

**MICROFINANCE IN THE ACHIEVEMENT OF MILLENNIUM DEVELOPMENT GOALS  
A CASE OF KOILOT DIVISION, NANDI COUNTY-KENYA**

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**Abstract**

*This paper underscores the view that the provision of micro financial services to low income earners remains a pivotal point in the realization of the millennium development goals; hence, it remains the cornerstone for societal socio-economic and political transformative development in Africa. Microfinance is very important in; creating access to productive capital for the poor who together with human capital addressed through educational training enables people to move out of poverty. It helps very poor households meet basic needs and protect their economic welfare. Micro-finance empowers women by supporting their economic participation and promotes gender equity. However, there has been remarkable performance and significant improvement in the economic and living status of small scale business people and this can be attributed to the existence of the Financial Services Associations. The paper seeks to discuss challenges encountered by micro-financial providers when it comes to loan repayment and the general view of non members. The paper also proposes various strategies employed by the micro financial institutions before dispatching the applied loans by their clients. This paper concludes that microfinance play a role in the eradication of poverty, promotion of education, improving health and empowering women of Koilot Division Nandi County-KENYA*

*Key words: Microfinance, MDG, development, growth*

## INTRODUCTION

*Microfinance can be defined as all financial services that are accessible to poor and low-income rural households and individuals - IFAD (2009)*

Financial services and more especially microfinance have enabled many women and men who live in the rural areas-who were regarded 'unbankable' to get access to ease these services-self-managed, community-based, savings and credit through microfinance Institutions(MFIs)and non-governmental organizations (NGOs) to commercial and agricultural banks that are increasingly reaching out to rural areas.

In micro finance programmes targeted at reducing poverty, group-based savings and credit have been seen as key innovations, combining efficiency with empowerment Otero and Rhyne (1994). These group-based delivery have changed with many varying degrees of control and function for instance, groups may be responsible for clients identification, savings collection and loan disbursal, loan follow-up and repayment, mutual guarantees for loans.

Education plays an important role in the economy of any society. Economic needs of a society can be met through education provided and this in turn will translate into the use of social and economic resources thus leading to improved economic growth and social well-being. Mwamwenda, (1994). Ideally, education should contribute to economic development, equalize opportunities between social classes, reduce disparities in the distribution of income and prepare the labour force for a modern economy (Kriefer, 1985). International Organizations such as the United Nations, UNESCO, the World Bank and the Third World Countries are becoming increasingly aware of the importance of women in national development, and the fact that education can contribute to their playing a much more meaningful role in development (Kelly, 1987a; Browne and Barrett, 1991).

### **Essential of microfinance**

Gender mainstreaming, and women's empowerment is integral to rural finance interventions. A situation of past practices in which women were relegated to inferior positioning society cannot be allowed to continue. To do otherwise will be a negotiation of our commitment to social justice and equality Mwamwenda (1994). As part of our development goals, there should be specific policies geared to the promotion of our women's participation in local planning in most rural areas so as to contribute to overall welfare in society Kelly (1987a), so that whatever resource rationalization is undertaken, is not executed to the detriment and disadvantage of rural women, because these women have attributes which outsiders are not aware of Kelly (1987b).

Poverty reduction attention to women in poor household is essential if the Millennium Development Goals for poverty reduction is to be realized. Not only are women the majority poor people but they are likely to invest surplus in the health care, improved nutrition, school fees and other household needs and this translates to child and household poverty reduction, measured in terms of nutrition, consumption and well-being. Gender equity is very important for economic growth which enables women to become more effective economic actors Abu-Ghaida and Klasen (2002). The women's economic activity will be increased and decision making in the household can lead to social and political empowerment. Women value the opportunity they get in making great contribution to the household well-being and by so doing get confidence and a sense of self-worth. The positive effect on women's confidence and expanded skills, knowledge and created networks through group activity and access to the market can results in enhanced status for all women in a community more especially where women could not meet. A study by Buvinic et al (1978) observed that women in most African rural areas, women work on average of 12 to 18 hours per day compared to an average of 8 to 12 hours per day by men. Sneyder and Tadesse (1995) comment on rural women who worked almost 90% of roadwork under the 'Food-for-work' programme in Leshoto. They expressed that the rural women that rural women is not only central to social, but also to economic progress in their respective countries. They expressed that the role of rural women is not only central to social, but also to economic progress.

The African Charter for Popular Participation in Development held in Arusha (Tanzania) in 1990, recognized the critical contribution made by women to African societies and economies and political spheres must become a central feature for a democratic and participatory pattern of development Hunger Project (2000). Women make a major contribution to the economic production of their communities and assume primary responsibility for the health of their families. Their active support, leadership is crucial to the utilization of development objectives. There can never be societal transformation without their involvement, support and leadership Adams and Kruppenbach (1987)

### **Financial sustainability of the microfinance providers**

From research, women have proved to be better savers, loan repayers and they are more willing to form effective groups which meet on weekly basis and collect savings and decrease the cost delivery of many small loans. Women from all levels of society are undeveloped market and – apart from extremely poor women – a potentially profitable market (Cheston, S. 2006). Women – like their counterparts – the men are confident, make a good living and decisions, have control of resources and can use large loans effectively so as to increase their incomes

and are potentially long term clients. They can also accumulate large savings and a range of insurance and other financial products.

### **Women make up almost half the rural population**

According to Cheston and Khun: "In its 1995 Human Development Report, the UNDP reported that 70 % of the 1.3 billion people living on less than 1\$ per day are women. According to the World Bank's gender statistics database, women have a higher unemployment rate than men in virtually every country. In general women also make up the majority of the lower paid, unorganized informal sector of most economies. These statistics are used to justify giving priority to increasing women's access to financial services on the grounds that women are relatively more disadvantaged than men" (Cheston and Kuhn 2002, p. 8). Most of the 14.2 million of the world's poorest women now have access to the financial services of specialised MFIs to invest in micro-businesses that they own and operate themselves (Cheston and Kuhn 2002, p. 4). Although access to credit alone will not automatically lead to women empowerment, it is hoped that putting capital into women's hands will give them more independence and confidence and hence more say in matters once they financially contribute to the family's income (Ibid.). Poor women in rural areas of developing countries generally have a more difficult time compared to men, due to their traditional socio-cultural roles. They often spend long hours collecting fuel wood and carrying it back home over long distances. The time and labour expended in this way exhausts them and limits their ability to engage in other productive and income-generating activities. Their health suffers from hauling heavy loads of fuel and water, and from cooking over smoky fires. Their opportunities for education and income generation are limited by lack of modern energy services, and as a result their families and communities are likely to remain trapped in poverty (UNDP, 2001).

### **Women's economic empowerment at the individual level**

This is realized through increased women's visibility as agents of economic growth and their voices as economic actors in policy decision hence making them feel part of the team. This will in turn be translated into the poverty reduction agents as their effectiveness increases. Gender inequalities can be addressed collectively within the community, issues like gender violence and access to resources and local changes, leading to advocating for social and political change and promotion of women's human rights at the macro level. The savings and credit groups have mobilized women's political participation.

Well-being social and political empowerment and economic empowerment are reinforcing 'virtuous spirals' both for individual women and at the household, community and macro level.

## **Challenges faced by Microfinance Providers**

There remain serious questions about the extent to which financially sustainable services can reach poor people and the poorest rural areas. There has been insufficient political will and sustained commitment to meeting economic needs and interests of most rural women by the local authorities and governments. While many African countries have ratified the UN agreements on this issue, there seems to be no subsequent informed policy decisions. Most governments' macroeconomic policies do not incorporate gender perspectives in their design in order to enforcing its application and implementation. As well, they often ignore the structure of households in Africa and the social relations that influence women's roles in production (Hunger Project, 2000).

Systems must ensure increased access to financial services benefits clients and does not lead to over indebtedness of scarce resources from investment or consumption to interest repayments, savings

Financial services must be linked to the wider sustainable development process, so that increased access to finance so as to contribute to the development of markets, value chains and the strengthening of local and national economies.

For one to access a loan from financial institution, he/she is required to have collateral which could be an hindrance in getting the loan more especially if it's the youth or in a case where one spouse owns property and is not willing to allow the partner to use the items as collateral.

## **RESEARCH METHODOLOGY**

The study adopted qualitative method which is a flexible approach that seeks to generate and analyze holistic data on an issue of interest using sufficiently rigorous, trustworthy and ethical methods and techniques Creswell, J. W. (1998) defines qualitative research as an inquiry process of understanding based on distinct methodological traditions of inquiry that explores a social or human problem. According to him, research builds a complex, holistic picture, analyze words, reports detailed views of informants, and conduct the study in natural setting. This paper sought to find out how microfinance can lead to the achievement Millennium Development Goals (MDGs).

The study utilized secondary and primary data and analyzed thematically where all data was recorded. The secondary data was obtained from books, journals, magazines and the internet. On other hand, primary data was from face to face interviews, telephone interviews and even e-mails were used. The researchers aimed at getting opinions of respondents about microfinance in the achievement of Millennium Development Goals.

## **FINDINGS**

### **Social and political empowerment**

Group-formation in women groups has led to movements for social and political changes brought about by their (women's) increased economic activity and control over income as a result of their accessibility to microfinance with a considerable improvement in knowledge, support networks and thus leading to enhanced mobility.

### **Economic empowerment**

Women who are the highest borrowers of microfinance are involved in gainful self employment like brick making venture-for commercial purposes and some they've used to build their own houses and even rental houses, dairy farming where they sell the surplus and horticultural farming. And this has made them take a lead in economic role in decision- making through their decision about credit and savings which later translate to their household welfare and employment opportunities as they are able to engage in income-generating activities and thus lead to poverty reduction due to increased income and good use of loans and all these seem to depend on social and economic empowerment.

Many rural women rely on cooperatives and market groups as a way to pool resources, reduce their workload, and optimize limited income. Microcredit programme results have shown that women tend to be more prompt and reliable in their repayment of loans, and spend their increased earnings on children first, thereby improving nutrition, health and educational opportunities (Hunger Project, 2000).

### **Increased well-being**

Women's access to credit and savings facilities strengthens their say on household economic decisions and thus their expenditure on education of their children and dependants has considerably gone up. A man's channeling of their 'hard-earned' income to harmful and unproductive means like getting another wife or concubine will minimal.

In turn, nutrition awareness of these women has greatly improved since they can learn from one another the importance of balanced diet and family planning. There have been campaigns to improve women's skills, health and nutrition.

## **CONCLUSION AND RECOMMENDATIONS**

Women the world over remain are the majority and play an integral part in the development and prosperity of their households and the society in which they live in though they remain invisible in economic development process. For Millennium Development Goals (MDGs) to be realized,

policy makers and implementers should include them (women) at all levels so that they can feel part and parcel of the whole process and in the long run, they will embrace it. Economic framework needs to be inclined to the gender implications for women and any economic policy should be adjusted in terms of the impact on women's economic advancement, employment and empowerment Agenda Collective, (1995).

The microfinance providers should develop performance standards, regulations supervision and enforced so as to protect public deposits so as not to impede development and microfinance be integrated with the broader financial systems.

Development of social intermediation should be encouraged on large scale of the poorest women so as to attain development of sustainable microfinance on the other hand is able to reach a large segment of the potential market.

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