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Effects of Loan Repayment Mechanism on Clients' Livelihoods Sustainability: A Case of Deposit Taking Microfinance Institutions in Nakuru County, Kenya

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ABSTRACT

The Microfinance Institutions (MFIs) clients' livelihoods sustainability largely relies on the institutions managerial functions whose aim is to achieve the vision of poverty alleviation through encouraging the poor people to save and get loans in order to begin or enhance their small businesses thus improve their living standards as well as achieve livelihoods sustainability. The study explored the relationship that exists between deposit taking MFIs governance and clients' livelihoods sustainability in Nakuru County, Kenya. Specifically, this study sought to establish the relationship between loan repayment mechanisms on livelihood sustainability of clients of deposit taking MFIs in Nakuru County, Kenya. The study adopted the multi-stage sampling technique whereby the MFIs were purposefully selected while the respondents were systematically sampled by the use of the nth individual. The sample size consisted of 580 MFIs clients and 10 managers out of 1,954,111 target population. The Primary data was collected through the use of questionnaires and key informant interview guides. The study utilized descriptive statistics to describe the study's variables characteristics. Multiple regression analysis was conducted to establish the relationship between the independent and dependent variables. The Regression results indicate a positive relationship between loan repayment mechanisms and the clients living standards at 1% significant level and the Gender of the client had a significant negative impact on livelihood sustainability as related to loan repayment at 10% significance level. The study concludes that while majority of the microfinance institutions are female clients whose gender role is mainly influenced by cultural prescribed gender roles, the current gender legal right need to be sensitized in order to pave way for households' sustainable livelihoods through improved access to productive resources. Therefore, this study recommends that the MFIs focus more on capacity building for the clients in terms of financial management and investments so as to ensure proper utilization of savings and income generated from their business. In this concern, any policy intervention should aim at, among other factors, ensuring proper financial advice to the clients to ensure that sustainable Livelihoods for the clients are attained.

Keywords: Loan repayment mechanisms, livelihoods sustainability, Deposit taking Microfinance Institutions.

INTRODUCTION

Access to financial services generally helps the poor people households improve on income generating activities thus improve their living conditions. Microfinance institutions according to Hearth, H. (2018) are based on the premise that improved access to credit by the poor is crucial to improve the returns to

economic activities; it expands self-employment and promotes business and entrepreneurial activities; it allows incomes to grow and provides a "safety net" to the poor who are vulnerable to income fluctuations.

In sub-Saharan Africa, microfinance institutions have the lowest level of access to finance of any region in the world, with an average banked population of only 24 percent whose services are mainly concentrated in urban centers and are meager at rural areas (MIX, 2011). Micro financing in Sub-Saharan Africa has been known for playing a great role in social economic development of the poor people thus a good way of eradicating poverty (Bel, *et. al*., 2015). The micro –credit services offered by the microfinance institutions stimulate the generation of income which in turn activate opportunities, increase revenue, increase empowerment opportunities, and improve the well-being of the poor (Alam & Azad, 2021, Mawa, 2018) leading to sustainability of the clients' livelihoods (Akhter & Zaman, 2015). This led the Microfinance institutions in East Africa in 1990s to have a tremendous transformation (Erasmus & Xianzhi, 2013), in relation to the number of clients served, the geographical coverage and the number of firms established (UBOS, 2010, Triodos, 2011 & MFT, 2011).

The move has been enabled because MFI was adopted by the governments as means for social-economic development as well as means for poverty reduction. Secondly, since a lot of the East African population lives in rural areas, where banking sectors have not yet reached, MFIs through their lending models and approaches are more favourable for low-income earners in rural areas (Triodos 2011; Marr & Tubaro, 2011).

In Kenya, the international non-governmental organizations (NGOs) gave birth to many microfinance institutions since the 1980s which were run by donor funding. The microfinance institution in Kenya falls under the second category of the central bank classification of the financial institutions, i.e. the semi-formal sectors that comprise Non-Governmental Organizations (NGOs), Savings and Credit Cooperatives (SACCOs) and development programs.

The microfinance institutions in Kenya fall under the umbrella of the Association of Microfinance Institutions (AMFI), an organization that was registered in 1999 under the societies, with an aim of capacity building for the microfinance industry in Kenya and is regulated by the Central Bank of Kenya (Bosire *et al* ., 2014). Microfinance institutions grew rapidly in the rural area thus posing threat to conventional financial institutions. This led to the formulation of the microfinance Act 2006, whose aim was to reform the regulation and supervision of the microfinance industry to enhance performance, transparency, and outreach to the private sector (Bosire *et al.,* 2014).

LITERATURE REVIEW

This section of the study will review literatures on repayment mechanisms on client's livelihoods sustainability.

Deposit taking microfinance loan repayment mechanisms on clients' livelihoods sustainability

The Microfinance institutions encourage the repayment of the loan borrowed by their client's through equated monthly installments (EMIs).This is whereby the borrowed loan is distributed equally throughout the repayment period as per the agreed loan contract. The Microfinance provides loans to the individual customers who have a lending history but in most cases provides group lensing only (Arago'n *et al.,* 2020). In most cases the clients with good loan repayment history have strong financial performance and so earn high profits and therefore can meet all deadlines mentioned in the contractual loan agreement (Khan *et al.,* 2021).

In order to avoid the loan defaults, the MFIs constantly review and update client records (Wandera, 2017),

do credit appraisal ((Kalu *et al.,* 2018, Ahmed & Maliki, 2015) offer credit controls through measuring and monitoring internal control (Murigi & Thuo, 2018) as well as supervise (Msigwa, 2013) the clients business in order to assess the progress.

In case of the clients defaulted Loans, the MFIs resort to recovering the lend finances from the clients committed collaterals. In cases where loan is secured by the group, the conventional collaterals such as the tittle deeds are used to recover the borrowed finances. The MFIs usually use legal enforcement in order to collect group collaterals in cases of defaulted loan repayment (Wamalwa & Jagongo, 2018, Bashabe, Kalu, & Amu, 2017). The group collateral calls for a shared responsibility and in case of a default the credit risk is shared among /transferred to the members. In case of individual loan default, the microfinance recover the borrowed finances together with the interest from either the Chantel collaterals, such as household assets or business assets, (Zergaw, 2019,) or from social collaterals such as the individual savings or conventional security such as the legal charge (tittle deeds) and logbooks. This aspect therefore calls for a product structure that integrates credit evaluation policy to manage the loan management procedures (Wara, *et. al.,* 2018).

Though it is advocated that financing higher loan size to microenterprises will decrease the possibility of loan delinquency and loan default (Parvin, *et. al.,* 2020), in some cases, the small entrepreneurs may be unable to repay their loans due economic shocks (Afrah, *et. al.,* 2021), short tight repayment schedules (Worokinasih and Potipiroon, 2019), high interest rates (Jote, 2018) and lack of the grace repayment period. This sometimes leads to poor business performance accompanied by lower profitability that affects prompt loan repayment (Maiti, *et. al.*, 2020) leading to portfolio default (Mahmud & Reily, 2021). The size of the loan has some association with loan default (Kodongo and Kendi, 2017). The smaller the loan, the more chances of default due to lack of greater yields/profit (Ezihe, Oboh and Hyande, 2018) among other factors.

Despite the screening of the clients at the time of enrolling for a loan whether they have an outstanding loan with any other financial institution, the microfinance institutions do not have the mechanisms of detecting and preventing multiple borrowing (Boiwa and Bwisa, 2014). For example, the clients whose loan repayment is due and has no finances may opt to borrow from unregulated online micro finance institutions, such as M-Swari, which do not seek for any collateral. This increases the repayment burden for the clients and in most cases the client end up defaulting as well as being affected negatively both physical as well as psychosocial wellbeing (Engel and pederrsen, 2019). In order to curb this menace, all the microfinance institutions, both regulated and unregulated needs to form a joint partnership specifically to monitor and prevent multiple borrowing.

The insistently huge microcredit interest rates raise strong debate within the microfinance industry (Hudon, *et. al.,* 2020). According to Central Bank of Kenya (2020) MSME Fin Access business Survey Report, the interest rates charges on MSME Loans by Microfinance institutions ranged between 12.3 percent and 22 percent compared to 2017 where it ranged from 19.0 percent to 19.9 percent. The highest reported rate was charged on micro enterprises at 33 percent and the lowest stood at 15 percent for medium sized enterprises. Microfinance institutions had recorded 25.7 billion SMSE deposits out of 49 billion SMSE total Customer deposits from all the financial institution in Kenya by 2020 (MSME Survey Data, 2020 and BSD Annual Report 2020).This shows the significant of MFIs in financial empowerment of their clients.

Apparently, the microenterprises equally may face challenges such as small-scale economies, lack of proper planning, unsuitable business location, poor or lack of managerial skills, lack of technical expertise, business management knowledge (Abagissa, 2021) and financing enormously low-value-added products and services (Berns, *et al.,* 2021). When the MFIs fail to balance between the loan delinquency and loan default through balancing loan size and the collateral (Ngonjani and Mapesa, 2018) then client's livelihoods sustainability cannot be guaranteed. However in cases where clients' businesses perform poorly and there is the failure on loan repayment as per the loan contractual terms, the MFIs lending capacity will equally be

affected (Ahamed, 2021) and the default customer will not get a chance of progress (Chowdhury *et al.*, 2021) thus the collateral serves as a compensation (Kamara, 2020) for the repayment of the borrowed loan.

METHODOLOGY

Study Context

The study was carried out in Kenya within Nakuru County which is the 32nd county of the 47 counties in Kenya. Nakuru County is located along the Nairobi – Kisumu highway, and has a population of 2,162,202 out of which 1,954,111 are Deposit taking MFIs depositors in Nakuru East, Nakuru West and Naivasha sub counties (CBK, Annual Report 2022).

Nakuru County is a cosmopolitan county that constitutes the population that emerges from all the major ethnic groups of Kenya. The County Integrated Development Plan (NCIDP), 2013-2017 indicates that the main economic activity in Nakuru County is agriculture that entails large scale farming, daily farming, and horticulture.

Target Population

The research targeted managers of deposit taking microfinance branch managers and their clients from the 10 licensed deposit taking microfinance institutions, according to central bank of Kenya, directory of licensed microfinance bank (2017), found in Nakuru East, Nakuru West and Naivasha sub counties in Nakuru County whose total population is 1,954,111Deposit taking depositors (CBK, Annual Report 2022).

Sample Size Determination

The research employed a multi-stage sampling technique to determine the sample size. Therefore purposive sampling was used to sample the MFIs branch managers in Nakuru East, Nakuru west and Naivasha Sub counties in Nakuru County. This was aimed at getting information from the people who are involved in the day to day running of the MFIs. This led to ten (10), respondents from management level of the 10 microfinance institutions.

The systematic sampling technique was employed to sample the clients from the ten MFIs within the Nakuru East, Nakuru west and Naivasha Sub counties in Nakuru County whose total population is 1,954,111 people. To sample the target population, the researcher preferred to use Cochran's Formula (Cochran, 1977) as shown below to identify the clients for the quantitative part of the study;

$$n_0 = \frac{Z^2pq}{e^2}$$

ηo is the sample size.

Z^2 is the standard normal deviation at the required confidence level.

P is the proportion in the target population estimated to have the characteristics being measured.

Q is 1-p.

e^2 is the error term.

$n = (1.96)^2 (0.59) (0.41)/0.04^2 = 580.8$

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The sample size was then divided among the 10 MFIs i.e. 580.8 /10 = 58.08

Every MFI institution had 58 of its clients sampled for quantitative part of the study. The researcher systematically sampled the 58 clients, who attended each Microfinance institution for the service, at interval as per the microfinance client's population. The same was also applied for various cohorts of MFI's clients. In order to avoid duplication of the client i.e. one client being sampled twice due to the fact that he/she has membership for two or more microfinance institutions, the clients were asked to name their main microfinance institution which they got loans from.

Sampling Techniques

Sampling for the quantitative component of the study

The study used a multi stage sampling technique. First, Nakuru County was selected purposefully because it has majority, that is, 10 out of the 14 licensed Microfinance Banks according to central bank. Second, the three sub counties that is, Nakuru East, Nakuru West and Naivasha Sub counties in Nakuru County were randomly selected from the 11 sub counties in Nakuru. Third, all the ten licensed microfinance institutions in the sub counties were selected purposively where the branch managers were targeted because they are involved in the day to day running of the institutions and were assumed to have the knowledge on MFIs Governance functions. Fourth, clients were selected systematically from the lists provided by the microfinance institutions whereby the nth case in the population framework was selected (Mugenda & Mugenda, 2003). Since in systemic sampling the first unit is selected randomly and the remaining units of the sample are selected at a fixed interval (Kothari, 2014), the first client, in the study, was randomly selected from the first ten MFI clients, then every 4th client, who got to the MFIs for a service.

Sampling for the qualitative component of the study

For qualitative information purposive sampling was used for the selection of the branch managers within the ten selected microfinance institutions within, Nakuru west and Naivasha Sub counties in Nakuru County since they are directly involved in the management of the MFIs. Also ten clients were randomly sampled from each of the ten MFIs within the sampled sub counties (Nakuru East, Nakuru West and Naivasha) in Nakuru County for qualitative information.

Data Collection Tools

The quantitative data collection tool

The quantitative primary data collection tool was the main instrument for the study and so, the questionnaire constituting of structured questions was used to collect information from the sampled MFIs' clients (Appendix I). The selection of the nature of the questions was informed by an assumption that the clients would not wish to have something that would consume most of their time since there was no prior appointment with them. The primary data collection was important for the study in order to inform on the relationship that exists between the deposit taking MFIs and their clients' livelihoods sustainability.

Qualitative data collection tool

In order to get the qualitative information from the both the 10 branch managers and the 10 clients from the selected MFIs in Nakuru East, Nakuru West and Naivasha sub counties within Nakuru county, it was deemed right to use two different interview/discussion guide, one for the branch managers and the other one for the clients with different semi structured questions which were used to inform the discussion through face to face interview.

Secondary Data

Secondary data was obtained from textbooks, previous studies and published papers

Piloting of the Research Tools

In this study, a pilot study was conducted in Kericho County due to its proximity and similarity of deposit taking MFIs to those in Nakuru East, Nakuru West and Naivasha sub counties in Nakuru County. Also, the choice of different respondents from those in Nakuru East, Nakuru West and Naivasha sub counties in Nakuru County ensured that the respondents in the actual study did not have prior knowledge or exposure to the questions in the research instruments. As such, the responses provided in the pilot study were not premeditated. The aim of the pilot study was to test the validity and reliability of the research instruments in order to obtain the required results (Moura, Pedro & Cordeiro, 2020).

Data collection procedure

Qualitative data was collected using a structured questionnaire which was administered by trained research assistants. The researcher used research assistants to help collect data from the ten MFIs sampled clients (58 clients from each of the selected ten MFIs). However, the researcher first sought permission from the branch managers who gave out permission to carry out the research. Therefore, the researcher gave out the questionnaire to each client after informing of the intentions of the research and allowed the respondents a few minutes to respond to the questions. Due to COVID -19 Challenges, the researcher ensured that all the ministry of health protocols were well observed.

Data Analysis Methods

This study used descriptive statistics for univalent findings whereby frequencies and distribution tables are used. Inferential statistics were also used in order to get the bivariate findings of the study. Multiple regression was used to analyze the relationships between the variables. The collected data was coded and checked for any errors and omissions, classified and tabulated by use of the procedures within the Statistical Package for Social Sciences (SPSS) and STATA. The significance of the correlation coefficient and for all the questions of the study was determined by the achievement of the significance level of <0.05 (Mugenda & Mugenda, 2003). For the qualitative data the study used narrative qualitative analysis method for the ten MFIs clients' respondents whereby the researcher listened to the respondent respond to the posed questions as per their own personal experiences and recorded down what they said. For the branch managers the researcher used content qualitative analysis method whereby the frequency of the ideas was noted and recorded.

To evaluate the effect of loan repayment and clients' livelihood sustainability of deposit taking MFIs clients in Nakuru County, Kenya a multiple regression model was estimated. The model was specified as follows;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \ldots\ldots\ldots\ldots \beta_n Xn + e$$

Y= MFIs Clients Living standards

α = the constant term

$\beta_1 - \beta_n$ = Regression coefficients

X_1 …………………. Xn are the independent variables

e = the error term

The variables included in the model and their expected impact are summarized in the table below

Table 3.1 Variables included in the Multiple Regression model

Variable	Description	Measurement	Expected Sign
Livelihood Sustainability	A change observed in the clients living standards	Binary	+
Gender	The gender of the respondent	Binary	+/-
Age	Age of the respondent	Categorical	+
Education	Level of education of the respondent	Categorical	+
Membership	Duration the respondent has been a member of the MFI	Categorical	+
Savings	Changes in savings of the respondents over time	Categorical	+
Repayment	Timely loan repayment	Binary	+
Assets	Ownership of assets by clients	Binary	+
Business income	Increase in business income	Categorical	+

RESEARCH FINDINGS AND DISCUSSIONS

Response Rate

The sample population consisted of 10 MFI top-level managers and 580 MFI clients who were given questionnaires to fill out. All the MFI managers returned the questionnaires which gave a response rate of 100%. On the other hand, of the 580 MFI client questionnaires that were handed out, 535 were returned and from these, 35 were rejected, 45 were returned having not been filled.

Demographic statistics

Characteristics of Respondents

The researcher sought to find out the background characteristics and the findings were recorded in Table 4.1

Table 4.1 Percentage distribution of MFI clients according to background characteristics

Item	Response	Percentage (%)	Number
Gender	Male	30	150
	Female	70	350
Age	18-20	0.4	2
	21-30	15	75
	31-40	31.8	159
	41-50	31.6	158
	51-60	16.4	82
	61-70	4.6	23
	>70	0.2	1

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Education	Informal	49	245
	Primary	43.2	216
	Secondary	7.2	36
	Tertiary	0.6	3
Years as an MFI member	1-5 Years	49	245
	6-10 Years	43.2	216
	11-20 Years	7.2	36
	>20 Years	0.6	3
Total		**100**	**500**

Source: Research Data (2020).

Results show that among the MFI clients, 30% were male while 70% were female. This implies that there are more female clients in the MFIs. These findings correspond to those by Women's World Banking Report as presented by Barry (2022) who found out that in Kenya, there are more female engaged in financial institutions due to increased empowerment programs focusing on women. Similarly, a study done by women empowerment global perspectives (2006), posits that the microfinance institutions targets women within the poor households since they are generally credit –worth, responsible for using their finances for livelihoods activities (Aseanty &Hassan, 2013) thus can be used as perfect channel for reaching out to other women through poverty eradication programs (D'Espallier *et al.* (2017, Kulkarni, 2011). Correspondingly, studies by Périlleux and Szafarz (2015),) and Hermes *et al*. (2011) indicates that, the Female borrowers are the main priority of the Microfinance institutions, and in the female percentage is higher than the male percentages in the various programs offered by the microfinance institutions. This study also, shows that the MFIs are an inclusive endeavor of all the poor people despite their gender. This revelation informs on the importance of recognizing that there are men who are poor and are therefore excluded in accessing the financial services and have a right of inclusion for the same.

In regards to age, 63.4% of the respondents were aged between 31 and 50 years while 21.2% were above the age of 50 years and only 15.4% of the respondents were below 30 years. The results show that majority of the poor people are in their productive years are socially and financially excluded and therefore requires both social and financial empowerment to improve or begin income generating projects that will lead to sustainable livelihoods.

On assessment of the educational level of MFIs client, the results revealed that majority of the respondents had not attended formal education at 49% with 43% having primary education, 7.2% secondary education and only 0.6% having attained tertiary education. The study coincides with the study done by USAID (2015) who found out that the People who live in extreme poverty lack both income and assets and typically suffer from interrelated, chronic deprivations, including hunger and malnutrition, poor health, limited education, and marginalization or exclusion. The result implies that MFIs aims at improving the living standards of those who cannot access decent employment due to lack of or limited formal education which is as a result of lack of funds to facilitate their education.

In regard to the duration of membership existence of the MFIs clients, the findings indicated that 49 % of the respondents had been members of the MFIs for 1-5 years, 43.2% had been members for 6-10 years, 7.2% had been members for 11-20 years, and 0.6% had been members of the MFIs for more than 20 years.

This implied that the MFIs have attracted the most productive group in the society who according to the results has been clients at the MFIs long enough to get an understanding of the how MFIs management

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functions and how they affect their livelihoods. The consistency of those above six years MFIs membership has also attracted many more (49%) to MFIs membership.

Income Growth and Loan Recovery Procedure

Table 4.2 below shows the findings on primary stakeholder's income growth and loan recovery procedure.

The findings posit that 62.0% of the respondents felt that their savings increased since they joined the microfinance institution. The increase in savings is an indication of improved livelihoods. The findings correspond with those of Mersland & Strøm (2012) who revealed a positive impact on living conditions on those who accessed the microfinance institutions. Among the respondents, 91.8% indicated that they had borrowed loans from MFIs and 68.4% indicating that they increased the amount borrowed whenever they re-borrowed. This is an indication of business growth that leads to increases income that enables them to repay the increased borrowed finances.

Table 4.2 Percentage distribution by savings, Loans borrowing and repayment

Variable	Response	Percentage (%)	Number
Changes in savings since joining the MFI.	Increased	61.8	309
	Decreased	2	10
	Constant	36	180
	Fluctuates	0.2	1
Borrowed Loans.	Yes	91.8	459
	No	8.2	41
Trend on the amount borrowed.	Increased	68.4	314
	Decreased	4.8	22
	Remained Constant	26.8	123
Assessment of loan repayment.	I pay at ease	10.2	47
	I struggle to repay	73	335
	I sometimes fail to repay	16.8	77
Repaying on Time?	Yes	77.4	355
	No	22.6	104
If yes, what action was taken by MFI?	Group Asset was auctioned	13.2	61
	Household goods Auctioned	64.6	297
	Funds were recovered from my guarantors	22.2	101
	21%-30%	18.4	92
Have you ever failed to Repay on time	Yes	90.8	454
	No	8.2	46
What percentage is the loan repayment Interest rate?	Between 10-14 percent	19.2	96
	Between 15-20 percent	60.6	303
	Between 21-30 percent	20.2	101
Gauge Institutional behavior on Loan Repayment Rate.	Remains constant until completion of the loan repayment	100	500

Source: Research Data (2020).

Though the results indicated that most of the MFIs clients increased the amount borrowed, the results on self-assessment on loan repayment indicated that 73% of the respondents struggle to repay the loans. Though they struggle to repay 77.4% of the MFIs clients indicated that they repay their loans on time. On assessment of the failure to repay the borrowed loan and the action taken to the borrowers (MFIs Clients) by the MFIs, 22.6% of the respondents indicated that they had failed to repay their borrowed loans on time, out of which, 90.8% indicated a complete failure to repay their loans (default) and of these 13.2% indicated that group assets were auctioned to recover the loan while 64.6% indicated that their household goods were auctioned. However, 22.2 % indicated that on failure to pay the loans the microfinance institution recovered their money from the guarantors. This is an indication that the MFIs have diverse ways of recovering back the borrowed money from their clients.

All the respondents indicated that the MFIs repayment rate remained constant until completion of the loan repayment. However, on loan repayment interest rates 60.6 % of the respondents indicated loan repayment interest rate was between 15 to 20%, while 19.2 % posit that it was between 10-14% and 20.2% indicated that the repayment interest rate ranged between 21-30%. This is in line with the Central Bank of Kenya (2020) MSME Fin Access business Survey Report (2020), that indicates that the interest Rates charges on MSME Loans by Microfinance institutions ranged between 12.3 percent and 22 percent. This means that although the interest rates fall within the regulatory body requirements, the repayment interest rates are high enough to affect the MFIs clients' livelihoods sustainability.

Business growth, Assets, Decisions and Improvement of Living Standards

The study sought to understand the clients' association of business growth and loan received assets acquisition and the ease of liquidation and effect of the MFI on decision making and how their living standards had improved. The findings are as recorded in table 4.3 below.

Table 4.3 Percentage distributions of respondents according to changes in assets and livelihood

Variable	Response	Percentage (%)	Number
Growth of business associated with loan received	Yes	75.6	378
	No	24.4	122
Assets	Yes	100	500
Asset Liquidation	Yes	82	410
	No	18	90
Improved decision making	Yes	79.96	399
	No	20.04	100
Living Standards	Greatly Improved	61.2	306
	Constant	38.8	194

Source: Research Data (2020)

The findings show 75.6% or respondents associate the growth of their businesses with the loans received from the MFIs. The findings correspond with Kalu & Nenbee, (2016) findings that the MFIs helps their clients in mobilizing voluntary savings, ensuring safety, flexibility, and accessibility, which can have thestrongest impact on the growth and performance of Small Micro Enterprises. All the respondents had acquired some assets of which 82% noted that their assets could be easily liquidated to repay borrowed loans when the need arises The findings correspond to Shetty &Hans (2015) who argues that access to

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Microfinance institutions services leads to increased access to productive assets and household property. Similarly, the findings also correspond with Haque, *et al*., (2021) findings that the MFIs clients who borrowed loans had an average increase of their household assets.

In regard to decision making ability, 79.96% of the respondents felt that their access to microfinance financial services helped to improve their decisions making on various issues at home. The finding corresponds with Kapila *et al.,* (2016) findings that the Micro credit offered by the MFIs helps their clients, who are mainly women, to increase their ability in decision-making power over their every aspect of lives. The empowered decision making ability for women is very important since they play a pivotal role in household's congruence and continuity through making informed and sound choices while investing and managing funds. Similarly, these findings are in line with the findings of Quayes (2012) who highlights that empowerment was positively correlated to living standards aspects which are embodied in the clients' livelihood sustainability. Supporting the findings of Quayes (2012), Wanjiku & Njiru (2016) found out that there was a strong association between MFIs client empowerment and their livelihood sustainability.

In regard to the living standards, 61.2% of the respondents indicated that their living standards had greatly improved since joining the MFIs. Having in mind that majority of the MFIs members are women, then it implies that most the women who had accessed to MFIs micro credit services had their livelihoods enhanced thus their living standards. These findings correspond with Akhter (2018) findings that microfinance institutions are a tools for enhancing women status.

Inferential Analysis

In order to test the relationship between loan repayment mechanism and clients' livelihood sustainability in deposit taking MFIs in Nakuru County, Kenya.

A linear regression was carried out using STATA 2015 software to test the relationship between empowerment procedures and clients' livelihood sustainability. The model was significant with Prob > F of meaning that the model had a strong explanatory power for the relationship

Table 4.4 Regression analysis between loan repayment mechanism and clients' livelihood sustainability

Livelihood Sustainability	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Gender	-0.043	0.025	-1.7	0.09	-0.093	0.007	*
Age	0.011	0.012	0.96	0.335	-0.012	0.034	
Education	-0.027	0.053	-0.51	0.611	-0.132	0.077	
Membership	0.008	0.053	0.15	0.883	-0.097	0.113	
Savings	0.017	0.013	1.33	0.185	-0.008	0.042	
Repayment	-0.017	0.03	-0.57	0.572	-0.076	0.042	
Action	-0.005	0.014	-0.38	0.704	-0.034	0.023	
Repay Asses	0.269	0.024	11.43	0	0.223	0.315	***
Assets	0.001	0.009	0.11	0.912	-0.017	0.019	
Business income	-911	0.025	-36.75	0	-0.96	-0.862	***
Constant	1.325	0.111	11.94	0	1.107	1.543	***

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Mean dependent var	0.544	SD dependent var	0.499
R-squared	0.74	Number of obs	500
F-test	139.519	Prob > F	0

**** p<.01, ** p<.05, * p<.1*

Gender of the client had a significant negative impact on livelihood sustainability as related to loan repayment at 10% significance level. As indicated in the descriptive statistics, majority of the MFIs clients were female with low education levels. This implies that most of the clients are unemployed and may have no or limited alternative sources of income. The lack of alternatives results into difficulties in loan repayment hence reduction of their credit worthiness which makes it hard for them to access credit and therefore leading to poor living standards. This is in line with the findings of (Meinzen *et al.,* 2014) who note that even if an individual is motivated to undertake sustainable actions, if they lack the resources to do so it is difficult to achieve the goal. The ability to access resources is often highly gendered, with men having an advantage over women as they enjoy more rights which are embedded in customary and statutory legal institutions.

Clients who repay their loan with ease have a high likelihood of having higher living standards than those who find it difficult to repay their loans. The ease of repayment is positively related to living standards at 1% significant level. Ease repayment of loan increases an individual's credit rating and therefore ease of access to credit facilities and if this credit is put into good use it has the potential of improving the living standards. Ease repayment can also mean that the individual has other sources of income which makes it easy for them to repay credit without struggling. Loan repayment is associated with resource availability which may include land or non-farm income, access to training and other factors which are associated with higher living standards. This is in line with the findings of Endris and Kassegn, (2022) who note that age, family size, education land size, livestock size, additional income and training before taking loans were found to have statistically significant influences on the loan repayment rate.

Contrary to expectations, improved business income had a significant negative relationship with clients' living standards at 1% significant level. Possible explanation to this could be that the client could be servicing a credit facility from the MFI and therefore the improved income does not directly translate to improved living standards. Additionally, living standards does not solely depend on increase in business income as the income may be re-invested back to expand the business or allocated to serve some other pressing needs like education. This is in line with the findings of Tang (2006) who noted that for the whole sample, income was not significantly related to quality of life when this path was examined alone. When all variables were controlled, income was negatively related to quality of life.

Qualitative results

In order to enquire on the view about recovering the defaulters' loans from the guarantors a key informant (who was in the process of paying a loan of a defaulter) said:

The microfinance institutions should invent other ways of recovering their money other than loading us with the burden. It is very painful to pay the money I never spent yet am also struggling with my loan repayment with huge interest rates. I swore to myself not to ever guarantee any again. In fact, after I am done with the loan repayment I am quitting from the Microfinance institution for another institution. (MFIC3)

Further the researcher sought to understand from the management of what could be the consequences of client's failure to repay the loan and how that translates on the MFIs end. The following was the response;

In management we are keen on loan repayments because we rely on the interest paid for our operations, so when the client is unable to pay the borrowers monies, we get on to the terms of agreement and recover the finances accordingly. For example, if the client had secured the borrowed finances with the shares, we get the shares back to the institution, if the security was guarantors, then we tax the guarantors into the repayment of the borrowed finances by the guaranteed person, if the security was pegged on the collateral, then we ask the authorized auction bodies to help us auction that client. We do this because we do not want the institution to suffer the credit risk. (MFIM 1, 5, 8, 9).

The views from the respondent are backed up by the views of Maitrot (2014) who posit that despite the negative long term and short term impacts on client's projects. The MFIs use informal and occasionally forceful means to recover payments from the clients. Sometimes they use asset and social relations forms to recover their payments.

Further the researcher sought to understand why the microfinance institutions capitalize much on loan repayments training before issuing a loan and the response was as follows;

It is important before we engage the clients on finances, we inform on the MFIs saving and borrowing terms and conditions. Therefore, we inform them on the clients' financial obligations to MFIs and the benefits accrued therein when joining the institution. During borrowing of finances, we like to remind them on the terms of borrowing before we enter into a contractual agreement before we issue the loan. We ensure that they understand the terms and the default consequences clearly before they agree on them. We do this in order to avoid loan repayment defaults. (MFIM 2, 3, 7).

This engagement with the clients before contracting is very important for the both parties. The views coincide with Kalu *et al.,* (2018) and Ahmed and Maliki, (2015) who argue that the MFIs do credit appraisal and offer credit controls in order to avoid loan repayment.

CONCLUSIONS

MFIs are important catalysts in the improvement of livelihood sustainability of individuals hence contributing to national development. However, MFIs ought to focus on their clients' livelihood sustainability since their mission is to enhance the living standards of their clients thus alleviating poverty. Therefore, the evaluations of the study focused on different aspects of Microfinance institutions (MFIs) and their effect on clients' livelihood sustainability in Nakuru County, Kenya. Based on the summary findings, the study made several conclusions

The study found out that, loan repayment mechanism had a statistically significant relationship with primary stakeholders' livelihood sustainability in Nakuru County, Kenya. Assessing the ease of loan repayment had positive effect on living standards while gender and business income had a negative impact on living standards. The study concludes that while majority of the microfinance institutions are female clients whose gender role is mainly influenced by cultural prescribed gender roles, the current gender legal right need to be sensitized in order to pave way for households' sustainable livelihoods through improved access to productive resources.

Since loan repayment is associated with resource availability which may include land or non-farm income, access to training and other factors which are associated with higher living standards, loan repayment ease increases an individual's credit rating thus access to credit facilities. Ease of loan repayment can also mean that the individual has other sources of income which makes it easy for them to repay credit without struggling.

RECOMMENDATION

This study recommends that the MFIs should focus more on capacity building for the clients in terms of financial management and investments so as to ensure proper utilization of savings and income generated from their business. In this concern, any policy intervention should aim at, among other factors, ensuring proper financial advice to the clients to ensure that sustainable Livelihoods for the clients are attained.

The study found out that individual borrowing had a positive effect on living standards as compared to group borrowing. Therefore, the study recommends that, policies should be put in place to safeguard the interests of individual borrowers and offer more favorable borrowing terms that may include security that is easily affordable by the clients. Attempts could also be made to reduce bureaucracy and hence transaction costs associated with group borrowing so as to make it easier for clients to access loans in groups without compromising their living standards.

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