Microfinance Outreach and Financial Sustainability of Micro Finance Institutions in Samburu County, Kenya

Martin Wabwire Wafula[1] and Joseph Theuri[2]

Correspondent Author, Department of Accounting and Finance, Kenyatta University, Kenya[1]

Department of Accounting and Finance, Kenyatta University, Kenya[2]

ABSTRACT

The last thirty years between (1987 to 2017) have seen Micro Finance Institutions (MFIs) in Kenya progressively assert themselves among the dominant players in the financial sector particularly by focusing on poverty alleviation and job creation via SMEs which are incidentally associated with the creation of approximately 60% of the jobs in the informal sector. Consequently there has been some improvement in socioeconomic conditions across the country as attested by the improved standards of living for many. The purpose of this study was to investigate the relationship between financial sustainability and outreach of MFIs in Samburu County. The study was anchored on social capital theory, women empowerment theory, governance theory and poverty lending model. The study used primary data collected through questionnaires. The questionnaires were dropped at the respondents' MFIs and picked later. Secondary data was collected from 6 purposively selected microfinance institutions reporting voluntarily their financial information to the microfinance information exchange portal over the period 2008-2017. Data was subjected to factor analysis. SPSS v22 wasused to run the data. Data was presented by use of frequency distribution tables and bar graphs.Results indicated that many branches had a great influence enabling business to be financially sustainable with minimal risks; this was according to 71% of the respondents. Also 78% indicated that many business outlets ensured that clients are served on time. most respondents indicated by 53% strongly agreed that more women borrowers ensured self-sufficiency and reduced rural poverty more women participation ensured more women opting for entrepreneurship according to 69% of the respondent. The study established that many youth clients' borrowers enhanced financial sufficiency according to 56% of the respondent who strongly agreed and 36% agreed. In conclusion, the study recommended marketing development and implementation of branch outlets to ensure that clients are served on time and also to ensure efficiency in reaching out to many borrowers.Many women participation should thus be encouraged to participate to increase entrepreneurship in women. Furthermore, access to savings and more loans to youth to ensure entrepreneurship adoption in microfinance institution thus flow in financial sustainability. From the findings 67.3% on financial sustainability of MFI is attributed to combination of the three independent factors (branch network, gender composition, loan to youth) investigated in this study. A further 32.7% of financial sustainability of MFI Kenya is attributed to other factors not investigated in this study. From the regression equation established, taking all the factors (branch network, gender composition and loan to youth) constant at zero, the financial sustainability of MFI would be 1.281. Further, if all the other variables are kept constant, a unit increase in branch network will lead to a 0.603 increase in financial sustainability of MFI. A unit increase in gender composition will lead to a 0.720 increase in financial sustainability of MFI, while a unit increase in loan to youth will lead to a 0.420 increase in financial sustainability of MFI. These results imply that gender composition contribute more to the financial sustainability of MFI followed by branch network, while loan to youth contributes the least to financial sustainability of MFI. There was a strong positive correlation (r=0. 0.577) between the MFI Financial sustainability and the Gender composition which was statistically significant at α=5%, with a P=value of

0.015. The Branch network was the second variable with a positive correlation with MFI Financial sustainability (r=0.308) and statistically significant at α=5%.

Key Words: *Microfinance, Microfinance Outreach, Financial Sustainability, Micro Finance Institutions*

1. INTRODUCTION

Microfinance alludes to the arrangement of an expansive scope of monetary administrations, for example, investment funds, advances, cash exchanges, and protection to poor and low-pay family units and for little scale organizations (Armendariz and Morduch 2005). At present, there is an extensive variety of establishments that are associated with giving microfinance administrations to low salary gatherings. These incorporate agreeable social orders, nearby and universal Non-Governmental Organizations (NGOs), business banks and improvement banks. Generally microfinance has been seen to basically give little measures of credits to those without access to formal money related foundations particularly banks, this is named microcredit. It is additionally a device or market based system for destitution decrease and strengthening of ladies, helping poor people and figuring out how to make benefits in the meantime, free of the overwhelming sponsorships that cut down substantial state banks (Armendari & Morduch, 2005). Small scale credit and microfinance are moderately new terms, first coming to conspicuousness in the 1970's (Robinson, 2001). Preceding at that point, from the 1950s through to the 1970s, the arrangement of money related administrations by contributors or governments was mostly as sponsored provincial credit programs. These frequently brought about high advance default, high loses and a failure to achieve poor country families (Robinson, 2001). The significance of microfinance was strengthened with the dispatch of the Micro credit Summit in 1997. The Summit expects to achieve 175 million of the world's poorest families, particularly the ladies of those families, with credit for the independently employed and other money related and business administrations, before the finish of 2015 (Micro credit Summit,2005). All the more as of late, the UN proclaimed 2005 as the International Year of Micro credit.

From that point forward, the way to deal with poor fund created inside the universal network, including the World Bank stressing the significance of making feasible money related organizations giving a scope of budgetary administrations that depend on customer request. The approach offers the chance to make an enduring commitment to decrease of destitution, since individuals require budgetary administrations consistently to deal with their money related undertakings including the development of their financial exercises. In this way, MFIs ought to be solid fiscally (that is have great money related execution) in the event that they are to have the capacity to achieve a bigger target market of the poor in society. At the end of the day how well MFIs will help lighten neediness relies upon their monetary execution. In any case, the budgetary execution likewise relies upon the level of microfinance outreach. Along these lines this examination is intended to clarify how the effort influences productivity of microfinance organizations in Samburu County. In Africa Microfinance has turned out to be a standout amongst the best apparatuses that assistance neediness mitigation. In spite of microfinance being youthful contrasted with other formal monetary segments of PDAs and the web has started to enter the microfinance business, serving to, for example, bank, the vision of absolutely destroying neediness has seen it pushing key players to configuration, test and repeat fruitful models everywhere throughout the world. Today, the microfinance segment traverses different age groups, from more formalized and soaked markets in Latin America to rather early markets in different parts of the world (Rutherford, 2000). As of now the soonest microfinance activities in the 1970s were exceptionally effective in guaranteeing reimbursements. Before the finish of the 1980s, microfinance had officially demonstrated its capability of achieving critical quantities of poor customers, who were capable and willing to reimburse the advances and the expenses of credit. According to Christen (2001), this prompted a huge increment in giver assets coordinated at the microfinance business. Despite the fact that microfinance has possessed the capacity to show a market-based answer for conquer the deficiency of back to poor people, and the poor substantiating themselves financially sound as reimbursement rates move more than 95 %, microfinance organizations (MFIs) are still regularly unfit to harvest benefits from their activities and consequently depend vigorously on sponsorships.

In later past some MFIs have been gone up against with various difficulties that has influenced their method for working together. Rivalry among the MFIs has expanded altogether; this has prompt lower loan fee, expanded effectiveness through making of various money related items. Another key test has been the association of business banks in MFIs administrations; K-REP in Kenya is a case of a business bank that is engaged with loaning to poor people. Besides, in a few nations the administration has effectively empowered business banks to end up engaged with microfinance. Speculators from created nations and business banks have turned out to be occupied with financing MFIs, for instance huge banks, for example, Deutsche Bank, Citigroup, and HSBC, for instance, have isolate microfinance divisions, supporting exercises of MFIs. The enthusiasm of multinational banks is expected to the supposed "twofold main concern" of financing and supporting MFIs: it enables banks and speculators to demonstrate their corporate social obligation, while in the meantime these ventures give alluring danger return profiles (Deutsche Bank Research, 2007).

Other than the previously mentioned elements, innovation and progression are the new boondocks for advancement in MFIs; this two have enhanced proficiency and supportability of such foundations. In innovation, the new managing an account innovation, for example, charge cards, ATMs, the utilization actuality that a critical level of country individuals don't approach money related administrations. Diminish costs and enhance the conveyance of administrations. Many creating nations have as of late changed budgetary markets, while in the meantime introducing controls to help enhancing the strength of the microfinance business. These progressions of money related market approaches may likewise add to enhancing the manageability and productivity of microfinance. The above advancements and the subsequent accentuation on manageability and effectiveness of MFIs may go at the cost of their effort, be that as it may. Achieving poor people and furnishing them with credit might be expensive. Making little credits includes high exchange costs, as far as screening, observing and organization costs, per advance. As contended by a few creators, the unit exchange costs for little credits to the poor are high when contrasted with unit expenses of bigger advances (Hulme & Mosley, 1996; Conning, 1999). The above call attention to an exchange off among effectiveness and effort, this implies a moving concentration towards expanding supportability and proficiency lessens the extension for the more conventional point of numerous MFIs, which is loaning to poor people. In spite of the above claim, most MFIs in Samburu County have been extending as far as outreach and from the "face esteem" they seem to be monetarily supportable. A portion of these foundations have drawn in themselves in enormous media battle, propelling credits at amazingly low loan costs, tolerating store with high intrigue payout among others. These practices present a quandary.

2. STATEMENT OF THE PROBLEM

Micro Finance Institutions (MFIs) in Kenya have progressively assert themselves among the dominant players in the financial sector particularly by focusing on poverty alleviation and job creation via SMEs which are incidentally associated with the creation of approximately 60% of the jobs in the informal sector. Consequently there has been some improvement in socioeconomic conditions across the country as attested by the improved standards of living for many. The MFIs also target and serve low and middle income earners across the counties who are not necessarily business people. However, there is still a significant portion of the citizenry in need of their products and services who they have not been able to reach successfully due to a variety of reasons related to the growth of the MFIs.

Microfinance industry plays an important role in the financial system in Kenya. Its growing importance undoubtedly requires prudent financial management for sustainability. MFIs in Kenya has continued to experience steady increase in both loan portfolio and total deposits since 2008 though MFI outreach to depositors has far outweighed outreach to borrowers . High product-line diversification has allowed MFIs to evolve to meet customer needs with growth bias towards urban clientele. Innovative forms of microfinance and progressive government policies have helped to make Kenya’s microfinance sector one of the most developed in Sub-Saharan Africa. M-Pesa’s success in mobile banking, the passing of the Finance Act of 2010 allowing for agent banking, and the development of effective credit bureaus throughout the country has contributed to this development. The ability to maintain low financial and operational expense ratios has made Kenyan microfinance fairly profitable with an ROA of over 5% in 2010. High PAR (Portfolio at risk) levels do however raise concerns about the riskiness of the overall portfolio, and whether profitability can be sustained over time (“Microfinance in Kenya: country profile,” 2012).

Several factors have been found to affect the financial sustaibility of MFIs in studies based on large and well developed MFIs in various countries. The relationship and the level of significance of these factors in affecting the financial sustainability of MFIs, however, did vary with studies and economies. This therefore calls for further research in different economies and geographical location of MFIs especially in Samburu county. Studies in Kenya have focused much on organizational sustainability dealing with issues such as factors inhibiting innovation and commercialization of MFIs (Kanyiri (2009) and Kiweu (2009). Moreover, few studies, if any, have been conducted in Kenya exclusively focusing on the relationship between MFI outreach and other related factors, and financial sustainability. It is from this perspective that the study sought to fill this knowledge gap statistically using MFIs financial data over the period 2008-2017 by addressing how outreach specifically; branch network, gender composition and offering loan to the youth affect microfinance sustainability of MFI’s.

3. OBJECTIVES OF THE STUDY

The main objective of this study was to find out the effect of microfinance outreach on the financial sustainability of Microfinance institutions in Samburu County.

Specific objectives were:

- **i.** To establish the effect of branch network influence on financial sustainability of microfinance institutions in Samburu County, Kenya.
- **ii.** To assess the effect of gender composition on financial sustainability of microfinance Institutions in Samburu County, Kenya.
- **iii.** To determine the effect of loan to youths influence financial sustainability of microfinance institutions in Samburu County, Kenya

4. THEORETICAL LITERATURE REVIEW

In the previous years there have been few investigations concentrating on the money related maintainability of microfinance establishments and different elements that can impact it. As the MFIs keep on blossoming far and wide spreading the idea of microfinance in every one of the mainlands, scientists are intrigued to ponder whether MFIs can be feasible after some time. A portion of those establishments have accepted the status of non-benefit associations, focusing their endeavors generally on the social piece of the loaning procedure. These establishments frequently construct their survival with respect to awards, endowments or help from those associations or people willing to help them. Then again, numerous business people watched the likelihood to maintain a revenue driven business, a few banks in creating nations stretched out their administrations to their more extensive populace that did not have any entrance to monetary administrations. In this examination, social capital theory, destitution loaning model and the ladies' strengthening theory are surveyed.

4.1 Social Capital Theory

All in all it is characterized as social relations among people or gatherings who can create standards of shared trust and to frame informal communities so as to accomplish certain social and monetary purposes (Putnam, 2000). This definition appears to overlook social setting since it accept each individual or gathering to have an equivalent access to participate. In all actuality, notwithstanding, such a presumption is hard to check. With a specific end goal to make the idea of social capital more pertinent, Szreter (2002) offers new measurements, specifically holding, spanning and connecting. Holding and spanning social capital individually alludes to social relations in view of homogeneity and heterogeneity of ethnic participation or social class.

While connecting social capital identifies with control that pushes crossing over of various social class or ethnicity more articulated in a general public. A general public that has solid holding and powerless spanning social capital impels the honing of class and ethnic limits, while, solid crossing over and frail holding social capital backings the ascent of rootless world class gatherings. Thusly, it is important to have an adjusted advancement of holding and crossing over social capital in the public eye. Another essential perspective that ought to be considered is the possibility of the effort of social capital, something to do with inclusion whether at smaller scale, meso or large scale level.

They MFIs likewise stamp an imperative move in ways to deal with neediness easing, from state sponsored all-inclusive access to credit for male-headed subsistence family cultivates (through "little agriculturist" credit programs) to third-part microfinance establishments focusing on poor, country ladies as entrepreneurial operators. The "feminization of improvement" involved in microfinance is presently usually advocated through effectiveness and strengthening contentions that draw on the standards of social capital theory. Ladies in numerous country agrarian social orders regularly do not have the security, education, numeracy, and opportunity of versatility important to vie for credit from traditional institutional sources. In the meantime, ladies spend excessively a greater amount of their wages on family unit welfare than men and ordinarily display higher reimbursement and lower default rates (Kabeer 1994). Consequently stretching out to ladies credit for little scale venture will probably have useful results for all family unit individuals, poor networks, and loan specialists themselves (Morduch 2000).The overwhelming model of microfinance – the gathering loaning model spearheaded by the Grameen Bank in Bangladesh – mingles the expenses of loaning to poor ladies by giving them access to credit based on "social security" acquired through enrollment in borrower gatherings.

Here social capital redresses for defective data about borrowers ailing in formal credit and work narratives and substitutes for insurance by guaranteeing against default through social endorse and associate requirement. As the World Bank social capital page puts it, "poor yet nearly sew networks vow their social capital in lieu of the material resources that business banks require as guarantee" (World Bank 2001). Contributors in this manner view microfinance as a "win– win" way to deal with advancement since speculators can assemble holding social money to improve the monetary suitability of managing an account with poor ladies, and poor ladies access both social and budgetary assets that enable them to help themselves through the market instrument (Mayoux 1995; Fernando 1997; Morduch 2000; Rankin 2001a).

This theory will be relevant to this study by helping to show if there is any relationship between branch networks and the financial sustainability of youth MFIs and the social capital theory. The availability of many business outlets (branches) is likely to have an effect on financial sustainability of MFIs. Therefore this theory will be used to study whether many MFIs branch outlets, their operational efficiency, distribution (outreach) levels increase customer volume due to increased access or outreach to business financial resources perform better than those without such access.

4.2 Poverty lending Model

As per Honohan (2004), the neediness loaning approach centers around coming to the poorest of poor people, who are normally occupied with pre-entrepreneurial exercises that are more centered on utilization than efficiency improving exercises. This gathering requires help with the type of pay exchanges to meet their fundamental needs, on the grounds that any credit reached out to them will most presumably be devoured instead of put resources into something that creates an arrival adequate to reimburse the obligation (Rosenberg, 2003).

This theory was relevant to this study by helping to show if there was any relationship between the performance of loaned youth MSEs and the poverty lending model. The loan size determines the loan repayment period and also affects the interest rates charged to borrowers and how many active youth and women participate in the borrowing exercise, all these are likely to have an effect on financial sustainability on MFIs. Therefore this theory will be used to study whether youth operated enterprises with access to business resources perform better than those without such access.

4.3 Women's Empowerment Theory

By and large social orders with an abnormal state of sex disparity are portrayed by moderate monetary development and abnormal state of neediness (King et al., 2001). Studies have demonstrated that well performing microfinance programs, particularly the once furnishing programs incorporated with social administrations, enable and increment the abundance of the borrower. This is one reason concerning why MFIs do center around ladies, notwithstanding with respect to why numerous worldwide givers, nearby NGO's and governments have put microfinance on both their sexual orientation and destitution decrease motivation. (Cheston et al., 2002) Empowerment is an idea utilized in an assortment of scholarly fields; human science, financial aspects, human sciences and general wellbeing. Regardless of that, the meaning of the word is shockingly indistinguishable in every one of the controls. The ladies' probability to settle on choices concerning themselves, their kids and their family is one critical angle regularly underlined; the authority over one's own particular life and in addition the power over monetary assets is others. Access to budgetary assets is brought up as focal variables that add to the strengthening of ladies. The idea of strengthening can be partitioned into different measurements and when investigating the financial and relational measurement, that is ladies' power over pay, access to credit, basic leadership in the family unit and conception prevention are accentuated (Malhotra et al., 2002).

According to Malhotra et al., (2002) ladies regularly bear the heaviest piece of destitution, with no instruction, no activity, and no wage in the formal part and constrained social portability. On the off chance that the ladies could accomplish a superior training, wellbeing and monetary prosperity, their status would enhance in both the family and in the general public. In numerous nations, the ladies have a low status, no control or control over their own body, which results in no contraception and high richness rates. Subsequently, the populace development can be the result of the ladies' absence of intensity. On the off chance that a nation needs to control the fruitfulness rate of their country they need to raise the social and monetary status of the ladies, and this is the place MFIs comes to play.

This theory was relevant to this study by helping to show if there was any relationship between the women gender composition and youth loaned on financial sustainability of Microfinance institutions. Women and youth are the ones who are victims of poverty. The inclusion of women and youth in various micro financial institutions is likely to expand MFI clients, increase return on assets and promote women business growth hence affect financial sustainability of MFIs. Therefore this theory will be used to study whether Micro Finance institutions with women empowerment exhibit better financial sustainability than those without such empowerment and outreach.

4.4 Governance Theory

Ledgerwood (1999), alludes to administration as an arrangement of balanced governance whereby a top managerial staff is set up to administer the administration of the MFI. So also, CGAP (1997) characterizes administration as "an arrangement of balanced governance whereby a board is set up to deal with the chiefs. Administration is in some cases imagined as an ethical circle that connections the investor to the board, the administration, the staff, the client, and the network on the loose." In a more compacted frame, Shleifer and Vishny (1997) characterize administration as "manners by which providers of fund to companies guarantee themselves of getting an arrival on their venture". Otero and Chu (2002) contend that administration has accepted expanding significance in microfinance in light of the fact that as the MFIs develop in their effort, the span of their advantages (estimated by their credit portfolio) additionally develops to an impressive size. Guaranteeing compelling administration of this development requires an additional info and association by a board.

Thus, Mommartz and Schor (2002), watch: "a fitting credit innovation must be powerful on the off chance that it is utilized in a proper institutional setting (regarding administration and possession structure)." what's more, assets must be procured and joined for generation in the most proficient and practical way. Along these lines a successful administration structure is decidedly connected with supportability and effort. They additionally take note of that absence of genuine proprietors of a MFI does not really result in precarious and hazardous organizations. They refer to the experience of MFIs that range the range from frail to extremely fruitful, less by virtue of good administration. NGOs, for example, Compartmosn in Mexico, ACP in Peru, ADEMI in the Dominican Republic, Kenya Rural Enterprise Program (K-REP) in Kenya, ABA in Egypt, RAC and ASA in Bangladesh and Share in India don't have proprietors but then have been fruitful. These contentions propose that proprietorship may not be a critical issue in execution of a MFI, however administration.

In microfinance the current confirmation connecting administration structure to institutional execution, particularly with respect to supportability and effort, isn't across the board, and as a rule are of a general and subjective nature. For instance, Klein (2002) finds that satisfactory possession structure, board piece and control components are basic. The effective MFIs have a tendency to be those that set up clear mission and business targets at the beginning. In Indonesia Chaves and Gonzalez-Vega (1996) find that the outline of establishments that perform money related intermediation matters an extraordinary arrangement, since it decides the execution of the association and consequently its prosperity or disappointment. Specifically, the human component in foundation building is essential. Supporting this contention, Klein (2002) takes note of that it is imperative that the administration of a MFI is exceptionally expert and stays free of government impedance. Therefore this theory was to study whether gender composition in MFI's in terms of governance influence financial sustainability and perform better than those without clear gender balance.

5. CONCEPTUAL FRAMEWORK

Conceptual framework explains the relationship between independent and dependent variables.

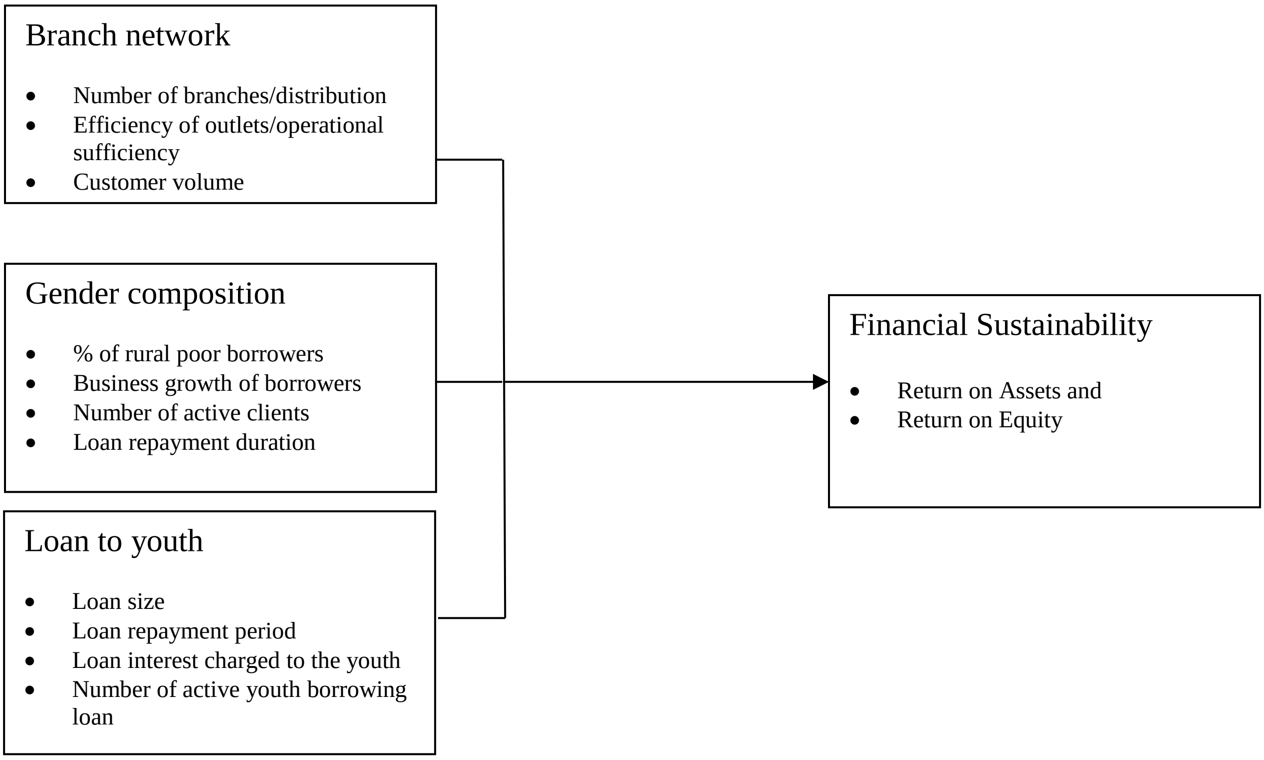

Figure 1: Conceptual Framework

6. RESEARCH METHODOLOGY

This study used a descriptive research design. The research problem was studied through the use of descriptive research design. A descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enables generalization of the findings to a larger population. The main focus of this study is quantitative. However some qualitative approach is used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. This study included all micro finance institutions in Samburu County and therefore a census survey was carried out (Banking Supervisory Report, 2011). It was limited to the micro finance institutions that operate within Samburu county at the time of the study.The This study used both primary data from the employees of the respective MFI's who are the MFI's Finance managers and CEOs while secondary data was collected from various sources chief legal advisors ,CBK, and the MFI's themselves.

Stratified irregular sampling system was utilized since populace of intrigue was not homogeneous and could be subdivided into gatherings or strata to get a delegate test. From the above populace of one hundred and fifty, a sample of 25% was chosen from inside each gathering in extents that each gathering bore to the investigation populace. The example size of 2 smaller scale fund foundations (MFIs) in Samburu that are recorded in the Nairobi

Securities Exchange (NSE) in Kenya and one got from the MFIs which isn't recorded in the NSE which give monetary administrations to low salary individuals in Samburu was suitable since the populace was not homogeneous and the units were consistently circulated.

The study utilized both essential and optional information for investigation. The essential information was gathered utilizing semi-organized questionnaires. The questionnaires were regulated on the unit leaders of all the MFIs. Questionnaires assemble subjective information as they take into account extra inquiries if require be. The optional information gathered was for the period 2008 to 2017. The attention on the gathering of composed documentation relied upon sources, for example, yearly reports issued by CBK, yearly reports issued by each MFI and insights issued by AMFI. The study used both primary and secondary data for analysis. The primary data was collected using semi-structured questionnaires. The questionnaires were administered on the unit heads of all the MFIs. Questionnaires gather qualitative data as they allow for additional questions if need be. The secondary data collected was for the period 2008 to 2017. The focus on the collection of written documentation will depend on sources such as annual reports issued by CBK, annual reports issued by each MFI and statistics issued by AMFI.

Data collected was purely qualitative and was analyzed by descriptive analysis. The descriptive statistical tools such as SPSS and Ms excel helped to describe the data and determine the extent used. The findings were presented using tables and charts. Data analysis used SPSS and Microsoft Excel percentages, tabulations, means and other central tendencies. Tables were used to summarize responses for further analysis and facilitate comparison. The aim of this study was to measure the effect of outreach on the growth of MFIs and therefore, a multiple regression analysis was conducted so as to determine the same. Independent and dependent variables of the study were determined by the results reached by previous studies and how far data was available for measurement purposes. The study narrowed down to two dependent variable, that is, Return on assets and Return on equity. This is because value for many financial institutions is measured in terms of asset base. As a consequence to test the relationship between outreach and financial sustainability of an MFI, this study adopted the estimated linear regression model below:

$Y=\alpha+\beta 1X1+\beta 2X2+ \beta 3X3 +\varepsilon$

Where,

Y= Financial sustainability measured by return on assets,

α =is the constant (initial size of the firm),

X1= is the Branch network,

X2= is the Gender composition,

X3= is Loan to Youth

ε is the error term.

7. DATA ANALYSIS RESULTS

Inferential analysis was conducted to determine the relationship between the independent variables and the dependent variable of the study. This involved multiple regressions and a coefficient of determination analysis. Inferential analysis was used to establish whether a relationship exists between an intervention and an outcome, and the strength of the relationship.

7.1 Multiple Regression Analysis

Multiple regression gives information on relationship between several predictor or independent variables and a dependent variable. The coefficient of determination measures of how a statistical model is likely to predict impending outcomes. The coefficient of determination, r2 describes the square of the sample correlation coefficient between predicted values and outcomes. It determines the extent to which change in the independent variables explain changes in the dependent variable.

Table 1: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.834(a)	.695	.673	.1241

From the findings 67.3% on financial sustainability of MFI is attributed to combination of the three independent factors (branch network, gender composition, loan to youth) investigated in this study. A further 32.7% of financial sustainability of MFI Kenya is attributed to other factors not investigated in this study.

Table 2: Multiple Regression Analysis

Factor	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	1.281	.846		2.523	.013
Branch network	0.603	.066	.261	2.675	.008
Gender composition	0.720	.186	.017	1.103	.016
Loan to youth	0.420	.062	.150	2.145	.027

The regression equation, $(Y=\alpha+\beta 1X1+\beta 2X2+\beta 3X3 \ +\varepsilon)$ becomes: $(Y=1.281+0.603X1+0.720X2+0.420X3 \ +\varepsilon)$

Where Y is the dependent variable (financial sustainability of MFI), XI is the branch network independent variable, X2 is the gender composition variable and X3 is loan to youth variable. From the regression equation established, taking all the factors (branch network, gender composition and loan to youth) constant at zero, the financial sustainability of MFI would be 1.281. Further, if all the other variables are kept constant, a unit increase in branch network will lead to a 0.603 increase in financial sustainability of MFI. A unit increase in gender composition will lead to a 0.720 increase in financial sustainability of MFI, while a unit increase in loan to youth will lead to a 0.420 increase in financial sustainability of MFI. These results imply that gender composition contribute more to the financial sustainability of MFI followed by branch network, while loan to youth contributes the least to financial sustainability of MFI.

7.2 Correlation Analysis

The study used Pearson R correlation coefficient to determine how the variables associate. Pearson Correlation which ranges between -1 and +1, reflects the degree of linear relationships between the variables. Using Pearson correlation coefficient (r) and p-value analysis, a correlation is considered significant when the probability value is below 0.05.

Table 3: Correlation Matrix

Pearson Correlation		Branch network	Gender composition	Loan to youth	MFI Financial sustainability
	Branch network	1			
	Gender composition	0.413	1		
	Loan to youth	0.285	0.243	1	
	MFI Financial sustainability	0.308	0.577	0.219	1
Sig (2-tailed)	Branch network	1			
	Gender composition	0.011	1		
	Loan to youth	0.052	0.281	1	
	MFI Financial sustainability	0.038	0.015	0.063	1

Results in table 3 gave out the summary of the variables relationship by showing the magnitudes and the direction of the relationship. There was a strong positive correlation (r=0. 0.577) between the MFI Financial sustainability and the Gender composition which was statistically significant at α=5%, with a *P=value* of 0.015. The Branch network was the second variable with a positive correlation with MFI Financial sustainability (r=0.308) and statistically significant at α=5%.

8. CONCLUSIONS

The study examined the three aspects in microfinance (branches network, gender composition and youth loans) affecting the financial sustainability of microfinance institutions in Samburu County, Kenya. Based on the findings the study made conclusions as discussed in the following subsequent sections. The study concluded that many branches have a great influence enabling business to be financially sustainable with minimal risks and ensures efficiency in handling competition. Many business outlets ensure that clients are served on time and many financial branches distribution ensures efficiency in reaching out to many borrowers.The study concluded that many women clients enhance financial sufficiency at household level and more women borrowers ensure self-sufficiency and reduction in rural poverty. Many women participation ensures return on assets and more savings on deposit and more women opting for entrepreneurship. The study also concluded that many youth clients' borrowers enhance financial sufficiency and ensure return on assets and more savings on deposit. The size of the loan to youth borrowers reduces financial insecurity and the more loans to youth the more youth entrepreneurship adoption in microfinance institutions.

9. RECOMMENDATIONS

This study recommends the following to the microfinance institutions to ensure financial sustainability; the study recommends more branch network and access points in order to minimize risks and ensures efficiency in handling competition. Good marketing development and implementation of branch outlets to ensure that clients are served on time and also to ensure efficiency in reaching out to many borrowers. The study recommends increase in women participation in microfinance to ensure financial sufficiency at household level and also to encourage more women to borrow from microfinance institutions to ensure self-sufficiency and reduction in rural poverty. Many women participation should thus be encouraged to participate and even result to entrepreneurship in women. The study also recommends that youth should give access to loans in the microfinance to enhance financial sufficiency, return on assets and more savings on deposit. Also to give loans at lower interest to youth to reduce financial insecurity and also to do thorough investigation before issuing loans to ensure youth creditworthy Access to savings and more loans to youth to ensure entrepreneurship adoption in microfinance institution thus flow in financial sustainability.

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