Business and Management Review Vol. 2(3) pp. 22 – 35 May, 2012 ISSN: 2047 - 0398
Available online at http://www.businessjournalz.org/bmr

Effect of Microfinance Services on the Financial Empowerment of Youth in Migori County, Kenya

Charles O. Ondoro(Corresponding Author)
Department of Marketing and Management, School of Business and Economics, Maseno University, Private Bag, Maseno, Kenya.
E-mail: charlesondoro@yahoo.com

Dorine Omena
Department of Accounting and Finance, School of Business and Economics, Maseno University, Private Bag, Maseno, Kenya.
E-mail: domenah@gmail.com

ABSTRACT

The current global youth population is the largest in history. Of the world's 3 billion people estimated to be under the age of 25, approximately 1.3 billion are between the ages of 15 and 24. This group is faced with imminent poverty. Attempts to alleviate the youth from this poverty level have been carried out in as many places as are the methods. For example, it is agreed that loans, by increasing family income, can help the youth to accumulate their own capital and invest in employment-generating activities. However, as development takes place, one question that arises is the extent to which credit can be offered to these youths to facilitate their taking advantage of the developing entrepreneurial activities, which in turn can help in efforts to fight poverty among them. This is because poverty among the youth is still prevalent. Under half of the 1.3 billion young people live on less than two dollars a day. This state of affairs is particularly pronounced in developing countries such as Kenya. In response to this the research sought to investigate the effects of microfinance services on the financial empowerment of youth in Migori County in Kenya. Specifically, the researcher sought to determine the effect of micro-finance services on savings by the youths, establish the effect of micro-finance services on investments by youths and ascertain the effect of micro-finance on financial management skills of youths in Migori County. The researcher targeted the 339 microfinance beneficiary youth groups and 513 microfinance beneficiary individual youths who had obtained financing from Kenya Youth Enterprise Development Fund. The study followed a descriptive survey. Random and Purposive sampling approaches were adopted to pick respondents from two clusters. Primary data was obtained using a self administered pretested structured and semi structured questionnaire. Secondary data was obtained from published books, journal articles and reports. Analysis was done using descriptive statistics involving measures of central tendency and dispersion. Chi Square Model was used to establish relative levels of effect. ANOVA was used to compare the effect of micro financing on savings, income levels and investments of the youth between and within groups. The study showed that there is no significant relationship between microfinance services savings or investment among the youth in the Migori County. However, a positive effect was revealed of microfinance services on financial management skills. The study recommends that more training is necessary among the youth to enable them understand the importance of microfinance services. It urges future researchers to investigate the effect of the services on the financial empowerment among the youth over a period of time. These findings will help those articulating youth policy issues and general micro financing practice. It will also excite academicians.

.**Keywords:** *Lending, Group, MFIs, Non Financial Services, Formal credit, Youth Entity, Youth, Youth Empowerment, Youth Enterprise Development Fund*

1.0 INTRODUCTION

1.1 Micro finance services

Micro finance Services refer mainly to small loans; savings mobilization and training in micro enterprise investment services extended to poor people to enable them undertake self employment projects that generate income. Micro finance 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 (Von, 1991). Micro finance is perceived as the provision of financial and non financial services by micro finance institutions (MFIs) to low income groups without tangible collateral but whose activities are linked to income generating ventures (Lidgerwood, 1999 and

Christen and Rosenberg, 2000). These financial services include savings, credit, payment facilities, remittances and insurance. The non-financial services mainly entail training in micro enterprise investment and business skills. There is also a belief that micro finance encompasses micro credit, micro savings and micro insurance (Roth, 2002).

Micro finance is not a new development. Its origin can be traced back to 1976, when Muhammad Yunus set up the Grameen Bank, as experiment, on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh.The aim was to provide collateral free loans to poor people, especially in rural areas, at full-cost interest rates that are repayable in frequent installments. Borrowers were organized into groups and peer pressure among them reduced the risk of default (Khan and Rahaman, 2007). In many cases, basic business skill training should accompany the provision of micro loans to improve the capacity of the poor to use funds (Webster and Fidler, 1996). Micro financing should addresses capital investment decisions, general business management and risk management. In the world over, provision of micro finance services to the youth has been considered an innovative and sustainable approach to youth financial and micro enterprise activities empowerment leading to generation of income so as to improve their livelihoods and contribute to economic growth. Debates on extending the reach of microfinance to the very poorest people increasingly focus on savings facilities. For many youth, savings facilities are essential in increasing the amount of income under their control and in building assets. In remote areas, mobilization and intermediation of member savings may be crucial first steps before accessing external loan funds. A number of studies have observed that savings-led groups perform better than credit-led ones (Allen 2005; Murray and Rosenberg 2006; Ritchie 2007). Access to micro-finance has the potential to assist the poor in earning income from microenterprises, smooth their income and consumption (Zeller, 1999), help households diversify their income sources. (Anand et al., 2005). According to Mosley (2000) microfinance makes a considerable contribution to the reduction of poverty. It helps increase income earning and asset building opportunities which make households less reliant on a single asset type and consequently deal with disasters.(Anand et.al., 2005). According to Hassan (2002), many Grameen Bank borrowers were actually building larger houses. Panganiban(1998) advances that the income of borrowers has risen and their assets base has widened. Investments made by loans appear to have been extremely productive and to have contributed significant improvements in household output, income and consumption (Ghai, 1984). In Tegucigalpa and Cholteca in Honduras in 2003, effect assessment studies revealed that 60% and 50% of the recipients had their sales and incomes increase respectively one year after receipt of credit for working capital. Agricultural Finance Cooperation Limited in 2008 in India, assessed development effect of microfinance programmes. Clients reported increase in income from 76% of activities. There is therefore reason to believe microfinance services in its entirety should report effect on savings, income and investments alongside non financial effect such as change in skills through training. This study was specific in investigating these aspects.

1.1.1 Microfinance Services in the World

The current global youth population is very large. Of the world's more than 3 billion people estimated to be under the age of 25, approximately 1.3 billion are between the ages of 15 and 24. Just under half of these young people live on less than two dollars a day, as estimated by the UN (Youth Save, 2010). Yet young people the world over are aware of the inequities of the global system, which leaves them vulnerable in many ways. Unemployment, especially amongst them, also leads to high risk behaviour – crime, drugs and spread of HIV/AIDs. Moreover in line with most cultures in developing countries, the employed have to look after the unemployed extended family members, thereby reducing their ability to save and opportunities for wealth creation that is needed to spur economic growth. To this end, microfinance, the provision of a wide range of financial services, has proved immensely valuable to poor people, especially the youth and women on a sustainable basis. Access to financial services has allowed many families throughout the developing world to make significant progress in their own efforts to escape poverty (Wright, 2005).

The provision of credit has increasingly been regarded as an important tool for raising the incomes of youths, mainly by mobilizing resources to more productive uses. As development takes place, one question that arises is the extent to which credit can be offered to the youths to facilitate their taking advantage of the developing entrepreneurial activities. The generation of self-employment in non-farm activities for example, requires investment in working capital. However, at low levels of income, the accumulation of such capital may be difficult. Under such circumstances, loans, by increasing family income, can help the youth to accumulate their own capital and invest in employment-generating activities (Hossain, 1988).

1.1.2 Microfinance Services in Africa

Many diverse institutional models of micro financing are functioning in Africa, but most clients are served by credit unions and co-operatives – often based (particularly in East Africa) on the agricultural commodities their members sell (*e.g.* coffee, tea, cotton *etc.*) or the nature of their employment (Wright, 2005). In West and Central Africa however, savings and credit cooperatives are generally more community-based. In contrast to Asia, the lack of population density means that rural and agricultural finance is particularly challenging, and thus many MFIs are urban-based and focused. Perhaps as a result the July 2003 Micro Banking Bulletin identified only 8 sustainable institutions and estimated that only around 25 million clients are being served throughout the continent. However, these numbers may under-estimate or ignore the large numbers being served by cooperatives and postal banks. Nonetheless both international and domestic banks are starting to take an interest in the potential of the low-income market in Africa.The last twenty years have seen significant improvements in micro financing through advances in understanding and providing financial services to better advance development and eradicate poverty. This includes providing the financial means to save, access credit, and start small businesses, with the potential to enhance community development, as well as local and national policy making. When properly harnessed and supported, microfinance can scale-up beyond the micro-level as a sustainable part of the process of financial empowerment by which the poor can lift themselves from poverty.

The micro financing revolution effectively demonstrates that when poor households have access to financial services, not only do they save, but, they also have high repayment rates when they borrow. It is noted that, microfinance institutions have made financial services available to millions of poor households worldwide but this still represents a tiny fraction of the population in developing countries where the majority lack access to formal financial services.

1.1.3 Microfinance Services in Kenya

In Kenya, the youth is defined within the age 15-35 years are about 13 million which is equivalent to 56% of the population (Ministry of Youth and Sports, 2008). 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. However, lack of collateral and high interest rates are an impediment to access to loans from Micro finance institutions (MFIs) by the youths (Mushimiyimana, 2008). The youths who secure funds from such institutions spend the bulk of their returns on investment in paying the cost of capital, thus leaving them with none or little savings for reinvestment. As a result, majority of the youths in the youth investments fail to grow into Small and eventually Medium enterprises. Therefore, to bring the youth on board, the Kenyan government with the support of development partners in 2006 established a youth enterprise development fund that is channeled to Micro finance Institutions and other financial intermediaries for onward lending to the youth without collateral. Such a fund attracts a greatly reduced cost of capital which stands at 8% per annum as a strategy to make the fund affordable to the youth who in many cases do not have collateral and therefore ideal for start-ups.

Given that the vision of micro finance is to promote the growth of micro enterprises, MFIs and other financial intermediaries have experienced rapid growth to support the youth financial requirements. Institutions such as the Kenya Rural Enterprise Program (K-REP), a non-governmental organization that was started in 1984 under the funding of the USAID are some microfinance institutions. Today, K-REP is fully licensed as a bank and offers a wide range of banking services in addition to its micro finance specialty (Dondo, 1991). K-REP operates two major loan programs for micro and small entrepreneurs, Jihudi and Chikola. Each Jihudi group consists of three to eight individuals. The Chikola loan program works through existing rotating savings and credit self help groups (ROSCAS) that comprise of individual micro entrepreneurs (Kioko, 1995). A number of MFIs and financial intermediaries including K-REP, Equity bank, Kenya Women Finance Trust (KWFT), Faulu etc have since then come up to provide micro finance services to the low income groups for purposes of starting or developing income generating activities. These groups include youth and women. Related to this is the indication that MSEs access to credit has increased greatly from 7.5% in 2006 to 17.9% in 2009. (Simeyo et al. 2009)

In view of the increasing microfinance services in the world targeting the poor with anticipation of an increase in positive outcomes, particularly in developing countries, as is evidenced by the efforts above; this research sought to establish the effect of micro finance lending and related services on financial empowerment of youth in Migori County.

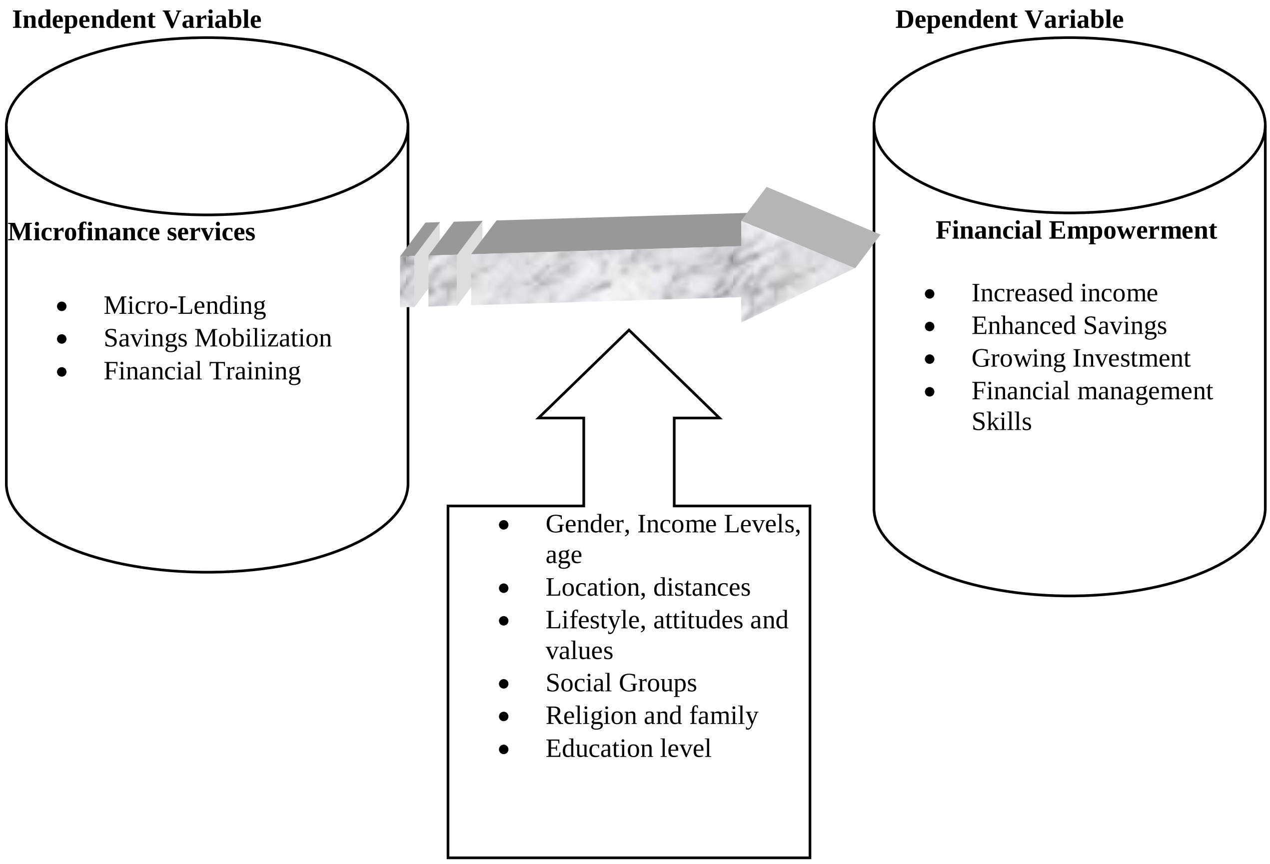
1.2 Statement of the Research Problem

The current global youth population is very large. Of the world's 3 billion people estimated to be under the age of 25, approximately 1.3 billion are between the ages of 15 and 24. In Kenya, the Ministry of Youth and Sports report (2008) indicates that the youth defined within the age 18-35 years are about 13 million which is equivalent to 37% of the population. 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) and live on less than two dollars a day, as estimated by the United Nations.. Attempts to alleviate the youth from this poverty level have been carried out in as many places in Kenya. The provision of credit, for example, has increasingly been regarded as an important tool for raising the incomes of these youths, mainly by mobilizing resources to more productive uses. Unfortunately poverty has continued to prevail among them even with such loans.

There is therefore the need to investigate the effect of micro finance services on the financial empowerment of their customers, particularly in developing countries. There are insufficient studies on this area with no studies carried out to determine the same on youth in Kenya. It is for this reason that this study sought to investigate the effect of micro-finance services on the financial empowerment of youth in Migori County in Kenya. Specifically, the research sought to determine the effect of micro-finance services on savings and ,investment and ascertain the effect of non financial micro-finance services on the financial management skills of the youth in Migori County

1.3 Conceptual Framework.

This conceptual framework depicts an effect relationship between microfinance services and financial empowerment of youth through changes in savings, investments and financial management skills. Gender, Income levels, lifestyle, values, attitudes, religion, social groups, educational level, ethnic culture and other issues intervene.



Source: Author, 2012

3.0 METHODOLOGY

3.1Research Design

A descriptive survey design was adopted. Both qualitative and quantitative techniques were applied. Descriptive research design is connected with providing solutions to the problems. (Mugenda and Mugenda, 2003). This design was found appropriate for exploring the effect of micro-finance services on the youth financial empowerment.

3.3 Target population, Sample and Sampling Techniques

The population of this study comprised YEDF micro-finance services beneficiaries within Migori County, totalling to 852 youth entities.

Table 3.1: Population of Youth Beneficiaries of Microfinance Services

CATEGORY OF MICROFINANCE BENEFICIARIES	POPULATION
YOUTH GROUPS	339
YOUTH INDIDUALS	513
TOTAL	852

Source: YEDF 2012

3.4 Sample Size and Sampling Frame

Table 3.2: Sampling Frame

CATEGORY OF MICROFINANCE BENEFICIARIES	POPULATION	SAMPLE
YOUTH GROUPS	339	153
YOUTH INDIDUALS	513	231
TOTAL	852	384

Source: Adapted from YEDF, 2012

The sample size was derived as follows;

$$n = \frac{Z^2pq}{d^2}$$

Where:

n = the desired sample size (if target population is greater than 10,000)

z = the standard normal deviate at the required confidence level.

P = the proportion in the target population estimated to have characteristic Being measured.

q = 1-p

d = the level of statistical significance set.

Assuming 50% of the population have the characteristics being measured, q=1-0.5

Assuming we desire accuracy at 0.05 level. The Z-statistic is 1.96 at this level

Therefore $n=(1.96)^2(.5)(.5)/(.05)^2 =384$.

Because the population is less than 1000

Adjusted sample size

$$nf = \frac{n}{1 + (^n/_N)} \qquad =384\div\{1+(384/852)\}=264$$

Where nf = the desired sample size when population is less than 10,000

n = the desired sample size when population more than 10,000.

N = the estimate of the population size (Mugenda and Mugenda, 2003)

The study however adopted a sample size of 384 as shown in the sampling frame above.

A list of all the registered youth and youth groups who are beneficiaries of YEDF were obtained from District Youth Office or District Youth Enterprise Development Fund Main office in Migori County. This acted as the sampling frame. The study treated the groups as one cluster and individuals as the other. It proceeded to pick individual respondents by simple random sampling from the individual youth beneficiaries and picked the interview groups in a similar way from the list of groups. However, respondents from the youth groups were chosen purposively because only certain members of the group i.e. officials had the information required.

3.3 Data type and Collection Method and Instruments

Primary and secondary data were used. Structured and Semi structured questionnaire and interview were used to obtain information from the sample. The researcher gathered secondary electronic and hard data from several books, research literatures, articles, journals and YEDF documents. Internet sources were also used.

3.4 Research Instruments' Reliability and Validity

The questionnaire was refined then pretested in other group other than the actual respondents. This reduced the risk of misunderstanding and misinterpretation by the actual respondents thus improving internal validity of the research instrument. The construct validity was improved through thorough review of literature to ensure that the measurement items conform to theoretical assertions of the concept under study. R-squared was used to assess the reliability of the measuring items in the questionnaire. It is important to emphasize that the study focused on the dynamics of the variables under study to support the theoretical assertions of the concepts under study in line with recommendations by other researchers.

3.5 Data Analysis and Presentation

Descriptive analysis was used to summarize the characteristics of the respondents. The Quantitative data was analysed by use of both the descriptive and inferential statistics. The descriptive statistics involved the use of mean, frequency, percentages and standard deviation. In order to check the relationship between the variables the study used the correlation coefficient and the Chi square (X^2) for testing relative differences in the effectiveness of the microfinance services. Qualitative data were analysed by use of themes. The researcher utilized tables and bar graphs to present the findings.

4.0 RESULTS AND DISCUSSIONS

4.1 Socio demographic characteristics of respondents

The study interviewed three hundred and ninety three (393) respondents. Of the respondents 52.7% (207) were males and 47.3% (186) were females. On marital status, 48.6% are married, 35.1% are single, 10.2% are widowed and 6.1% divorced. On the age of the respondents, it was realized that 11.7% of the respondents were between the ages of 18-25 years, 58.3% were between 26-30 years and 30% were between 31-35 years. Concerning the positions held by the respondents in their respective households, the result indicated that 16.8% (66) were heads of the households, 34.6% (136) were bread winners, 13.7% (54) were spouses and 34.9% were just members of their households.

Table 4.1: Descriptive Statistics on when they joined Microfinance and the number of times received Loan services

	When did you join the Microfinance	How many times have you received the loan from the microfinance
N Valid	393	393
Mean	2008.30	1.33
Mode	2007	1
Std. Deviation	1.725	.503
Minimum	2000	1
Maximum	2011	3

Source: Research Data, 2012

The respondents were asked to indicate when they joined the microfinance and the times they have received loan services. The results in table 4.1 above indicate that the earliest the respondents joined the microfinance is in the year 2000 and the latest is in the year 2011.Most of the respondents joined the micro finance in the year 2007. The maximum number the respondents have received the loan is three times. Most of the respondents have received the loan once. On the other hand the statistics indicate that 68.2% had received the loan once, 30.3% twice and 1.5% had received the loan only three times.

4.2 Effect of the Microfinance Services

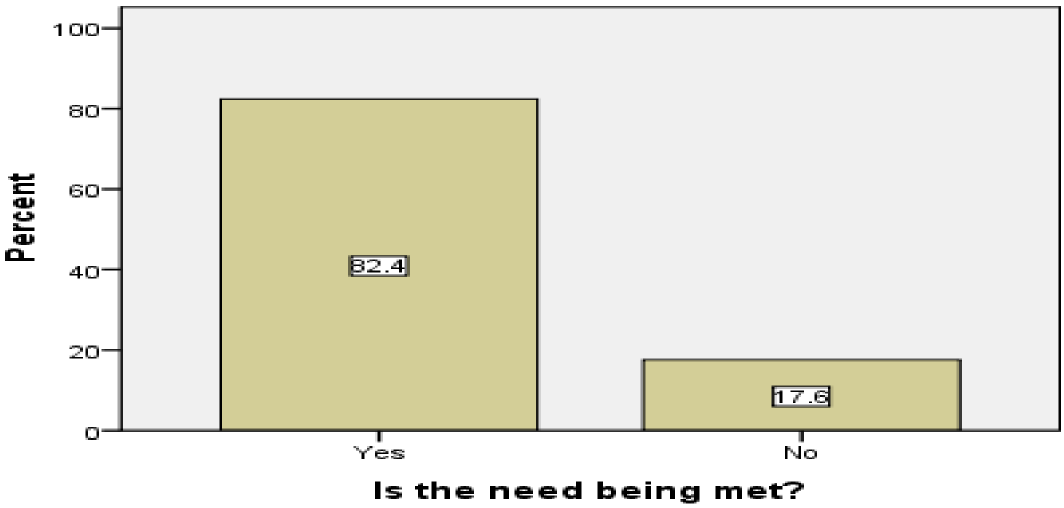
Determining whether the benefits of microfinance programs are sustainable and large enough to make a dent in the poverty of participants and society at large is important for guiding policy. The respondents were asked to explain what made them or their group to join the micro finance. Most of the respondents indicated that;

They wanted to start Brick making and Block molding; Buy motorbike for the group; Expansion of tree nursery; Fish farming and Poultry farming; Fruit farming; Goats and sheep keeping; Hotel business; Keeping dairy cattle for milk; Lease land for sugarcane farming; Needed a back up to boost their capital; Peanut butter making; Plant tomatoes; Purchase additional chairs and tents; Purchase land farming for maize, fruit and Vegetable; Purchase tents and chairs.

Starting business; To boost cloth selling business; To buy coolers for fish business; to buy peanut butter making machines; To buy sugarcane plantation for the group; To loan ourselves inform of merry go round; To purchase serving machines; To start a grocery shop; To start cereal business; To start fish business; To start fish farming; To start (expand) saloon business; To start a chip stone business.

4.1.1 Effect of Micro finance Services on Income, Savings and Investment
The respondents were asked to indicate if their need was met after joining the micro finance. From the figure 4.1 below the results indicate that of the majority of the respondents (82.4 %) their needs were met and only 17.6% their needs were not met.

Figure 4.1 Is their need met after Joining Microfinace



Source: Research Data, 2012

On the change of their income before and after they joined the microfinance, the respondents were asked to describe their income before they took loan and those who took loans five years ago. The results from table 4.2 below indicate that there was a decrease in proportion of respondents from very low group in the last five years and also there was an increase in the group that felt that their income was sufficient. However no respondent reported that their income was high or very high.

Table 4.2 Income before and after five years after taking the loan

		Before you took the loan		Five years after you took the loan	
		Frequency	Percent	Frequency	Percent
Valid	Very Low	137	34.9	73	18.6
	Rather low	185	47.1	185	47.1
	Sufficient	71	18.1	135	34.3
	Total	393	100.0	393	100.0

Source: Research Data, 2012

On the change in savings, the analysis indicated that only 37.5 % reported an increase, 6.2% indicated a decrease and 56.3% reported no change in the level of savings. On the other hand concerning investment, 33.9 % reported an increase in investment, 6.2 % indicated a decrease and 59.9% no change in the investment. To confirm the above descriptive statistics indicating the effect of micro finance on the income, savings and investment the study undertook an Analysis of Variance (ANOVA) and Chi square. The results are indicated in table 4.3 and 4.4 below.

Table 4.3 Analysis of Variance(ANOVA) on the effect of Micro finance on Savings, Income and Investments

		Sum of Squares	Df	Mean Square	F	Sig.
How has your savings changed compared to five years ago	Between Groups	13.341	2	6.670	7.626	.001
	Within Groups	335.889	384	.875		
	Total	349.230	386			
Describe your income five years after you took the loan	Between Groups	12.751	2	6.376	7.088	.001
	Within Groups	350.811	390	.900		
	Total	363.562	392			
How has your investment changed compared to five years ago	Between Groups	15.833	2	7.917	9.476	.000
	Within Groups	320.808	384	.835		
	Total	336.641	386			

Source: Survey Data, 2012

From the table 4.3 above the significance value of the F test in the ANOVA table is 0.001. Thus, we must reject the hypothesis that there has been an equal effect of micro finance on income, savings and investment across all the respondents.

Table 4.4 Chi square Test Statistics

	Describe your income five years after you took the loan	How has your savings changed compared to five years ago	How has your investment changed compared to five years ago
Chi-Square	165.036[a]	148.853[b]	167.736[b]
Df	3	2	2
Asymp. Sig.	.000	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 98.3.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 129.0.

Source: Survey Data, 2012

From table 4.4 above, the lower the significance value (Asymp. Sig.), the less likely it is that the variables are independent of microfinance (unrelated).Thus this confirms the results from the ANOVA tests above that the savings, investments and income are independent of the micro finance.

The respondents were asked to indicate how they considered the loan amount. The results indicated that majority of the respondents (92.9%) [365] considered that the loan is insufficient, only a minority (7.1%) [28] Considered it sufficient. This could have been a contributing factor to the fact that there is no effect of micro finance on investment, income and savings of the respondents. On the other hand, the study revealed that though the loan was considered insufficient but it was used for the purpose intended (see table 4.5 below).

Table 4.5 :Cross tabulation between How would you consider the loan amount and Was the loan used for the purpose intended

		Was the loan used for the purpose intended		
		Yes	No	Total
How would you consider the loan amount	Sufficient	22	6	28
	Insufficient	343	22	365
Total		365	28	393

Source: Survey Data, 2012

On the trainings offered by the microfinance on financial management and management skills, of total respondent, 51.9% (204) have been trained, while 48.1%(189) have not been trained(see table 4.5). On the benefits of the trainings, it was revealed that of the respondents who were trained 97.1% (198) found the trainings beneficial, while only 2.9% found the trainings not beneficial.

Table 4.6:Cross tabulation between Being trained by the microfinance on financial management/mgt skills and If the training has been beneficial

		If Yes, has the training been beneficial to you			
		Yes	No	N/A	Total
Have you been trained by the microfinance on financial management/mgt skills	Yes	198	6	0	204
	No	0	159	30	189
Total		198	165	30	393

Source: Survey Data, 2012

Table 4.7:Pearson Chi-Square Tests for Training and its benefits

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.698E2[a]	2	.000
Likelihood Ratio	492.692	2	.000
Linear-by-Linear Association	314.039	1	.000
N of Valid Cases	393		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.43.

Source: Survey Data, 2012

From the table 4.7 above the Pearson chi-square tests the hypothesis that the row and column variables are independent. The lower the significance value, the less likely it is that the two variables are independent (unrelated). In this case, the significance value is so low that it is displayed as .000, which means that it would appear that the two variables are, indeed, related, this shows that the more the respondents receive the trainings the more beneficial they are to them.

4.1.2 Correlations between micro finance, Income, Savings, and Investment

The study investigated the degree of associations between the microfinance, Income, savings and Investment using correlation coefficients. From table 4.8 below the results indicate that there is a significant negative correlation of 0.392 between the microfinance and the income of the respondents. This can be attributed to the insufficiency of the loan amount.

Concerning the degree of association between microfinance and the respondents' savings, there is a significant strong positive correlation of 0.833.This can be attributed to the compulsory savings done by the respondents to the microfinance before they are given the loan. The loan advanced to members is always tied to the savings the group or individual respondent has. On the other hand there is also a significant positive correlation of 0.783 between micro finance and investment. This can also be attributed to the compulsory investment done by the respondents as the requirements of the microfinance institutions. There was a significant weak positive correlation of 0.335 between microfinance and the benefits accrued from training.

4.1.3 Challenges the respondents face as beneficiary of microfinance services

Table 4.8 Correlations between micro finance, Income, Savings, and Investment

		Overall how has micro financing affected you?	Describe your income five years after you took the loan	How has your savings changed compared to five years ago	How has your investment changed compared to five years ago	Has the training been beneficial to you
Overall how has micro financing affected on you?	Pearson Correlation	1	-.392**	.833**	.783**	.335**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	376	376	370	370	376
Describe your income five years after you took the loan	Pearson Correlation	-.392**	1	-.501**	-.560**	-.248**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	376	393	387	387	393
How has your savings changed compared to five years ago	Pearson Correlation	.833**	-.501**	1	.921**	.382**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	370	387	387	387	387
How has your investment changed compared to five years ago	Pearson Correlation	.783**	-.560**	.921**	1	.317**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	370	387	387	387	387
Has the training been beneficial to you	Pearson Correlation	.335**	-.248**	.382**	.317**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	376	393	387	387	393

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Survey Data 2012

The respondents were asked to indicate their challenges as beneficiaries of microfinance .Most of the challenges related to their business not able to repay their loans and issues to do with the groups they belong. The following were major challenges enumerated;

Breaking chairs while hired makes it hard to repay the loan promptly; breaking of the bricks;
Clientele for hiring chairs is too low; Cloth business doesn't move so fast hence loan repayment takes time; Cloth business moves slowly hence capital held for long time; death of chicks and Disease outbreak; Dry season made it a bit impossible for fish to grow; Fish is highly perishable and occasionally we run at a loss; Frequent mechanical problems by motorbikes;
Fruits are highly perishable; Lack of coolers and fish are highly perishable; Lack of proper market for the produce. Lack of proper preservative garnets to keep food fresh; Lack of ready market for the product; Market

saturated with vegetables during the rainy seasons hence repayment of loan is difficult; Motorbike bought was second-hand hence maintenance cost is high

High amount charged as management fees; High interest charged on the principal; insufficient market for the produce; insufficient money being loaned; Client's base very low to accumulate enough cash for repayment of loan; Loan is not enough and the interet rate is high; Low returns hence problems on loan repayment. Members of the group diverted the funds to purchase land which was later sold. One of the members who was in charge of motorbike sold it without consent of others; other members of the group disappear with the money; some group members did not cooperate in the group activities; The amount loaned is rather little to accomplish our long term goal.

The secretary overpowered the group members and used the money to buy personal motorbike
The signatories withdrew the money without the knowledge of the member.
The treasurer disappeared with some of the cash meant for loan repayment.
Time duration of repayment should be increased and interest rate be made every minimal.

4.2 Discussion of Findings
First, credit alone cannot serve the youths and take them out of poverty. As Parker and Pearce (2001) have noted, it is only one of many elements on a menu of possible interventions to generate income and possibly alleviate poverty. In the case of Africa in particular, (Kiiru, 2007) asserts that there are more important constraints that face the clients of micro finance such as individual product prices, land tenure, technology, and market access. These problems place a lot of responsibility on government to create the enabling environment as well as the framework conducive not only for rural finance but also in market development. (Sachs, 2009), for example, claims that microfinance can play a huge role in alleviating poverty if it helps to find ways through the market to get new opportunities to earn income by the investments in both farm and nonfarm activities. This view is consistent with the findings of the study which indicate that lack of market for products contributed to the inability of most of the recipients to pay off their debt.

The poor mainly go for loans with different motives; some may be looking for immediate funds to smooth consumption while other households may be interested in operating small scale enterprises. On the practical side of things, it has been easy for rural households to acquire capital for micro enterprises through microfinance. However one major challenge that still remains unsolved is the issue of effective demand for the products. Without the demand for goods and services, then the potential for micro entrepreneurship to improve household and youth incomes is highly compromised.

The loan sizes accessed by poorer households were a big issue in Coleman's (2006) study. (Coleman, 2006) argued that the loan sizes were too small to make any significant differences in household welfare. The size of loans even prompted some women to leave the microfinance programs arguing that the loans were too small for any meaningful income generating activity (Coleman, 2006). Coleman argues that one reason why wealthier borrowers may have experienced larger impacts was because they could commandeer larger loans.

The results of this study further concur with Graham et al (2001) study in Uganda which concluded that chunks of micro credit helped smoothen financial requirements by the women and did not result into any meaningful investment or savings results. In contrast, CGAP (2003) in Cholteca and Tegucigalpa in Honduras found a positive relationship between micro financing and investment as well as micro financing and savings. Saving and Investments increased. AFC (2008) in India also found similar results as CGAP.

5.0 CONCLUSION AND RECOMMENDATION
5.1 Conclusion
This study sought to examine the effect of microfinance on youth financial empowerment in Migori County from the perspectives of the beneficiaries. The findings of the study suggest that Microfinance services have had no much effect on the savings, income and Investment of the recipients of the credit facility.

On the first objective which sought to determine the effect of micro-finance services on savings of the youths in Migori County, the results indicated agreement by 37.5 % of respondents for increase, 6.2% for decrease and 56.3% reported no change in the level of savings. ANOVA and Chi Square failed to reveal significant dependence between these two variables. This implies that among the youth entities in Migori County, Micro financing and related services had no effect on the level of their savings. The percentages could refer to savings associated with building collateral prior to financing.

On the other hand, the second objective which sought to establish effect of micro-finance services on investment of the youths in Migori County, 33.9 % of respondents reported an increase in investment, 6.2 % indicated a decrease and 59.9% no change in the investment. Again, ANOVA and Chi Square failed to reveal significant dependence between the two variables here under investigation. This means that there is no relationship between micro financing and related services with investment among youth entities in Migori. The percentages for any changes in investment could be associated with investment related lending which required a show of investment as a destination for the micro financing facility.

On non financial services effect, reports from training indicated a very high level of benefits accruing from training. It was revealed that of the respondents who were trained 97.1% (198) found the trainings beneficial, while only 2.9% found the trainings not beneficial and the more the trainings, the more the benefits that accrued from them. In consistency with these results, ANOVA and Chi Square agreed with the results above. This indicates that there is a positive relationship between the services and business skills improvement. The Asymptotic significance values of Chi Square and F values of ANOVA confirmed the relationship between microfinance services and financial management skills positively. The conclusion, on the other objectives is therefore that the increase in investment was as a result of the condition of investment based lending by the micro financing organization and increase in savings was as a result of savings requirement by micro financing immediately and after access to microfinance services.

5.2 Recommendation

It is recommended that the micro financing activities be intensified. Specifically, loan amounts need to increase and the loan administration process made more user-friendly. More training for the youth is necessary on entrepreneurship and related entrepreneurial activities to enable them attach enough significance to these activities for which more often than not they advance the loans, only to redirect elsewhere. The results indicate possible directions for future research. First, more bottom up studies need to be done to enhance our understanding of the challenges and impact of microfinance and how best to improve the delivery process. Secondly, future research should also examine the impact of microfinance on recipients over time, since some studies suggest that it takes time for microfinance to have an effect on livelihoods of the poor.

REFERENCES

Ackerly, B. A. (1995).Testing the tools of development: credit programs, loan involvement and women's empowerment, *in Getting Institutions Right for Women in Development, IDS Bulletin,* Vol.26, No.3.

Adams, 1973; Miracle et al. 1980; Maloney and Ahmed, 1998; Mayer et al., 1988; cited in Harper M., (2003), *Microfinance-Evolution, Achievements and Challenges*, p. 25

Agricultural Finance Cooperation Limited (2008), Assessing Development Effect of Microfinance Programmes, *A Small Industries Development Bank of India publication*.

Anand Kumar T. S., Newport J. K. (2005). Role of Microfinance in Disaster Mitigation, *Disaster prevention and Management*, Vol.14 pp.176.

Bangladesh Rural Advancement Committee (BRAC). (2005). *Annual Report*, p. 28

Aryeetey, E. (2005). Informal Finance for Private Sector Development in Sub-Saharan Africa, *Journal of Microfinance*, Vol. 7, No. 1, p. 22

Barr, M. S. (2005). *Microfinance and Financial Development*, p.278

Chant, S. and Gutmann M. (2000). *Mainstreaming Men into Gender and Development*, Oxford: Oxfam.

CGAP (2003), Focus Paper number 24: Is Microfinance an Effective Strategy to Reach the Millennium Development Goals, *Consultative Group to Assist the Poorest, pp1-2.*

Coleman, B. (2006)Microfinance in North East Thailand: Who Benefits and How Much? *World Development Vol. 34, (9) pp 1612-1638.*

Elser, L., Hannig, A. and Wisniwski, S. (1999). Comparative Analysis of Savings Mobilization Strategies, *Consultative Group to Assist the Poorest (CGAP), Working Group on Savings Mobilization, p. 1*

Goetz, A. M. and Gupta, R. S. (1996). Who takes the credit? Gender, power, and control over loan use in rural credit programs in Bangladesh, *World Development*, Vol.24, No.1

Government of Kenya. (1997). *Kenya Welfare Monitoring Survey III*. Central Bureau of Statistics, Nairobi

Government of Kenya/YEDF. (2011).*Fund Status Report, 2011*. YEDF, Nairobi

Graham A.N. Wright, Deborah Kasente, Germina Ssemogerere and Leonard Mutesasira (1999). *Vulnerability, Risks, Assets and Empowerment, the Effect of Microfinance on Poverty Alleviatio',* MicroSave Africa, Nairobi

Harper M. (2003). *Microfinance-Evolution, Achievements and Challenges*, ITDG Publishing, UK

Hassan, M. K. (2002). The Microfinance Revolution and the Grameen Bank Experience in Bangladesh, *Financial Markets, Institutions and Instruments. http://www.blackwellsynergy.com*

Hulme, D. and Mosley, P. (1998) Microenterprise Finance: Is there a Conflict between Growth and Poverty Alleviation? *World Development*, Vol.26 pp 783.

Kabeer, N. (1998). Money Can't Buy Me Love'? Re-evaluating Gender, Credit and Empowerment in Rural Bangladesh, *Discussion Paper* No. 363, Institute of Development Studies, Brighton www.ids.ac.uk/ids/bookshop/dp/Dp363.pdf

Kabeer, Naila. (1999). Resources, Agency, and Achievements: Reflections on the Measurement of Women's Empowerment. *Development and Change*, vol. 30, pp. 435-464.

Khandler, S. R., (2005). Microfinance and poverty: Evidence Using Panel Data from Bangladesh, *World Bank Economic Review*, vol. 19, no.2.

Kiiru, J. (2007). Microfinance, Entrepreneurship and Rural Development: Empirical
Evidence from Mazkueni District, Kenya. *http://www.csae.ox.ac.uk/conferences/2007*

Kioko, K. Oketch, H. O(1995*).*, *Beyond high loan repayment, what else happens at the Enterprise?* K-REP, Nairobi

Leach, F. and Sitaram, S. (2002). Microfinance and Women's Empowerment: A Lesson from India, *Development in Practice*, Vol. 12, No. 5, pp. 575-588.

Lewis, C. (2004). Microfinance from the Point of View of Women with Disabilities: Lessons from Zambia and Zimbabwe. *Gender and Development,* Vol. 12, No. 1, Diversity, pp. 28-39

Maes J(2004). Microfinance services for very poor people: Promising approaches from the field, Poverty Outreach Working Group. SEEP Network.

Mayoux, L (2005). Micro-finance and the Empowerment of Women: A Review of Key Issue, Social Finance Unit. IFAD publication.

Mayoux, L. and Hartl M. (2009). *Gender and Rural Microfinance: Reaching and Empowering Women*, IFAD publication.

Mayoux, L. (2005). *Women's Empowerment through Sustainable Micro-finance: Rethinking "Best Practice"* http://www.enterpriseeffect.org.uk/pdf/WomensEmpowermentthroughSustainableMicrofinance..

M.; Hannig, A. and Wisniwski, S. (1999). *Savings in the Context of Microfinance –State of Knowledge, Working Group on Savings Mobilization, Consultative Group to Assist the Poorest,* CGAP, Eschborn, p. 1

Mohindra, K. S. and Haddad, S. (2005). Women's Interlaced Freedoms: A Framework Linking Micro credit Participation and Health. *Journal of Human Development*, Vol. 6, No. 3, p. 354

Mugenda O. M. & Mugenda A.G.(2003) Research Methods, *Quantitative & Qualitative Approaches,* Acts Press Publication.

Murray, U. and Boros, R. (2002). A Guide to Gender Sensitive Microfinance, *The Socio-Economic and Gender Analysis (SEAGA) Programme*, FAQ, pp. 10-11

Otero, M. and Rhyne, E. (1994). *The New World of Microenterprise Finance: Building Healthy Financial Institutions for the Poor*. IT Publications. London, UK

Otero, M., Bringing Development Back into Microfinance, *ACCION International. 2000.*

Parker, J. and Pearce, D. (2001). Microfinance, Grants, and Non –Financial Responses to
Poverty Reduction: Where Does Micro credit Fit? *Consultative Group to Assist the Poor*
Focus Note NO. 20. Washington, DC.

Pnaganiban, A.G. (1998). *Barefoot Banking: Microfinance in Phillipines.* http://www-esd.worldbank.org/sbp/home.htm.

Robinson, Marguerite S. (2001). *The Microfinance Revolution: Sustainable Finance for the Poor*. Washington D.C.: The World Bank.

Ryan, P. (2005). *"The Limitations of the 'One Size Fits All' Microfinance Lending Model: An Analysis of the Liquidity Problems of Microenterprises in Uganda"*, Bradford Centre for International Development – University of Bradford, pp 1-3

Sachs, J. (2009). Is Microfinance the Solution to Poverty? *http://www.kiva.org*

Sanyal, P. (2009). From Credit to Collective Action: The Role of Microfinance in Promoting Women's Social Capital and Normative Influence. *American Sociological Review*: 74: 529

Schuler, S. R., Hashemi, S. M. and Badal, S. H. (1999). 'Men's violence against women in rural Bangladesh: undermined or exacerbated by microcredit programmes?' *Development in Practice* 8(2):112-126.

Shuttleworth, M. (2008). Case Study Research Design. Retrieved 26/01/11 from Experiment Resources: *http://www.experiment-resources.com/case-study-research-design.html*

Stevenson, L. and St-Onge A. (2005). Support for Growth-oriented Women entrepreneurs in Kenya. *African Journal of Business Management Vol. 5(20), pp. 8290-8300. ISSN 1993-8233* ©2011 Academic Journals

Simeyo, O., Lumumba, M., Nyabwanga, R. N., Ojera P., Odondo, A.,J.,(2011), Effect of Provision of Microfinance on performance of micro enterprises: A study of Youth micro-enterprises under Kenya Rural Enterprise Program(K-REP), Kisii County, *African Journal of Business Management Vol. 5(20), pp. 8290-8300 ISSN 1993-8233* ©2011 Academic Journals

United Nations Commission for Africa, (2007). "*Microfinance in Africa: Combining the Best Practices of Traditional and Modern Microfinance Approaches towards Poverty Eradication"* http://www.un.org/esa/africa/microfinanceinafrica.pdf.

Wright G. A. N. (2005). Understanding and Assessing the Demand for Microfinance, prepared for *Expanding Access to Microfinance: Challenges and Actors*, Paris, June 20, 2005.

Yin, R. K. (1984). *Case study remarks: design and methods*. Beverly Hills, CA: Sage publications.

Zeller, M. and Meyer, R. L. (2002), *"The Triangle of Microfinance – Financial Sustainability, Outreach, and Effect"***,** Published for the International Food Policy Research Institute, The Johns Hopkins University Press, Baltimore and London, p. 21

Zeller Manfred (1999), *The Role of Micro-finance for Income and Consumption Smoothing.* Published for International Food Policy Research Institute. Washington D.C.