

# The Effects of Loans and Saving Services on the Welfare of Households: Evidence from Homabay County, Kenya

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**Abstract:** In these paper the author developed a framework on the effects of loans and savings services on the welfare of the households. Homabay county being in the rural parts of the county is to greater extent dependent on farming and small scale enterprise as the main social economic activities. A large number of these people are low income earners whose main source of credit facilities is the micro lending institutions. The purpose of the study was to analyse the effects of loan and saving services offered by microfinance institutions on the welfare of households in Homabay County. A survey was conducted among the small scale traders and farmers who had been receiving loan from the selected microfinance institutions within the county. A survey was conducted to carry out the study in which questionnaires was used to collect data from the respondents. Multiple regression analysis was used to test the proposed hypotheses of the study and to verify the association between variables. The study observed that loans and saving services played a major role in changing and improving the living standards, income, diet patterns, health status and children's education of the respondents. The study recommends that emphasis on the importance of loan services on household welfare should be made. Further that the amounts borrowed be increased so as to meet the needs of the residents, residents should be encouraged to save with the microcredit facilities so as to raise their chances of gaining support from the facilities. Lastly continued appraisal process in the form of capacity building among households should be maintained so that residents can maximize potentials within the microcredit facilities for them to easily manage the repayment of the loans awarded.

**Keywords:** Microcredit, Welfare.

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## 1. INTRODUCTION

It has been well argued that the provision of financial services to the poor, or microfinance , is a powerful tool of providing low income households with the chance to reduce level of poverty and to transform their lives. It is also evident that there is a strong demand for small-scale commercial financial services – both credit and savings – from low-income households (Beck, 2015)

The living standard in low income developing countries always remain crucial issue to be addressed. In a study done by (Akram & Hussain, 2011) in Bangladesh which is one of the developing countries argued that microfinance has been majorly used as a tool to gear up the living standard of poor people. According to their study, it is clear that microfinance to the poor is viewed to achieve equitable and sustainable gains for economic and social development.

The challenge faced by most countries now, especially the developing countries, is to improve the lives of its citizens and achieve sustainable economic growth for health development. Developing countries, especially in Kenya, have been concerned about the rising unemployment, which is regarded as the main cause of urban and rural poverty. In Kenya, of the 13 million youth, less than 50% are in gainful economic activities in the formal, informal and public sectors of the economy, while majority are unemployed, (Simeyo et al., 2011). They comprise 61% of the unemployed. This trend is

worrying and calls for intervention measures. Micro finance lending and associated services are one such intervention. As such, the number of micro-lending institutions has steadily increased over the last decade in Africa, and particularly in Kenya.

Homabay County, like other parts of the country, has also witnessed this increase in the number of microfinance institutions over past period of time. The increase could be as a result of the kind of occupation dominating the area, especially farming and small scale business. People working in these informal sectors are low income earners who do not qualify for credit facilities from the commercial banking institutions. However, lack of collateral and high interest rates is an impediment to access to loans from Micro finance institutions (MFIs) by the people in this sector (Mushimiyimana, 2008).

The County has witnessed an increase in the number of households accessing micro-credit facilities over the past decade especially the low income earners working in the informal sector who don't qualify for credit facilities from the commercial banking institutions. However, much these services have existed in Homabay for a period of time, there is lack of information on the good practices in the area and the exact magnitude of its effects and how the loans are accessed and utilized in order to attain socio-economic development. The fact that poverty still exists amidst the attempts of provision of credit services creates room for exploring how such services has benefited the poor in Homabay County. The hypothesis of the study was stated as:

**Ho:** The loan and saving services offered by the various microfinance institutions have no significant effect on the welfare of household.

## 2. LITERATURE REVIEW

Known collectively as microfinance services, microcredit facilities include micro-credit loans, inputs, micro-savings, micro-insurance, and have been attributed with enabling micro-entrepreneurs to build businesses and increase their income, as well as improving the general economic wellbeing of the poor. Microfinance has been credited with improving other financial outcomes such as furniture or a sewing machine, as well as non-financial outcomes such as health, food-security, nutrition, education, women's empowerment, housing, job creation, and social cohesion (Odell, 2010).

Others allude to negative impacts such as the exploitation of women, increased or at best unchanged poverty levels, increased income inequality, increased workloads and child labour, the creation of dependencies and barriers to sustainable local economic and social development (Bateman & Chang, 2011) Micro lending is therefore viewed by many as a vehicle towards poverty eradication. With more than half of the world's population living without access to banking or other financial services (Beck, Demirguc-Kunt, & Peria, 2008;) the potential market for micro-credit facilities is substantial. As the number of micro-lending organizations has expanded (Swibel, 2007), so has the supply of microcredit facilities around the world.

In a study by (Mersland and Strom, 2008). It was established that over the past decade loaning services has been used as a means of mitigating the key constrains of sustainable access to financial resources by low income earners. The viewed microcredit services as a cost effective way of building an entrepreneur culture, enhancing domestic economic capacity, reducing poverty and unemployment .

A loan becomes a debt, and the poor often face a crisis if an expected source for repayment evaporates. Therefore, borrowing is often much riskier than saving. Because starting a new business is risky and sustainable providers of credit cannot afford to lose money, credit is generally not used to start a new business but rather to expand an existing one. Therefore, most people must rely on savings to start up new business ventures. Savings enables future investment, by giving access to lump sums of money. These large sums of money can be used for investment opportunities, for life cycle events, such as marriages, funerals or for emergencies. Savings can also be used to smooth consumption (Hirschland 2005).

This insight is useful for understanding recent research on microfinance. Growing empirical evidence suggests that savings products can be valuable for generating income and for reducing poverty (Dupas and Robinson, 2013)

It is on this premise that Eneji et al. (2013), observed that rural dwellers need agricultural credit to a large extent to enable them invest in different types of economic ventures. Rural development involves taking into consideration the health (water supply, sanitation and hygiene), education food, poverty and rural economics and other social activities like security, transport and communication services.

Dong, Lu and Featherstone (2010) indicated that rural credit is a necessity for improving farm profits and improving the living standards of rural communities in developing countries. The writers found that by removing credit constraints, the income of farmers would improve considerably.

## 2.1 Theoretical Framework

This study borrowed from the Restriction of Opportunities Theory of Poverty (ROTP) pioneered by Arjun Appadurai in 2004 and developed upon by Dipkanar Chakravarti in 2006. ROTP posit that poverty is as a result of environmental conditions and lack of social and economic capital. The theory emphasized the influence of human environment on people's daily lives; and since people's lives are condition by their environment, the individual's daily decisions/actions are dependent upon what is present or what is not in the environment. As the poor continue to navigate within the environment of poverty, he/she develops fluency within the environment, but a near illiterate in the larger society or environment (Chakravarti, 2006).

Lack of capacities could cause an individual to enter the environment of poverty. This implies that, an individual who is poor lack adequate capacities with which to change his/her position. The capacity to inspire is paramount in this regard; the individual through social interactions develops aspirations that would change his/her socio-economic environment. It suggests that, a person's aspiration is conditioned by his/her environment. It therefore holds that, the better one is placed in his/her environment, the more chances he/she has to not only aspire but to fulfil his/her aspiration (Appadurai, 2004).

ROTP is relevant to this study in that, microfinance credit scheme is belief to be meeting human basic necessities of life and is creating positive environment for high aspirations among beneficiaries across the world. The theory thus supports the very foundations upon which this study is involved—investigating the social value of microcredit facilities amongst poor families by examining the real effects of microfinance facilities on the welfare of households in Homabay County.

## 2.2 Empirical Related Studies

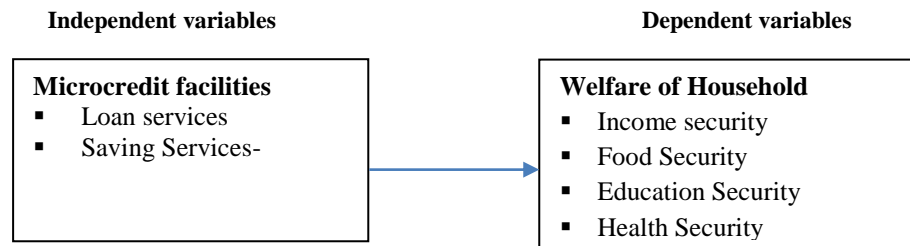
Despite the apparent success and popularity of microfinance, no clear evidence yet exists that microfinance programmes have positive impacts (Armendáriz and Morduch 2005; 2010). There have been major reviews examining impacts of microfinance. These reviews concluded that, while other inspiring stories purported to show that microfinance can make a real difference in the lives of those served, rigorous quantitative evidence on the nature, magnitude and balance of microfinance impact is still scarce and inconclusive (Armendáriz and Morduch 2005;2010). Overall, it is widely acknowledged that no well-known study clearly shows any strong impacts of microfinance (Armendáriz and Morduch 2005, p199-230). Because of the growth of the microfinance industry and the attention the sector has received from policy makers, donors and private investors in recent years, existing microfinance impact evaluations need to be re-investigated; the claims that microfinance successfully alleviates poverty and empowers women must be scrutinised more carefully.

Ibrahim and Bauer (2013) mentioned that the most significant interventions provided by microfinance institutions in the support of agriculture are the supply of improved seedlings, fertilizer and cash loans. According to Abhijit et al. 2014 in their study on the Miracle of microfinance, Evidence from a randomized evaluation, Small business investment and profits of pre-existing businesses increased, but consumption did not significantly increase. Durable goods expenditure increased, while “temptation goods” expenditure declined. They found no significant changes in health, education, or women's empowerment.

Collectively these findings suggest that over relatively short time periods, microfinance had positive impacts on business investments and outcomes but did not have impacts (positive or negative) on broader measures of poverty and social well-being. There have been attempts in the past to study Microcredit and Micro lending but much focus has been on the impact of micro-credit facilities in poverty alleviation, especially in Kenya. Mixed results regarding impact on income and expenditure have been found. Some studies show a significant, positive impact on beneficiaries while others show no significant impact. Not much has been done to find out the effects of these microcredit services on the welfare of the households in Homabay County using the four indicators; income security, education security, health security and food security to determine their effects on the well-being of the households, therefore this research addresses these gaps.

**2.3 Conceptual Framework**

The conceptual framework explains the direct and indirect effects of loan and saving services on welfare of the household through direct credit facilities offered by microfinance institutions. The credit facilities offered are aimed at uplifting the welfare of the households by engaging in income generating activities. The change in household welfare was measured and manifested by relative changes in credit amount, amount of savings, income levels, education opportunity of the dependents, asset accumulation. However, the actual change in the level of welfare were determined by a number of extraneous variables beyond the control of the client and/or the lending institution. Such variables include poverty level, household size, inflation rate, business risk and government controls. The relationship is as illustrated below.



**Figure 2.1: Diagram of Conceptual Framework**

**3. RESEARCH METHODOLOGY**

This study adopted Descriptive Survey research design. The target population comprised of the customers 3 microfinance institutions based in Homabay County. Using Krejcie & Morgans', 1970 table, a sample of 320 customers were targeted which comprised regular customers of the financial institutions. An actual sample size of 283 who had returned the fully completed questionnaires was used. Change in the household's welfare was measured on a five- point range likert scale basing on the various indicators. The Statistical Package for Social Sciences (SPSS) version 18.0 was used to conduct the data analysis. Descriptive statistics were used to explore existing services offered by the financial institutions. Multiple regression analysis was used to test the formulated hypotheses and deduce the effect of loans and savings services on household welfare.

**4. FINDINGS**

**4.1 Demographic Characteristics of Respondents**

Information about demographic characteristics of the respondents is presented in the table below

**Table 4.1: Respondents Demographic Profile**

Demographic Profile	Category	frequency	Percentage
Gender	Male	60	21.2
	Female	223	78.8
	Total	283	100.0
Age of respondents	Below 30 years	126	44.5
	31-40 Years	90	31.8
	41 Years & Above	67	23.7
	Total	283	100.0
Level of education	Secondary and Below	139	49.1
	Tertiary institute	79	27.9
	Graduate	65	23.0
	Total	283	100.0
Occupation of respondents	Farmer	114	40.3
	Business	66	23.3
	Professional	73	25.8
	Other	30	10.6
	Total	283	100.0

Source: Survey Data (2018)

Results of the gender distribution shown in Table 4.1 reveal that a majority (78.8%) of the respondents were female. Considering that the study targeted households, it is possible that women were easily found either at the group meetings or at their business places as opposed to men which explains the variation in gender among respondents.

Results presented in Table indicate that most of the respondents (45.5%) were aged below 30 years; 31.8% were aged between 30 and 40 years; and 23.7% were aged above 41 years. These results imply that the study sample comprised across section of the residents of Homabay County and took care of the diverse interests of youth and elderly. Results of the level of education analysis presented in Table reveal that a majority (49.1%) of the respondents were of secondary school level or below. Only a small proportion (23.0%) was graduates. The large proportion of respondents who were of secondary school and below vindicates the need for micro credit facilities that can be used to facilitate economic activities among household.

Personal occupation is the key characteristic for an individual’s living standard, a good occupation gives space for ones savings and affordability of basic needs, in the current study, occupation was included to control respondents’ occupation in examining the effects of microcredit facilities on the welfare of households. Table 4.1 above reveals that 40.3% of the respondents were farmers, respondents with professional occupation represented 25.8% of sample respondent; business dependent respondents occupied 23.3% of the respondents while other occupations covered 10.6% of the sample respondents.

The analyses used data compiled from household surveys of residents living in Homabay County. First the response rate was assessed for the respondents issued with the questionnaires. This was then followed by an analysis of the respondent’s demographic profile. Descriptive statistics were used to analyze the structured sections of the questionnaire. All data were entered into SPSS version 18.0. Data screening was then conducted according to guidelines set out by Tabachnick and Fidell (2007). This included assessment of missing data, outliers, normality and testing basic assumptions of multiple regression analysis.

**4.1.1 Testing for Normality**

Normality was assessed using measures of skewness and kurtosis (Tabachnick and Fidell, 2007). The distribution was considered normal when skewness and kurtosis values fell within the interval -2.0 to 2.0. As shown in Table 4.2, the skewness and kurtosis values for all variables were within the acceptable interval. Normality assumptions were therefore met.

**Table 4.2: Testing for Normality Requirements**

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Loan services	-0.646	0.145	0.911	0.289
Saving services	-0.137	0.145	-0.539	0.289
House hold welfare	0.318	0.145	-1.147	0.289

Source: Survey Data (2018)

**4.1.2 Assumption of Linearity**

In order to examine the assumption of linearity, Pearson’s product moment correlation coefficients were used. The table below clearly indicated that the linearity assumption was not violated because of the positive associations among the predictor variable as shown in the table below.

**Table 4.3: Testing for Linearity Requirements**

	1	2	3
1.Loan services	1		
2.Saving services	0.732**	1	
3.House hold welfare	206**	.025	1

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

Source: Survey Data (2018)

**4.1.3 Assessing Homogeneity of Variances**

Homogeneity of variances was assessed using the Levene statistic for quality of variance. The table below clearly revealed that the assumption of homogeneity of variances was not violated as none of the Levene statistic was significant.

**Table 4.4: Test of Homogeneity of Variances**

	Levene Statistic	df1	df2	Sig.
Loan services	2.982	1	281	0.085
Saving services	0.153	1	281	0.696
Household welfare	0.399	1	281	0.528

Source: Survey Data (2018)

**4.2 Descriptive Statistics of Key Study Variables**

In order to explore the prevailing levels of key study variable within the study area, descriptive statistics were used to. Frequency distributions, means and standard deviations were used to describe loan services, saving services and household welfare.

**4.2.1 Loans Services**

Four items were used to examine the prevailing perceptions on loan services among residents in the Sub-County and the results were as shown in table 4.5 below.

**Table 4.5: Prevailing perceptions on loan services**

		f	%
The highest amount of cash you borrowed from your microcredit institution	Below 5000	17	6.0
	5001-10000	151	53.4
	10001 - 20000	108	38.2
	Above 20000	7	2.5
	Total	283	100.0
Major source of daily meals	Others	6	2.1
	Gifts	11	3.9
	Buying from market	128	45.2
	Farming	138	48.8
	Total	283	100.0
Average monthly spending on health and education	Below 20%	4	1.4
	21-40%	99	35.0
	41-60%	170	60.1
	61 and above	10	3.5
	Total	283	100.0

Potential benefits of loan services were measured using 8 items reflecting benefits of loan services. Responses were elicited on a 5-point scale ranging from 1-very low extent to 5-very high extent.

Results presented in Table 4.6 indicate that residents in Homabay County appear to be highly motivated to take loans owing to the potential benefits accruing from use of loan money. The mean response scores on all items were approximately 4.00 and standard deviation values less than or equal to 1. This shows consistency among responses which reflect high extent of motivation. In particular, respondents tended to be highly motivated by among others; the urge to make home improvement (M=4.22, SD=0.869); ease of access of top up loan (M=3.96, SD=1.071); relaxed initial conditions and procedures (M=3.95, SD=0.882); short time taken before approval (M=3.91, SD=1.015); extra capital for business (M=3.80, 0.667); and ability to repay (M=3.72, SD=0.60).

**Table 4.6: Factors motivating respondents to take a loan**

	Mean	Std. Deviation
Urge to improve my home	4.22	.869
The ease of access of top up loan	3.96	1.071
The relaxed initial conditions and procedures	3.95	0.882
Short time taken before approval	3.91	1.015
Extra capital for my business	3.80	0.667
Ability to repay	2.72	0.60
Payment of medical bills	3.56	0.94
The low interest rates	3.50	0.63

Source: Survey Data (2018)

These statistics imply that the potential benefits that loans provide play a key role in motivating residents of Homabay County to take loans. Many of them yearn to improve their homes, top up their loans, settle medical bills and pay school fees among other needs. The availability of microcredit facilities enables them to achieve all these.

#### 4.2.2 Savings Services

A total of 8 items were used to measure the saving services and the respondents' views towards saving services offered at their respective microcredit institutions were as shown below.

**Table 4.7: Respondents' views towards saving services**

	Mean	Std. Deviation
Microcredit savings have made basic needs affordable and accessible	4.36	0.76
Savings reduce vulnerability to economic stress and external shocks	3.89	0.78
Compulsory saving is conducive in encouraging saving habit	3.88	0.71
Microcredit institutions offer good loan and saving services compared to commercial banks	3.84	1.06
I prefer saving in financial form rather than non-financial form	3.83	0.77
Rural residents have difficulties to access microcredit institutions	3.64	1.12
I am comfortable using what I already have than taking out a loan	3.64	0.61
Savings act as an insurance for emergencies	3.59	0.80

Source: Survey Data (2018)

From the above results it was clear that the microfinance customers appreciated the the importance of saving services and embraced the existence of microcredit facilities offered to them.

#### 4.2.3 Prevailing Levels of Household Welfare among Residents of Homabay County.

The welfare of the household was conceptualized as the dependent variable in the study. A total of eight indicators were used to measure household welfare. The respondents were asked to indicate the extent to which loan services and saving services had improved their household welfare in terms of the given indicators. Responses were presented on a 5-point response scale (1=greatly weakened, 2=weakened, 3=undecided, 4=improved 5=greatly improved).

The tabulated results showed that the mean response scores for all the items was approximately 4.00. This implied that the respondents were of the opinion that there was an improvement in their welfare in terms of the analyzed indicators. The respondents indicated that their welfare had improved in terms of; clothing (M=4.24, SD=0.44); food (M=4.01, SD=0.61); physical mobility (M=3.95, SD=0.71); ownership of Assets (M=3.93, SD=0.74); children care (M=3.88, SD=0.69); medical care (M=3.74, SD=0.84); provision of educational expenses (M=3.61, SD=0.84); and home improvement (M=3.54, SD=0.60).

**Table 4.8: Household welfare**

	Mean	Std. Deviation
Clothing	4.24	.44
Food	4.01	.61
Physical mobility	3.95	.71
Ownership of assets	3.93	.74
Children care	3.88	.69
Medical care	3.74	.84
Provision of education expenses	3.61	.77
Home improvement	3.54	.60

Source: Survey Data (2018)

Based on the indicators, the results suggest that there has been positive improvement on the household welfare. The improvement in household welfare could be attributed to microcredit facilities which through several services are empowering residents in several income generating activities.

### 4.3 Testing Formulated Hypotheses for the Study

The main purpose of this study was to examine the effect of loan and savings services on the welfare of the households in Homabay County. Multiple regression analysis was used to test the hypotheses. Regression was used since the microcredit services were affecting household welfare simultaneously. It was therefore necessary to examine the influence of each service while holding others constant.

First the regression model was run to examine the strength of the proposed model. Results of the model summary presented in Table 4.9 reveal that microcredit services account for up to 87.3% of the variance in household welfare (R square=0.873). Besides, the Durbin-Watson statistic (1.452) indicates that the model residuals are uncorrelated. The model was therefore found to be quite powerful in predicting household welfare.

**Table 4.9: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.934 <sup>a</sup>	.873	.871	.35773	1.452

a. Predictors: (Constant), , saving services, Loan services

b. Dependent Variable: Household welfare

Source: Survey Data (2018)

#### 4.3.1 Testing the effect of Loan Services offered by Microcredit facilities on Household Welfare

Results of the regression coefficients below show that loan services offered by microcredit facilities are significant predictors of household welfare ( $\beta=0.691$ ,  $p<0.01$ ). The large t value of 24.833 implies that loan services are the major microcredit facilities services in predicting household welfare, as a result of these the hypothesis was rejected.

**Table 4.10: Regression Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	1.420	0.229		6.204	0.000		
Loan services	0.773	0.031	0.691	24.833	0.000	0.620	1.614
Saving services	0.235	0.024	0.277	9.912	0.000	0.612	1.634

a. Dependent Variable: Household welfare



The implication of these results is that loan services have a positive effect on household welfare. The standardized coefficient  $\beta=0.691$  reveals that an increase of 1 standard deviation in loan services has the potential to increase household welfare by 0.691 standard deviations.

#### 4.4 Discussions of the findings

##### 4.4.1 Assessing the influence of Loan Services on Household Welfare

The study found out that loan services have positive and significant effects on household welfare. This is achieved through improvements on clothing, food, physical mobility, ownership of assets, children care, medical care, provision of education expenses and homes among others.

The finding that loan services are positive and significant predictors of household welfare supports a plethora of findings (Beck, Demirgins-Kunt, & Knight, 2008; Hietalaliti & Linden, 2006; Hossain & Knight, 2008; Khandker, 2001; Odell, 2010). According to these findings, microfinance which is equivalent to loan services has been credited with improving other financial outcomes such as furniture, food-security, nutrition, education, housing, and social cohesion. The finding further supports findings by Wright (2005), that access to financial services has allowed many families throughout the developing world to make significant progress in their own effort to escape poverty.

The relevance of microfinance in empowering communities is further highlighted in other studies. Coperstake et al (2001) in a study assessing the impact of micro credit in Zambia found out that repeated taking of loans has a positive influence on profits and household income. In support of this notion, Ahmad at. el (2004) noted that microcredit scheme was efficiently serving the poor, helping them to get rid of poverty and improve their living standard. In addition, Jehanzeb (2008) in a study of effects of agricultural credit on farm productivity and the income of the small farmer productivity reveals that credit advanced by microcredit institutions made positive effects on the welfare of the farmer's productivity and living standards.

##### 4.4.2 Effect of savings services offered by microcredit on household welfare

The study findings that saving services positively and significantly predict household welfare support the findings which highlight the importance of microcredit facilities in savings (Beck, Demirguc-Kunt, & Peria, 2008; Chaia et. al, 2009). According to these findings, more than half the world's population are living without access to banking or other financial services and therefore the market for microcredit facilities are substantial.

The finding further supports the findings by Armendáriz de Aghion and Morduch (2005, 2010) that other services provided by microcredit facilities such as saving have a direct bearing on education among the poor families world over. In a study on saving constraints and microenterprise development, Dupas & Robinson (2009) found that savings have a positive impact on the lives of the poor clients. In particular, they found that formal saving accounts increase business investment.

The study done by Dupas and Robinson (2010) revealed that there was no evidence that the bank based savings crowded out informal saving through savings clubs or via investments in livestock which means the bank based savings were a net increase. This was not true for the men, who tended to save less through clubs and livestock and thus did not measurably increase total savings.

## 5. CONCLUSIONS

In view of the findings discussed above, the following conclusions were made; the microcredit facilities are used by members of Homabay County to access loans so that they can improve their welfare in terms of food, clothing, medical care and educational expenses but the amounts borrowed however are quite minimal to make lasting impacts. Secondly the microcredit facilities play a critical role in the household welfare through their savings services. The amount saved however remains a very small proportion of resident's income. Through seminars, trainings and interactive sessions, households are empowered to be self-reliant.

### 5.1 Recommendations

In view of the conclusions drawn above that microcredit services improves the loans improves household welfare, emphasis on the importance of loan services on household welfare should be made and the amounts borrowed be increased so as to meet the needs of the residents. In order to encourage saving habits among the borrowers, residents should be encouraged to save with the microcredit facilities so as to raise their chances of gaining support from the facilities which will also enables them to quality for large amounts of loans. Another way to help borrowers who may not be able to handle financial services well is to enhance provision of non-financial services. Further rigorous training and continued appraisal process in the form capacity Building among households should be maintained so that residents can maximize potentials within the microcredit facilities.

### 5.2 Suggestions for future research

The current study did not put into consideration the effect of respondent's background characteristics on household welfare. It is recommended that future studies look into the mediating/ or moderating effect of background characteristics on the relationship between microcredit services and household welfare. Lastly in order to enhance external validity, future studies should consider replicating the study in contexts with diverse/ different environmental settings.

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