduction which was not statistically significant. The study concluded that microcredit had the greatest influence on the poverty reduction in rural areas of Kitui County, Kenya, followed by empowerment programs, while micro savings had the least influence to the poverty reduction in rural areas of Kitui County, Kenya. The study recommends that microfinance institutions should also be encouraged to reduce the gap between the rate of interest on savings deposit and the lending rate by mobilizing more savings from the formal sector, which continues to remain untapped. To build capacity among the County residents, the study recommends that the MFIs operating in Kitui County undertake regular and effective training especially on financial management courses so that the local can learn the best financial management skills and thus improve their welfare.

Keywords: Microfinance Services, Poverty Reduction, Microfinance Institutions, Financial Services, Microcredit, Micro Savings and Empowerment Programs

INTRODUCTION

Poverty reduction has been critical development challenge over decades and is at the center of development policy of most countries (Khan, Khan, Fahad, Ali, Khan & Luo, 2020).

According to Arp, Ardisa and Ardisa (2017) on poverty alleviation, about 2.8 billion out of the 6 billion persons in the world live below US$2 a day and 1.2 billion below US$1 a day in the 21st Century.

In an effort to minimize poverty, governments, private investors and donor agencies have recognized formation of groups as one of the key solutions. According to Bangoura, Mbow, Lessoua, and Diaw (2016), sustainable development cannot be realized until huge population groups find methods to escape poverty. The use of microfinance as a tool in this effort has been suggested and is in fact widespread since it helps integrate the poor into the economy by providing credit and other financial services (Agbola, Acupan & Mahmood, 2017). Microfinance Institutions (MFIs) provide financing to the needy that do not have admittance to commercial bank services so as to shrink poverty and aid the needy in beginning their own companies.

A fundamental obstacle for the poor is a lack of admittance to formal sector finances, which keeps them stuck in poverty by preventing them from taking advantage of economic possibilities to raise their level of productivity. The problem of widespread poverty has not been solved with traditional aid. An example of development work aimed at helping the poorest members of society, is microfinance (Rathnayake, Fernando & Fernando, 2019). Credit access has increased due to the emergence of group liability, in which numerous borrowers are jointly responsible for the repayment of their loans. It is widely believed that because of its alleged ability to overcome adverse selection and moral hazard difficulties, this characteristic is a crucial innovation responsible for the rapid rise of the microcredit movement on credit markets for the poor. Also due to the level of poverty among the poor, group liability is seen as a tool to boost the efficiency of loans and encourage them to borrow and pay. Members of the group act as custodians of each other. However the question is as to the efficiency of the microfinance in reducing poverty since poverty is a broad term and is influenced by many factors (Kumari, Azam & Khalidah, 2019).

According to Lacalle-Calderon, Perez-Trujillo and Neira (2018), other financial services provided by microfinance include micro savings, empowerment programs and insurance services. Microfinance offers financial services like micro savings and training to the underprivileged in urban and rural areas that are not able to acquire them from the mainstream financial sector. Advancing microfinance services like micro savings and training to needy persons living in rural areas has tremendous effects on poverty reduction (Bent, 2019).

Globally, It has been demonstrated that some nations, like Chile, China, Costa Rica, Indonesia, and the Republic of South Korea, have been able to achieve rapid poverty reduction through continuous per capita economic growth (Uddin & Hossain, 2020). Another method is to have more open political processes that encourage pro-poor stakeholders to participate. Free primary education, for example, is a significant demand of the poor, which has been implemented in various East and Southern African nations (Agbola, Acupan & Mahmood, 2017). Even in the U. S., one of the world's wealthiest nations, the poverty industry, which includes payday loan centers, pawn shops, credit card firms, and providers of microfinance, is worth around $33 billion every year (ElHadidi, 2018). Millions of persons go on to live in high levels poverty in the emerging economies.

Better access to financial services allows the poor to start and expand microbusinesses, consequently increasing their income and creating jobs. Professor Muhammad Yunus, according to Agbola, Acupan, and Mahmood (2017), noticed that traditional banking methods had built-in limits and were directed mainly at the wealthy. Professor Yunus considered an alternative institutional structure in this environment, one that may be used to improve the well-being of the poor. This evaluation of the literature examines the efficacy of microfinance programs, with the idea that if financial resources were accessible to the needy on appropriate terms and situations, they would establish productive employment without the need for outside aid.

In a study conducted in Turkey, Bangoura, Mbow, Lessoua, and Diaw (2016) it was found that microfinance, particularly microcredit, is a powerful instrument for poverty reduction. Even though Turkey is not a poor country by global measures, the survey indicated that one fifth of the population is at danger owing to poverty. Furthermore, poverty in Turkey is a political problem, not just a result of microcredit, and political action by the state is the final solution to the fight against poverty.

In Sub Saharan Africa, there are high levels of extreme poverty. In 2017-2018, nearly half of the population lived on below $1 per day, the world's highest rate of abject poverty (Purnamawati & Yuniarta, 2020). Microfinance is a new phenomenon in Ethiopia, and the country's poor households still have limited access to official financial services. Despite recent advances in poverty reduction, 30 percent of the population remains impoverished, necessitating a variety of interventions, mainly access to financial resources. In this regard, increasing the operational effectiveness of current MFIs and expanding the scope of outreach necessitates careful consideration and legislative action in order to minimize the country's poverty rate (Khan, Khan, Fahad, Ali, Khan & Luo, 2020). In Nigeria, a majority of the population does not have admittance to financial services and thus constitute the group that microfinance tries to reach. The country is burdened with increasing population that strain resources, poor infrastructure, health facilities among other development issues (Kalu & Nenbee, 2018).
Kenya is one of the global poorest nations, ranking among the bottom 30 (Mutua, 2017). The high rate of unemployment in Kenya is one of the main reasons of poverty. According to Omondi and Jagongo (2018), many Kenyans have been forced into self-employment and other informal occupations as a result of this. They go on to say that the biggest problem for the poor being unable to access to financing. Since banks are concerned of the associated credit risk and high transaction costs,

the traditional banking system is elitist and unavailable to the poor. Despite its enormous ability, Kitui County is one of the Arid and Semi-Arid (ASAL) counties with the worst poverty rates. Absolute poverty is projected to be 47.5 percent, which is greater than the national average of 36.1 percent in 2016. The county is home to 522,000 people, or 3.2 percent of Kenya's poor. Food insecurity is projected to be 39.4%, higher than the national average of 32%. Nearly half of the populace lacks access to enhanced water supply, and 57.6 percent of households spend 30 minutes or more fetching water (World Bank, 2017). Furthermore, the poor quality of secondary and tertiary roads makes it difficult to get food to rural marketplaces. As a result of the high transaction costs, commodities prices in these far-flung markets are rising. Traders also trade goats and cattle in large quantities, owing to declining pasture and browsing conditions, growing distances from water sources, the necessity for school tuition, and the need for funds to buy food at the home level.

Statement of the Problem

Poverty is a severe and unwelcome occurrence in human history. Poverty reduction, if not eradication, is unquestionable. Poverty has attracted significant attention globally (Khan, Khan, Fahad, Ali, Khan & Luo, 2020; Agbola, Acupan & Mahmood, 2017; Rathnayake, Fernando & Fernando, 2019) with the international community seeing global poverty reduction as a significant development problem in the twenty-first century As a result, microfinance programs have been identified to be among the most important tools in the modern development agenda for poverty reduction. Microfinance has been shown to play a significant impact in socioeconomic development and poverty alleviation. Micro-finance initiatives have been found in Mexico, Pakistan, the United Kingdom, Gambia, and Ecuador, which are unlikely to enhance the income of the poorest people but do have an influence on better-off but still poor people. LacalleCalderon, PerezTrujillo, and Neira (2018) found that the MFI Bonco Del Desanollo enhanced household consumption, enhances the quality of children's education, raised income, and increased employment generation in Chile. Microfinance services, according to Mutua (2017), can assist low-income persons in reducing risk, improving management, increasing productivity, obtaining high returns on investments, increasing incomes, and improving the quality of live and those of dependents.

Various government policy documents in Kenya feature efforts to encourage microfinance (Republic of Kenya, 1999; 2007; 2012; 2013; 2015). The sub-sector has seen significant progress as a result of these policy efforts, such as an growth in gross loaning by chief microfinance institutions from Kshs 707 million in 1999 to Kshs 254 billion in 2015; a growth in the proportion of licensed MFIs from one in 2009 to 13 in 2016; and a rise in the use of informal microfinance from 32% in 2006 to 41% in 2016 (CBK, KNBS & FSD-Kenya, 2019). However, despite the presence of microfinance institutions, the poverty levels in Kitui County continue to go up. The Kenya National Bureau of statistics (2020) indicated an estimate of 63.1 per cent poverty level in Kitui County.

The level is significantly above the national average of 36.1 per cent. This is indicative that there is a serious challenge of poverty among people of Kitui County, notwithstanding the availability of microfinance institutions whose main aim is to alleviate poverty among the poor people. This poverty situation exacerbated more by the needy persons in rural regions not being reflected in the macroeconomic interventions. This means that the expectation that these microfinance services should free people from poverty has not been met. This study therefore sought to establish the effect of microfinance services on reduction of poverty in Kitui County. Past studies (Banerjee & Jackson, 2017; Mecha, 2017) established dissimilar research results on the linkage between microcredit and poverty elimination Ampah, Jagongo, Omagwa and Frimpong (2017), Kumah and Boachie (2016) and Kalu and Nenbee (2018) used growth in income growth as a proxy for poverty reduction. Further, Maingi (2017) and Juma (2016) used increased role in family decision making and increase in enlightenment as a proxy for poverty reduction. It is in light of the above mentioned literature gaps that the current study sought to investigate the relationship between microfinance services and poverty reduction in rural areas of Kitui County, Kenya.

Research Hypothesis

There is no significant influence of microcredit on poverty reduction in rural areas of Kitui County, Kenya.
There is no significant influence of micro savings have on poverty reduction in rural areas of Kitui County, Kenya.
There is no significant influence of empowerment programmes on poverty reduction in rural areas of Kitui County, Kenya.

Theoretical Review

This section reviews theories relevant to the study. The theories reviewed include microfinance theory of change, social capital theory and modern development theory.

Classic Microfinance1Theory of Change

This study uses microfinance theory of change. The classic microfinance theory of change was advocated by Datar, Epstein and Yuthas (2008). They argued that the classic microfinance theory of change is easy: a needy individual goes to a provider of microfinance and acquires a loan (or saves a similar amount) to begin or grow a micro-firm that generates adequate net revenue to repay the loan with main interest while still having enough profit to raise the person's standard of living. This is accomplished in three steps: First, get a loan from a microfinance institution (or save with one) (or similar entity). Second, put the money into a profitable venture. Finally, run the company in such a way that it generates a high return on investment.

Inputs, outputs, and outcomes are all part of the transmission pathways via which microfinance affects poverty. According to Lensink and Sterken (2002), this is the theory of change because the intervention is meant to have the desired effect. Theory of change is based on underlying assumptions that are theoretically founded and relate causal relationships from policy to results. Microfinance's impact on poverty is anticipated to be seen in situations where credit is rationed and labor resources are not allocated optimally (Khandker 2005; Liverpool & Winter-Nelson, 2010).

Microfinance, according to this hypothesis, is the world's most powerful remedy to poverty, and the conflicts, disease, and misery that poverty causes. Small loans, according to advocates, help people achieve economic independence. They point to the billions of cash supplied to millions of small-time, underprivileged entrepreneurs by MFIs like Grameen Bank, Accion International, and Opportunity. Micro loans raise household consumption; offer women more clout in their communities, stimulate contraception usage, and improve the nutrition of early children (Goldberg, 2005).
The theory is applicable to this study because it describes how microfinance services relate to poverty reduction. It relates the inputs that are the microcredit with the impact, which is poverty reduction (access to child education, improvement in health and nutritional status of the people concerned, sustainable self-employment income). This therefore brings about change in the community to which the microfinance is providing services.

Social Capital Theory

Bourdieu proposed the social capital theory (SCT) (1972). The concept of social capital dates back to when communities established tiny groups based mostly on trust and the requirement to aid each other. These organizations were founded with the idea that the members desired to help one other and that they were so close. They also established the regulations that could govern these organizations to make sure that they were properly-managed and would continue to exist in the long run.

The concept of social capital may be defined as the belief that social relationships could result to the creation of member’s economic and non-economic benefits (Nyangena, 2008). This is due to the fact that a variety of factors, including human behavior and pay, as well as governmental changes, all contribute to a lack of financial provision. The significance of this idea is that it sheds light on the reality that society's capital can be intermediated and distributed to members of organizations, hence increasing financial inclusions. The availability of this capital would enable members to participate in income-generating undertakings, thereby improving their living conditions.The social capital theory is important to this study since it supports the idea of resource mobilization (deposits) through organized groups (MFIs) and then availing the capital (credit) to members to use either in business or other investment projects. This is expected to decrease the level of poverty among individuals. The theory, therefore, provides a theoretical prediction that microfinance services would help in poverty reduction.

Modern1Development Theory

Hoff and Stiglitz came up with this notion in 2001. According to the hypothesis, inability to access to finance is a significant issue that contributes to chronic economic inequality and slower growth. According to the notion, certain groups of the population have difficulty accessing financial services in an underdeveloped financial system. As a result, they resort to low-cost informal sources like shylocks. Financial institutions develop assessment methodologies and information gathering and sharing procedures in mature financial systems, allowing them to support even marginal activities, enterprises, or individuals, thereby promoting their growth activities.

Poor people and small businesses must depend on their own inadequate resources and incomes to capitalize in entrepreneurship and education in order to take the chance of growth prospects in the absence of an inclusive financial system (World Bank, 2008). Developed financial systems, on the other hand, have difficulty serving low-income groups in terms of financing their consumption and other demands. Inclusive finance, which includes secure savings, specially designed loans for low-income persons and SME businesses, as well as suitable insurance and service payment, could assist individuals increase their earnings, get capital, manage risk, and escape poverty.

The modern development theory is pertinent to this study because it emphasizes the notion that the poor population requires inexpensive loans in order to take advantage of existing investment possibilities, hence eliminating income disparities (Nyangena, 2008). Microfinance institutions can provide these well-designed products, increasing their uptake among the financially disadvantaged (the poor). The theoretical prediction is that provision of micro finance services including micro savings, credit and empowerment programs would help reduce poverty levels among individuals and households.

Functionalism Theory

The study is guided by functionalism theory. In sociology this theory was originally coined by Comte (1987) who saw it intertwined closely with his overall perception about the society. The purpose of the social activity in this study is to review the input which that task makes to the smooth running of the general society. This theory can be understood well with the analysis of the human body as compared by Durkheim ,Comte, and other social analysts .When studying an organ for example the lungs of an organism ,we should show the relationship between the organ and the body, and then understand the role played by the organ in an organism then connect it universally with the presence of life in an organism.

Similarly, when analyzing some aspects of the society like the religion implies demonstrating the parts it plays in the constant growth and healthy society. Functionalism gives a lot of weight on the essence of moral accord in keeping order and stability in the society. This, can only be realized when we share the same social values. Functionalists view order and stability as the accepted state of the social organizations. The moral stability is embedded in the state of moral consensus among the society. According to Durkheim for example, religion re-affirms people's adherence to social values contributing to social cohesion.

In the similar way the study admits that Micro finance Institutions are communal organizations ingrained to attain certain goals which includes providing credit to individuals to aid reduce deficiency of resources, make individuals fully sufficient and be able to answer well to both their basic needs and the society's needs . Therefore in an attempt to create balance between the Microfinance institutions and those who use their services, the study aimed to ratify factors that affect the performance of the Microfinance institutions in eradicating poverty, a matter that is challenging the society hence leading to failure of many individuals to achieve their universal goal leading to institutional and communal dis-organization.

RESEARCH METHODOLOGY

Target Population and Sampling

This study used descriptive survey design. The design is appropriate since members of different MFIs are located in different parts of Kitui County. The population of this research study was the six MFIs in Kitui County. The unit of analysis comprised of 5699 members of these MFIs. The sample size of 359 was attained using Fisher (2003) formula. Then, to select responders from each strata, simple random sampling was utilized

Table 1: Sampling Frame

MFIs	Population	Ratio	Sample
Kenya Women Finance Trust	1527	0.063	96
Uwezo	985	0.063	62
Faulu	817	0.063	51
Rafiki	952	0.063	60

SMEP	743	0.063	47
Jitegemee Trust Ltd	675	0.063	43
Total	**5699**		**359**

Source: Microfinance1Institutions1Customer1Data Base (2021)

Data Analysis

This study collected primary data using structured questionnaires. The questionnaires were administered using emails and Google docs so as to cater for the fear of the spread of the COVID-19 pandemic. The outcomes from the descriptive analysis included mean, standard deviation, and frequencies and percentage. Also, inferential statistics included Pearson correlation and multiple regression analysis which was utilized to test the link between predictor and response variables. The findings were presented using tables and figures.

FINDINGS

The researcher administered 359 questionnaires. From these, only 262 respondents were able to return fully filled questionnaires which represented a response rate of 73.1%.

Pearson's Product Moment Correlation

A Pearson's Product Moment Correlation was conducted to establish the strength of the relationship between the variables. The findings are presented in Table 2.

Table 2: Correlation1Matrix Results1for1Poverty Reduction

		PR	MC	MS	EP
Poverty	Pearson Correlation	1.000	-.178**	-,085	-.090
Reduction (PR)	Sig. (2-tailed)		.004	.169	.147
Microcredit (MC)	Pearson Correlation		1.000	.155*	-.061
	Sig. (2-tailed)			.012	.321
Micro Savings (MS)	Pearson Correlation			1.000	-.053
	Sig. (2-tailed)				.389
Empowerment	Pearson Correlation				1.000
Programs (EP)	Sig. (2-tailed)				

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

From Table 2, there exists an inverse significant relationship between the aspect of poverty reduction in rural areas of Kitui County and microcredit with ($r=-.178$ and $p<.01$). Also the relationship between micro savings and poverty reduction was positive and not significant with ($r=-.0.85$ and $p> 0.01$ and 0.05). Further empowerment programs and poverty reduction depicted an inverse association which was not significant with($r=-0.90$ and $p>0.01$ and 0.05).

The association between micro credit and micro savings was positive and was significant with ($r=0.155$ with $p<0.05$). Micro credit and empowerment programs showed an inverse relationship which was not significant with (r=-0.61 and p=0.321).Further, the association between micro savings and empowerment programs was inverse and not significant with (r=-0.53 and p=0.389).

Multiple1Regression

The study used a multiple regression model to test influence of Microfinance services (i.e. microcredit, micro savings and empowerment programs) on poverty reduction in rural areas of Kitui County, Kenya. The researcher applied the Statistical Package for Social Sciences (SPSS V 25.0) to code, enter and compute the measurements of the multiple regressions for the study. The findings were as shown in Table 3, 4, and 5.

Table 3: Analysis1of Variance

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.483	3	1.828	4.140	.007[b]
	Residual	113.892	258	.441		
	Total	119,375	261			

a. Dependent Variable: PR
b. Predictors: (Constant), MC, MS,EP

Table 3 shows that the F statistic of model 1 on the extent to which Microfinance Services (i.e. microcredit, micro savings and empowerment programs) influence on poverty reduction in rural areas of Kitui County, Kenya. was 4.140 (p=.007). This demonstrates that the influence of microcredit, micro savings and empowerment programs was statistically significant at 95% confidence level for the ($p<.05$). Hence this model was suitable to estimate poverty reduction in rural areas of Kitui County, Kenya. The model was further subjected to other tests of the slope. The aim of this test was to establish the explanation of variations in dependent variable and the strength of the relationship between each independent variable and the dependent variable. The outcome was portrayed in Tables 4 and 5 respectively as follows;

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.214[a]	.046	.035	.66441

a. Predictors: (Constant), MC, MS, EP

The adjusted coefficient of determination (R^2), which indicates the proportion of variation in the dependent variable that is explained by all the independent variables taken together, as shown by Table 4 was (Adj. R^2= .035) implying that microcredit, micro savings and empowerment programs taken together explained 3.5% of variations in poverty reduction in rural areas of Kitui County, Kenya. That is 96.5% variations of poverty reduction in rural areas of Kitui County, Kenya were explained by other factors that were not considered in this model.

The following model was used to test the relationship between the independent variables and dependent variable.

$$\mathbf{Y=\beta_0+ \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e}$$

Where; Y= Poverty Reduction

X_1 =Microcredit

X_2 = Micro savings

X_3= Empowerment Programs

β_i (where = 0, 1, 2, 3) are coefficients

e = Error term

The extent to which the individual independent variable influenced poverty reduction was represented by Table 5 as follows;

Table 5: Regression1Coefficients1

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.114	.456		11.218	.000
	MC	-.250	.088	-.175	-2.836	.005
	MS	-.076	.074	-.064	-1.032	.303
	EP	-.125	.073	-.104	-1.704	,090

a. Dependent Variable: PR

From Table 5, it was revealed that micro credit had an inverse statistically significant influence on poverty reduction with a one-unit change, resulting to .175 (p=.005) change in poverty reduction in the opposite direction. Micro savings also portrayed a contrary influence on poverty reduction which was not statistically significant with a one unit change, resulting to .064(p=.303) change in poverty reduction in a reversed manner. Lastly, empowerment programs had a negative influence on poverty reduction with a one unit change, resulting to .104 (p=.090) change in poverty reduction and was not statistically significant. The model developed to represent such an expression was as indicated below

PR= 5.114 -.175MC -..064MS -.104EP

Where;

PR is Poverty Reduction

MC is Microcredit

MS is Micro Savings

EP is Empowerment Programs

The overall influence of microfinance services and poverty reduction especially in the aspects of access to housing, access to food, clean water and sanitation, was in tandem with past studies. For example, in the study of Chandradasa, (2019), who investigated on the impact of microfinance on developing the shelter conditions of borrowers in the southern province of Bangladesh and it was found that microfinance helped households who had borrowed to improve their shelter conditions in terms of all the indicators of housing standards. The studies of Perera and Wijekoon, (2019) and Rathnayake et al., (2019), it was established that microfinance was a crucial tool for reduction of poverty through socioeconomic wellbeing and it helped the poor for it increased the income, smoothen the monthly family expenses and made the borrowers have courage to cope with financial shocks.

This study findings are also supported by other studies done in India where according to the SHARE microfinance project records 50 percent of borrowers reached out of poverty while 75 percent was able to improve their living stand. Noted researchers were stated that microfinance can reach to increase the poor's income level (Kebede & Regassa, 2019). It is also empirically evident that past studies based on Grameen Bank proved that there is a significant contribution to the poor through microfinance programs in Bangladesh where by Shamim, (2018) reveals that there was a direct impact between microcredit program and savings, average monthly income, monthly household expenditure, property, education of participant families.

However, other past studies portrayed contradictory results where negative impact was felt by different microfinance services users. For instance, Sinha et al., (2019) carried out a research to establish the impact of microfinance access on three dimensions of women empowerment, which make influence upon decision making on the issues of credit, expenditure, and children. The research findings portrayed that the greater access to microfinance credit negatively impacts economic empowerment i.e. decisions on credit and expenditure related issues. Also in the study of Sangjeli, and Mustafa, (2019) and Pathirage, (2015) they established that the Janasaviya program had always been hindered by political patronage and misallocation of the resources had adverse influence to microfinance services.

CONCLUSION

The study concluded that microcredit influence poverty reduction in rural areas of Kitui County, Kenya. The study concluded that micro-credit service helps in poverty alleviation by ensuring that amount received in terms of loan is used for the intended purpose. If this loan is used well then the living standards of individuals will improve thus poverty reduction. Total income earned will increase if customers who get loan from MFIs startup income generating units. The study also concluded that microcredit help in poverty reduction by making finance accessible to low income earners, less educated and those in the informal sector which helps in expansion of business, acquisition of better residential places, access to education, health and improved welfare.
The study also concluded that micro savings influenced poverty reduction in rural areas of Kitui County, Kenya although not in a significant manner. It was deduced that the amount saved in terms of money lead to higher amounts of loans which was used in improving the living standards of individuals through startup of income generating

units. Again the savings kept on increasing year by year and this contributed to higher amounts of credit issued to customers.

The study further concluded that empowerment programs moderately influences poverty reduction in rural areas of Kitui County, Kenya. It was established that the trainings enabled customers to save more than they were saving before. Again the trainings led to better usage of amount loaned by the MFIs. When people are empowered they are equipped with skills and knowledge with which they were able to earn a living. In this way, they were both able to get paid employment or start up a business and earn an income.

RECOMMENDATIONS

Microfinance institutions should be encouraged to reduce the gap between the rate of interest on savings deposit and the lending rate by mobilising more savings from the informal sector, which continues to remain untapped. The study also recommends that the MFIs operating in Kitui County should be empowered through access of finances from mainstream financial institutions 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.

It is advisable 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. Clients subscribe to policies without understanding the implications of it. Accordingly, MFIs should intensify their education on their services to enable clients understand and realise the full benefit of the policies they subscribe to.

In view of the above findings in relation to the specific objectives, the study concluded that micro credit is perhaps the most important microfinance intervention which influences poverty reduction as compared to other forms of interventions. The study therefore recommended that microfinance institutions should intensify their microcredit product by reducing the rate of interest on borrowing so as to encourage the informal sector which continues enjoying the facility.

Finally the research recommends that the government should formulate and review the existing policies on MFIs to incorporate the emerging issues due to changes in the banking industry. However it is important for Microfinance programs to be well designed in order to best meet the real needs of the poor customers they aim to serve. The government should also put strict measures to curb corruption and other evil vices that have infiltrated the Microfinance programmes. Financial education is recommended for the microfinance credit obtained by customers. This will ensure the loan is used for the intent purpose.

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