KAMPALA INTERNATIONAL UNIVERSITY.

AN EVALUATION ON THE EFFECTS OF PEOPLES' CULTURE ON MARKETING LOANS IN THE MICROFINANCE INSTITUTIONS.

A CASE STUDY OF FAULU KENYA LTD, BUNGOMA BRANCH, WESTERN PROVINCE, KENYA..

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DECLARATION

I **Andanje Brian Akello** of registration number, **BBA/9609/61/DF,** do hereby declare that the work contained in this proposal is entirely my own original work, except where acknowledged, and that it has not been submitted before to any other University or institution of higher learning for the award of a degree.

Students Signature……………………………………..Date……11/07/09………..

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APPROVAL.

This research report has been submitted for examination with my approval as the candidates University Supervisor {s}.

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1.0 CHAPTER ONE

1.0 INTRODUCTION.

The following chapter shall basically entail the background of the study outlining the main reasons as to why I chose the subject of research and the case study. The statement of the problem to be researched, which was the problem my research sought to address was also be included as well as the main purpose of the research. A countries financial system, including its microfinance institutions is the oil that greases the engine of its economic growth. Another content is the research objectives which emanate from the purpose of the study. Finally, the scope of the study in terms of location, time and so on are given and explained not forgetting the significance of the study, which provides the justification of the study as well as the outlining of the beneficiaries of the study findings and how they might benefit. Credit institutions design credit policies as a measure against effectively administering credit, but they are faced with poor cultural knowledge of the society and management of their loan portfolios.

1.1BACKGROUND.

The people's culture has never been any easy subject to exploit in many decades especially among both local and international business investors. Marketing of loans for instance by Microfinance Institutions has been a nightmare when it comes to diverse cultures. The main reason for this problem is the fact that many microfinance institutions have not been investing enough time to carry out credible research for different and a variety of cultures in the areas of their operation. A continent like Africa has very rich cultures which are sophisticated as well as full of potential for venturing in business. Effects of people's culture on marketing loans in the MFIs have reached another level especially in Bungoma District where **Faulu Kenya Limited** has a branch. Faulu Kenya was founded in 1992 as a micro-lending programme of Food for the Hungry International {FHI} an international NGO. It's in 1999 that Faulu Kenya became a microfinance oriented firm. Faulu Kenya has a wide network branch nationwide in Kenya. Most of the branches are situated in rich rural areas. This study was carried out to address and shade some light to the gap between loan marketers and the cultures in which they operate in; that is, the effect of the cultures on marketing. Most cultures are usually based on beliefs and values which are strictly adhered to or are flexible to a lesser extent. Some cultures are actually the drivers and pivot of the way of life of the people who follow them; and most marketers overlook this characteristic and hence end up failing miserably. This of course has led to very poor understanding of cultures resulting to lose of many opportunities which they could have otherwise exploited if they were cautious enough about peoples beliefs and values.

This research consisted of the **people** of Bungoma district in the Western province of Kenya. The society here is mainly the Luhya people and some other few tribes. The society practices cash crop and subsistence farming, maize and sugarcane being the most farmed products.
Culture on the other hand refers to the local people's values and beliefs regarding their way of life and also their attitude towards outsiders or other cultures. Culture is diverse hence in this context; it is defined as people's attitudes towards loan marketing in relation to their beliefs as regards modernity and the vices associated with it. Strict adherence to cultural norms affects loan marketing, fear of incorporating modern concepts into cultural values and beliefs also affects loan marketing as well as lack of exposure to the civilized world which renders the people ignorant, illiterate and poor,

Marketing of loans by the microfinance institutions has particularly been based on how productive a certain culture in a certain geographical location is. However, loan marketers have forgot that in the long run people will want their culture and way of living to be respected. In Africa, a thief is regarded as an outcast who deserves to be discarded from society. Therefore marketers should expect resistance from people who view them as people set to exploit others; and rob them. Since microfinance institutions mostly deal with giving out loans, then they therefore get their revenue from interest charged on loans and at times they confiscate ones property which was set as security. They need to thoroughly lay out a strategy on how to educate these cultures and instill in them a sense of trust and credibility of their work.

Pyramid Schemes were usually the alternative of most people once they realized that microfinance institutions can not really help them. They also shied away from borrowing loans from banks since bank interests were usually very high. People trusted pyramid schemes because most people who were members were from similar cultures and community, thus they understood each other but honesty, integrity, cooperation and reliability always lacked. Therefore, loan marketers in MFIs needed to urgently study the culture of the people they wanted to serve and try their level best to win their confidence and trust for the mutual satisfaction of both parties. Marketers can integrate with people's culture and understand their opinion and attitudes towards microfinance loans marketers and how well they need to improve for customer/client satisfaction. It was duly noted that as much as marketing loans and giving of loans played a significant role, there was always a chance of negative perception towards financial leaders due to a variety of reasons. This research study sought to turn around negative perceptions for the equal benefit of both parties in relation to the cultural attitude towards loan marketing. Faulu Kenya has committed itself towards societal development by engaging in staff training, recruiting professionals and sourcing experienced staff from outside. This has contributed to growth in business volume which necessitated its conversion to Faulu Kenya Limited in April 1999. Since then, the firm grew at a high rate and expanded its business volume. There is no doubt today that the firm has led in the microfinance sector in the country and is giving competitors a run for their money.

1.2 STATEMENT OF PROBLEM

The purpose of this research was to investigate the incompatibility of culture of the people of Bungoma to the marketing efforts of loans by the Faulu Kenya staff. Peoples culture in Bungoma is very much treasured since **80%** of the population are Luhya speaking while the remaining **20%** are other tribes and races. This research sought to address why loan marketers of Faulu Kenya are finding it difficult to integrate culture in their loan marketing efforts to the population of Bungoma district and establish a mutual understanding between them.

Bungoma district is still very young in development although most of the population practiced Agriculture-both cash crops growing of maize as well as subsistence farming. Most people usually practiced their beliefs and values and were fiercely resistant to any intruders as sited by Michael Njihia, Head of Marketing -Faulu Kenya. Few MFIs which are credible are available, however there were other very small institutions lending funds and to some extent they were shady in their dealings and have ended up creating a very bad image to genuine money lending institutions. Due to this kind of bad encounters with scrupulous money lenders, most people developed a phobia to anyone who marketed loans even if the microfinance institution they represented was genuine. The marketing agents were usually viewed with suspicion, and thus they usually faced the dilemma of penetrating into the community and convince them to apply for loans.

Faulu Kenya Limited usually lends loans to small and medium business owners who are many in Bungoma district. Lack of trust between this microfinance institution and its market segment has proven to be a big problem especially to its loan marketing staff. This problem has mostly been fuelled by lack of trust as well as failure by the MFIs to carefully study and conform to the culture of the Bungoma district people. People in Bungoma had this belief that anyone convincing them to take up loans or any financially oriented aid had an agenda to con them of their land when they failed to meet the repayment deadlines. They were scared of exploitation and very much valued their land which was the only security they had when they applied for loans and hence they were scared to lose their sole inherited asset if at all they failed to beat the loan repayment deadline. This study basically sought to clarify these fears and instill confidence and trust to the people as well as the loan marketers.

1.3 PURPOSE OF THE STUDY

The research study was meant to try and address the problem of incompatibility between Bungoma district people's culture and the marketing efforts of loans by the Faulu Kenya Limited marketing team. The study was actually trying to integrate the people's culture and the loan marketing efforts. Faulu Kenya was trying to communicate to these people and strived towards bridging the gap between the two. This research also sought to convince the people to go slow on their perception towards MFIs and instead embrace genuine players who will profitably benefit them.

1.3.1 Research questions

1. What are the implications of strict cultural adherence among Bungoma residents?
2. What are the impact levels of marketing loans on small business operation in Bungoma district?
3. What are the effects of people's culture in relation to marketing loans to the people of Bungoma?
4. What are the importances's of culture on marketing loans?

This research study sought to answer the above four questions and come up with a solution for them which should solve or bridge the gap between the two parties.

1.4 RESEARCH OBJECTIVES

Objectives of the study refer to those areas which would guide the researcher. They were covered under two broad categories;

- The general objective.
- The specific objective

1.4.1 General objectives

Analyzing the effects of people's culture on marketing loans by the loan marketers of microfinance institutions like Faulu Kenya Limited.

1.4.2 Specific objectives

1. To determine levels of marketing loans.
2. To determine causes of culture incompatibility with marketing of loans by MFIs
3. To assess the impact of peoples culture on loan marketing penetration.

1.5 SCOPE OF THE STUDY

Geographical Scope

The study was carried out on employees of Faulu Kenya Limited-Bungoma Branch in Bungoma District, Western Province in Kenya. It covered all locations within which the firm had a branch office so as to get a clear view on the extent of the problem within the entire district.

Contextual Scope

The subject of the studied was going to largely concentrate on both men and women between the ages of 30 and 55 and preferably those with small and medium businesses within the boundaries of Bungoma district. The study was highly concentrated on issues regarding people's culture and marketing loans.

Time Scope

The study ranged between April 2009 and June 2009.

1.6 LIMITATIONS OF THE STUDY

1. The greatest constraint was the inadequate resources in terms of time, money, accessing and assessing the appropriate data.

2. Respondents were reluctant on giving information concerning the topic under study.

3. Call backs, led to an increase in costs. Time framework within which the proposal Was to be completed was not enough, yet a good work takes time.

4. Respondents' did not act in time due to unfavorable timing, especially during times when they were busy with the office work thus this led to delay of data collection and analysis.

2.0 CHAPTER TWO

REVIEW OF RELATED LITERATURE.

2.0 INTRODUCTION

This chapter assisted the researcher to gain a deeper understanding on the research questions such as the causes of cultural differences of the people and its effects on MFIs loans and it also helped the researcher understand the importance of knowledge and study of culture in loan marketing. Finally it also looked at causes of poor expansion and penetration of acquisition of loans by the people.

It was quite difficult to define people's culture because its definition was viewed as different depending on the setting of beliefs and their values. However generally, people's culture can be referred to as the people's beliefs and values which they have adhered to over time. The definition of culture is somehow flexible and can entail people's perceptions towards other things as well as their way of socializing.

Marketing of loans on the other hand can be clearly defined as the process of applying the marketing elements like promotion, advertising, pricing and so on, so as to lure prospective customers to acquire loans for expanding their small and medium businesses. It was also at this point where marketers worked hard to retain their customers by encouraging loyalty, "consideration of high priority should be observed in marketing financial resources which can be used to empower the poor people."(Lineth N. Oyugi, 2006).

A much simpler definition of a peoples culture is one where the way of living of people are to a great extent determined by their inherent perception of values and beliefs and strive to apply them in our modern context of living. Loan marketing is simply the methods which marketers use to attract people to their products and services as well as raising awareness as regards to the items that they have in stock. In this particular case it is loans.

In this time and age, most of our societies depend on opportunities which will enable them to portray their culture to all concerned parties in corporate events and exhibitions of MFIs. To survive in the modern society, marketers have to be well equipped and ready to integrate with different cultures which they are likely to encounter. For instance, marketing no longer entails the media totally like news papers and television and so on, but it also consists of personal saling especially for those people who have limited access to electronic and paper media. Also, loans got through pyramid schemes are no longer credible; most people now prefer credible and established MFIs and banks. To be able to gain value, of MFIs, loans, one has to be first trained by agents from MFIs on how expand their businesses and notified of interest rates charged by the institution as well as other support options. Inability to grasp the content of the training may lead to difficulty in business expansion and even loan repayment.

Marketing of loans by agents can only be achieved by integration of culture to the marketing concepts and elements. Cultural preservation is of great importance to the society. Its advantages include increased economic activity, improved living standards and social unity which impacts positively in the economy.

2.1 IMPLICATIONS OF STRICT CULTURAL ADHERENCE

Statistics show that 60% of the world's population is still steadfast in adhering to their culture or way of living. Most major donors now insist that projects they consider for funding demonstrate an appropriate focus on preserving people's culture, (SIL International, 200). Cultural differences of people can be attributed to various factors but in most developing countries it is very much linked to tribal backgrounds and perceptions of people towards various activities. In sub-Saharan Africa, there are staunch beliefs and values for certain activities due to patriarchal societies that would rather go an extra mile to protect their culture. Many village elders do not see the need to incorporate modernity in their culture since they view as alienation of their beliefs and values, which can practically be said to be "killing" their culture. In Kenya's Kajiado district, the Maasai tribes are the most rigid win their adherence to cultural practices. About 70% of the Kajiado district population is still engulfed in their culture whereas the remaining 30% are liberated due to education and rural urban migration. Cultural factors which have caused a variety of differences which have hindered loan marketing efforts in this district includes: strong ties with the poor, a noncompetitive spirit, a subsistence existence, illiteracy and outright ignorance, (W. Kimuyu, 1999 and Johnsson, 2000).

There are also economic reasons that influence the culture of people thus resulting to differences. One of these reasons is poverty which also influences the extent of business agility. Poverty is lack of power to command resources. "It is a multidimensional phenomenon that goes beyond the lack of incomes. Thus, because of this powerlessness, the poor are disadvantaged accessing productive resources such as land, credit and services and are vulnerable towards external economic shocks and natural disasters."(Chao-Beroff, 2000).

Another reason to cultural difference is geographical locations of different people who may be having varying qualities of life and living standards. These people usually have minimal contact with their neighbors' especially on issues to do with culture, thus each region has no option but to concentrate on strengthening their cultural norms. The result is usually two very different cultures which form the basis for living for both regions. Most reasons for cultural differences in Sub-Saharan Africa are influenced by a strong feeling of attachment to inherited beliefs and values. This has led to quite a large number of migrations of people due to modernization and education system. Hence many have had to change their perceptions or at least slow down on some of their rigid ideologies. Hopefully education could lead to neutral ground so as to reduce cultural rigidness, (Murthi M., A.C. & Dreze J. 1999).

2.2 EFFECTS OF PEOPLES CULTURE ON MARKETING LOANS, IN MICROFINACE INSTITUTIONS

Over the last 20 years, microfinance institutions in Kenya have largely developed through concerted grant funding. This situation prevailed up to the late 1990s when the key donors started pushing Microfinance institutions (MFIs) to start moving towards sustainability in their operations especially in marketing their loans. Prior knowledge of the clienteles' beliefs and values proved to be very important. Therefore, loan marketers were left with the obligation to integrate with diverse cultures around the geographical regions in which they operate," The push towards sustainability of different cultural background of people was therefore not going to be easy for institutions which previously focused on free spending outreach drives, rather than sustainable operations."(United Nations Development Fund-UNCDF, 2005).

The effect of peoples perception towards being conned by scrupulous microfinance agents had risen tenfold immediately after the recent downfall of Deci Pyramid Scheme Organization, (Ken Wathome, 2007). It is at such a moment and period that many loan marketers seized the moment and incorporated aggressive cultural research to all branches they operated in and those which were about to be launched. Increased levels of cultural study of a potential market segment can be associated with improved customer care, teaching and training clients, utmost honesty and trust as well confidentiality in the course of dealing with the people, (K-Rep Development Agency, 2004).

By promoting trust, customer care and so on, the suspicion previously perceived on loan marketers and MFIs will be a thing of the past and will certainly promote healthy integration of people's culture and the loan marketers. As long as the society is well trained in aspects concerning acquisition of loans which most suit them, then there is bound to be reduced suspicion and malice towards genuine agents. Loan marketers are very much aware of the importance of instilling confidence and trust to their clients and how it contributes to the overall well being of the MFI.

There is reduced mistrust and suspicion if the people in the society are well educated and trained as regards any form of financial aid they would like to acquire. Loan marketers should strive to herald a relationship between the society and MFIs, (SIL International, 1999). Sub-Saharan cultures should be made aware of the fact that most genuine microfinance institutions usually want to fight against poverty in the society as stipulated in most of their mission statements. Loan marketers know too well that an effective study of people's culture can actually create an opportunity and avenue for local capital to broaden its market share and returns level and at the same time to actively deploy revenue into the micro enterprise sector, which is the base of economic development especially in Africa.

It should be noted that there is a high correlation between the society's culture and loan marketing. While the people strive to be educated, trained and conversant with the acquisition of loans, marketers also work equally hard. This kind of marketing calls for unswerving commitment to making a good and viable business, adhering to strict customer satisfaction compliance, sustaining the profitability path and ensuring that both benefit mutually.

Cultural stigmas and norms which hinder economic development of the society need to be uprooted and discarded so as to pave way for development and economic growth,(Pearce, D.% Helms B. 2005). Loan marketers need to sit down and formulate viable marketing mix which levels their ability to effectively and efficiently implement it as well as future monitoring and modifications.

For full development of compatibility of marketers and the society, their needs to be constant and continuous improvement of interaction and customer support, (Murgatrod & Gachuba, 2004).

2.3 IMPORTANCE OF PEOPLES CULTURE IN MARKETING LOANS

The early years of venturing into a given target market by loan marketers are usually critical for cognitive, social and emotional development. Thus, it's important that we take every step necessary to ensure that the society's is delicately handled as the MFI unveils its products and services. "Every step and measures taken should work in tandem with the society's needs." (Equity Bank, 2007). To counter cultural stigma, poverty must first be reduced. Hence marketers have to identify the movement in and out of poverty [the transient poor] have lately been erratic. On average, poverty has increased both in rural and urban areas, with urban poverty increasing drastically between the year 2000 and 2007. To address poverty, the poor need to access: assets; markets; affordable loan interests; education and security according to, (Yaron et al, 1997).

People's culture is important for the overall marketing of different types of loans, be it educational, business loans and so on. Poor cultural practices and norms affect marketing processes of an agent which in turn affects economic growth and lowers the living standards of the society. Among well trained people, ordinary scrupulous, exploitative agents won't have a chance to lie and rob them of their property. But if the peoples culture is complex and rigid, there will be very minimal growth and development of businesses and even literacy, and the consequences can be severe, (Asenso-okyere et al, 1999). In developing Nations where a large proportion of the population live in poverty, their cultural beliefs and values are usually believed to be always right. This is incorrect since some life transforming aspects brought by modernization like acquiring loans to expand businesses are vital. In addition, poor literacy levels especially on the girl child due to cultural beliefs which stipulates that females are inferior and confined to domestic chores is an outdated norm, (Eveleth & Tanner, 1990). Outdated cultural beliefs and values affect marketing efforts. It reduces loan marketers to penetrate the depths of cultural beliefs and give them an option to turn the society's life around, (SIL International).

Peoples culture determines whether the marketers efforts will bear fruit in the end, in terms if integration. This social cultural influence interacts with marketing concepts and elements which focus on creating a conducive environment to carry on business operations, (Kenya Monthly Economic Review, 2005). Today many cultures have embraced modernity at rapid levels compared to a century ago. This is attributed to better training, education, customer care and so on which are practiced by marketers. Flexibility on cultural position by the society has also contributed to their benefit to a large extent.

Best remedy to cultural rigidity is through literacy promotion for all genders and continuous training of the society. Literacy unlocks knowledge and wide avenue of choices and strategies to improve living standards. After penetrating into the culture with marketing concepts, let the society have some time to ponder and discuss with their peers and family after which they may give their feedback which may either be positive or negative. They may require training and clarity on some matters as regards loans given by microfinance organizations.

2.3.1 Causes of Poor Cultural Practices by the People

Several factors have been identified as being significant in determination of cultural practices in Kenya. These include tribal norms, population literacy; microfinance investments in cultural practices of the people and so on. Poor cultural practices and beliefs and values can be as a result of various factors either separate or a combination all these factors.

A lack appropriate and flexible cultural value makes the society susceptible to poverty and backwardness. Culture is actually the identity of the people. It entails the people's beliefs which have been passed from one generation to the other. Most of cultural practices are basically meant to keep the society in line with the rules. Some beliefs are meant to identify all sought of vices that may be directed to them by other tribes or cultures. Such beliefs have proven to be very rigid with the change in times. Beliefs and values usually become rigid once one or more of the members gets to experience bad treatment, abuse and many more. But it should be noted that culture actually plays a very important role in the society which can not be exhausted. Recent evidence indicates that 40 to60 percent of the world's people still adhere to their cultural practices, (John Omiti & Timothy Nyanamba, 2007). Among the 4 to 7 percent who are strict followers of their cultures, poverty and economic growth is rampant. Illiteracy and poverty are the result of outdated means of living.

Cultural practices also tend to affect the decision making of a society. One of the major differences affecting decision making is whether a society assumes an objective approach or a subjective approach where the society considers alternatives based on objective information. Subjective approach is based on emotions, (Devereux, 2006).

Fear of taking risks is another major limitation to cultural coherence. Some cultures find it hard to venture in any kind of risk like taking loans, because they most probably feel that they will be cheated. This kind of fear usually encompasses a substantial number of people in the society, and this renders them rigid and resistant to changes brought about by modernity.

Another cause of poor cultural practices is the fact that modernity has brought about all kinds of vices which have practically gone contrary to how existing cultures work. The vices have gone against the accepted ways of living, for example; there is increased fornication, divorce, abortions and other many social vices. This has resulted to lack of trust by those people who have held to their culture, (African Cultures, Barrientos & DeJong, 2004). They always tend to think that modernity was set to abolish their traditions and beliefs. Moral degradation started spreading in the 1960s and spread very fast through the decades. In the course of its increase, many cultures were compromised and only a few are still surviving. (Mueni, 2007).

When the people get low on income, they usually slip into poverty; then the held culture is threatened since many people may decide to leave the society and venture elsewhere so as to escape the poverty. Once people leave for other areas, they are bound to embrace new cultures so as to fit in. People's cultures differ significantly due to ethnicity, presumably due to associated differences in socioeconomic status. In America, African American people are nearly or twice as likely to being unconversant with their original culture and so they have instead invented their own culture which is loose morally; whereas white Americans are most likely able to trace and maintain some of their culture, (Zeller, undated).
Thus there are financial and non-financial barriers to poor cultural practices for many people.

2.4 POSSIBLE SOLUTIONS TO POOR CULTURAL PRACTICES AND MARKETING PROBLEMS

In the 1950s, governments traditionally used subsidized credit programmes to promote economic growth of the society, but this approach failed to improve incomes and alleviate poverty and loosen up cultures in rural areas. Since 1980s, there has bee a paradigm shift in financial policies as regards our societies due to technological and institutional innovations meant to reduce costs and risks thus encouraging cultures to loosen up on their rigidity for their sake, (Zeller, undated).

Cultures also need to be encouraged to take up education seriously so as to promote literacy among the people. To address educational progress, their needs to be effective policies which must embrace both economic growth and its distribution. There is need to sensitize relevant functionaries and other stakeholders on how to launch Basic Educational Centers, (United Nations Agencies, 2003).

Marketers also need to design marketing plans and strategies which at least must conform to the culture of the society they want to venture into. First of all, the MFI must be genuine, credible and registered at the registrar of companies. The marketing mix which entails; price, promotion, people, product, place and physical evidence must entirely be tailored for a specific market segment which may be having a strict culture which needs coercision and persuasion.

Fear of taking risks must also be minimized in the society because it is through risk that we explore more in life as well as discover new things, (Mutuaruhiu. M. 2002). The society needs to embrace fear as something or a feeling which can be controlled. People should be aware of the fact that taking risks actually gives strength to venture more and make corrections where possible and in many cases success is achieved, (G. Gandhi, 1997). Analysis have depicted that highest incidences of poverty has been recorded in Arid and Semi Arid regions (ASALS) districts in Kenya where majority of people are pastoralists. 60% of the poor are also concentrated in seventeen of the 47 districts in the country, (Republic of Kenya, 1999). This is as a result of subsistence farming, illiteracy, landlessness, polygamous households, informal sector workers and so on. Solution to this problem is educating the population and discouraging certain aspects of cultural practices like polygamy. New and economic farming techniques should also be taught as well as carrying out a variety of training programmes for both the youth and vulnerable groups of people.

A good balance between cultural practices and modernity should do the trick of bringing out a strong foundation of integration of both the people and loan marketers, Uganda has ensured this through its adult education programs and mobile workshops in rural areas, (Coleman,1999).

3.0 CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

The researcher included research design, sampling, data collection methods which involved both primary and secondary data collection, data analysis and lastly limitations of the study and how they can be minimized.

0.1 RESEARCH DESIGN

In this study, the exploratory design was used. This would help the researcher analyze the impact of the people's culture on marketing loans in the microfinance institutions (Faulu Kenya Limited).

3.2 SAMPLE SELECTION AND SIZE

This basically entailed a sample of the population, sampling technique and the sampling procedure. Considering time and other constraints of the study, the researcher selected 60 respondents randomly. These were considered representation of the study population consistent with the research questions. The willingness of manager to give information and respondents positions in Faulu Kenya was the major factor considered in selecting the respondents' sample.

3.2.1 Sample population

The researcher selected a sample population at random and this was meant to represent the entire population. This included the main target which consisted of men and women of the reproductive age which is between the ages of 18 and 45 years. The sample population also included business people as well as the youth from the District villages and selected market centers within the District as well as loan marketers.

Below is a table showing the target population.

CATEGORIES	NUMBER OF RESPONDENTS
WOMEN	21
MEN	29
MARKETERS	10
TOTAL	60

3.2.2 Sampling procedure

The study concentrated on the target population who were the men and women with small businesses or those that were in need of entrepreneurial skills and were thus productive between the ages of 18 and 45 years as well as loan marketers from the microfinance institution in the District. This assisted the researcher in analyzing the impact of cultural beliefs of a society on marketing of loans by agents from microfinance institutions, (Faulu Kenya Limited).

3.2.3 Sampling technique

The researcher used the stratified sampling method. This sampling method helped the researcher divide both men and women into two strata with eleven women in each stratum, while men were ten and nine in each stratum. One stratum consisted of men and women with high level of independence and flexibility to embrace modernity as well as positive attitude towards microfinance loan marketers. The other group had men and women who had low levels of flexibility to accept any form of change. These people were rigid in their culture, illiterate and usually observed modernity with suspicion. This helped the researcher in assessing the impact of both on the marketing of loans by microfinance institutions marketers, (Faulu Kenya Limited).

3.3 DATA COLLECTION METHODS

Overview

This study employed both primary and secondary data collection methods. The primary data collection methods to be used are questioners and interviews.

3.3.1 Primary Data Collection

The primary data was collected using two methods. The first method which is questioners was used to collect data from the main target population which consists of the men and women, and the second method to be used was interviews where the main target were the marketers of the microfinance institutions.

3.3.1.1 Questionnaires

In this case the researcher provided a set of well typed questions to be answered through writing by the selected group of people, that is, both men and women. The questionnaires were to be very clear, easy to be understood and in very simple language to avoid giving the respondents a hard time while attempting to answer the questions. This type of data collection, gave the respondent freedom to express their views on the subject at hand. The researcher helped guide those that were unable to read or write fill in the questionnaires.

3.3.1.2 Interviews

The researcher had to also use interviews especially with the marketers in the microfinance institution in the District, that is, Faulu Kenya Limited. This helped the researcher gain a deeper understanding of the effects of cultural values and believes towards loan marketing. This is due to the fact that marketers in Microfinance institutions have more experience in dealing with both men and women of varying cultural backgrounds and are able to tell whether one is liberated or not through their daily interactions with the community. The interviews were face to face. The researcher formulated an interview guide during this interview.

3.3.2 Secondary Data Collection

This mostly included data from the Ministry of Gender and Culture on issues related to peoples cultures. Other sources were reports from local and International Non- Governmental Organizations dealing with issues related with culture and the Ministry of Rural Development. Secondary data sources was obtained from monographs (Text book), annual reports of microfinance institutions of Kenya and quarterly reports, Faulu Kenya Limited news letters Faulu Kenya Director's reports and Audited accounts, loan registers, Journal and other publications.

3.4 DATA ANALYSIS

It involved the organization, interpretations and compilation of the data that the researcher obtained from the research. Data was analyzed appropriately with facts and figures arranged in chronological order. Data was also organized in frequencies, percentages and averages out of the information obtained from both secondary and primary data collection methods.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter discusses the research questions in view of the research objectives to assess the extent to which culture of the people affects the marketing efforts of loan marketers of Microfinance Institutions like Faulu Kenya Limited in their performance so as to improve our understanding of the salient issues of the subject matter in line with survey findings and literature reviewed. In the presentation of findings, tables and figures have been used; frequencies/ percentages have also been used to describe findings.

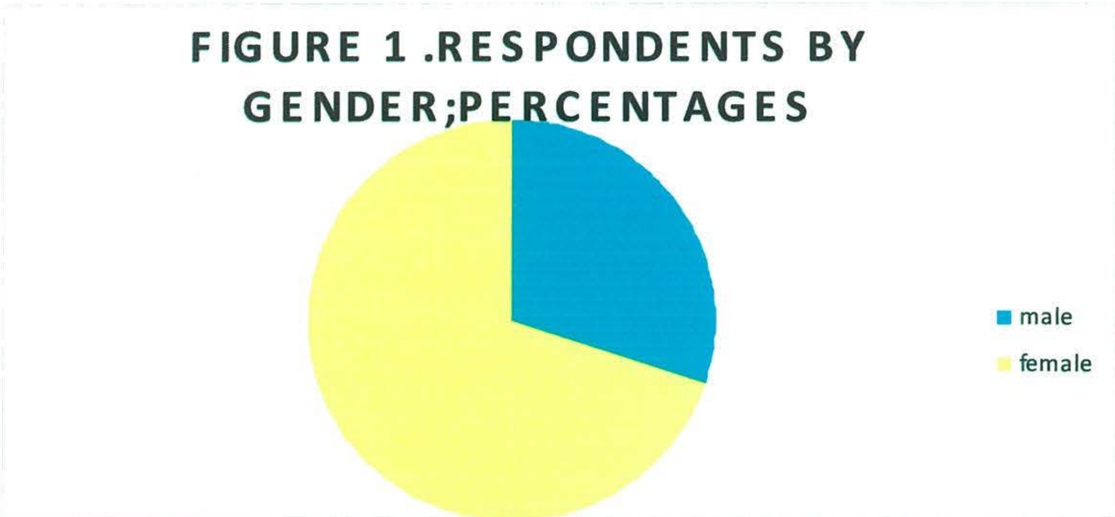
4.1 RESPONDENTS BY SEX

The researcher sought to know the sex of the respondents. Out of the 51, 35 were male while 15 only were female. This is illustrated by the table below in percentages.

Table 1. RESPONDENTS BY GENDER

Sex	Frequency	Percentages
Male	19	30%
Female	22	70%
Total	**51**	**100%**

Source: primary data



Source: primary data.

There were 19 male representing 30% and 22 female representing 70 % of the respondents. This according to the study shows that there are more female business women in Bungoma than there are male.

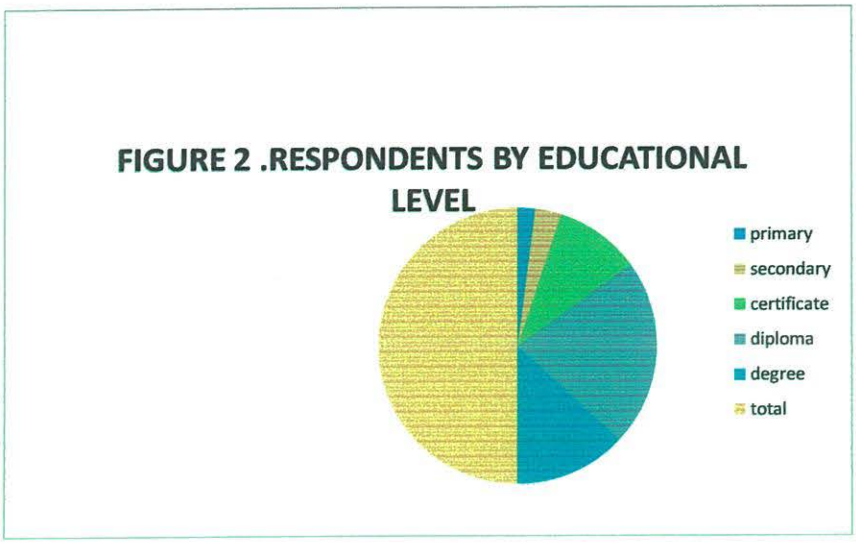
4.2 RESPONDENTS BY EDUCATIONAL LEVEL

Table 2. Respondents by Education level

Educational level	Frequency	Percentage
Primary	3	4%
Secondary	3	6%
Tertiary Certificates	10	20%
Diploma	22	44%
Degree	13	26%
Total	51	100%

Source: primary data

It was regrettable to note that only 26% of graduates responded to the study as compared to the diploma that had 45% of respondents to the study. This was as a result that most of the management staffs were busy in relation to the lower staffs.



Source: primary data

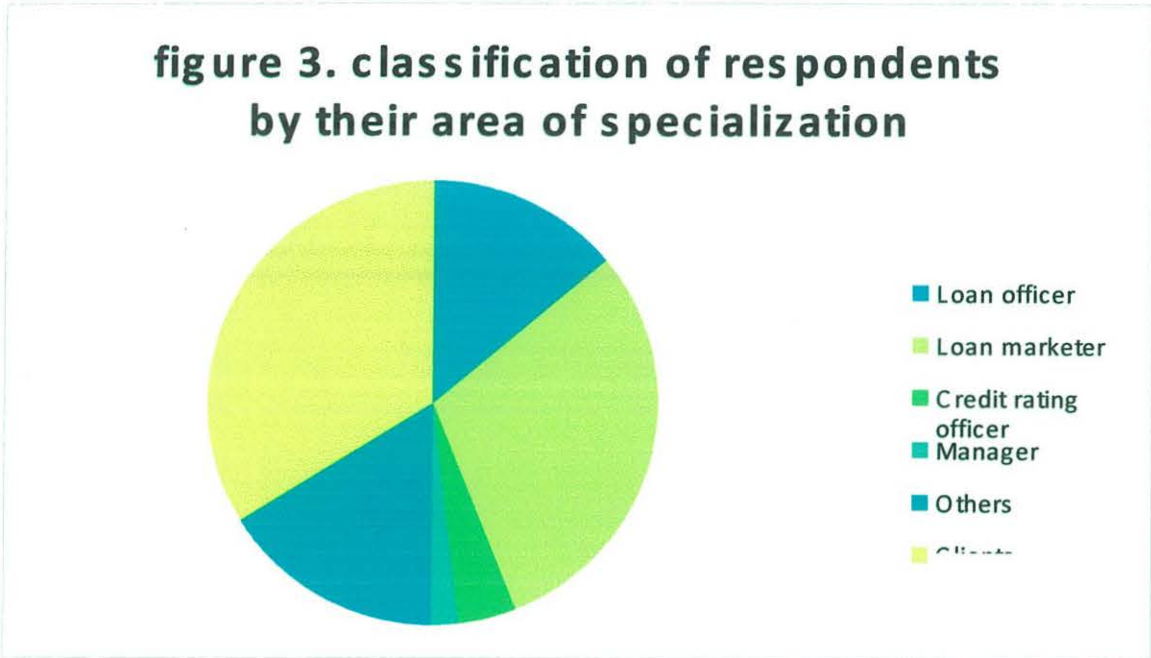
4.3 RESPONDENTS' AREA OF SPECIALIZATION

The researcher sought to understand who the respondents were by designation. This information is provided on the table below followed by figure 3, a diagrammatic presentation of the same.

Table 3.classification of respondents by area of specialization.

Designation	Frequency	% of frequency
Loan officer	7	14%
Loan marketers	15	30%
Credit rating officer	2	4%
Manager	1	1%
Others	8	16%
Clients	17	34%
Total	**50**	**100%**

Source: Primary data



Source: Primary data

4.4 LENGTH OF SERVICE

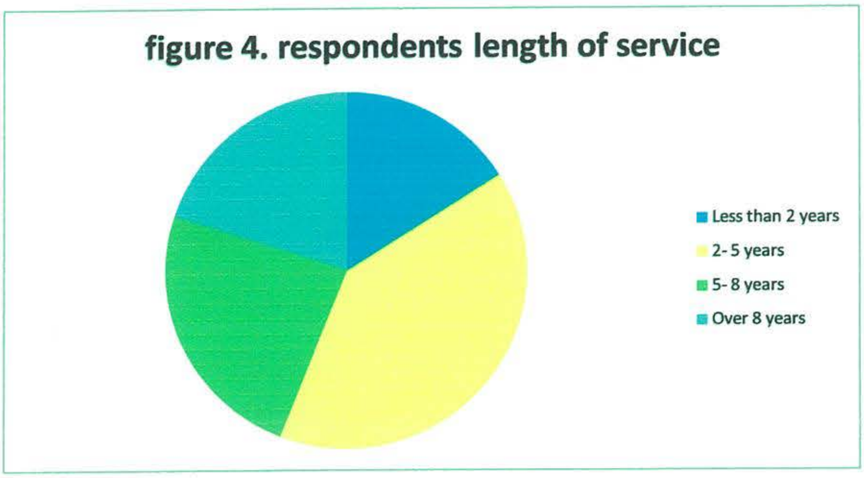
The researcher was also interested to find out how much time the respondents have adhered to their cultural beliefs and values in their daily living and in carrying out their businesses so as to effectively interpret their views in relation to the performance of the acquisition of loans and attitudes towards loan marketing.

Table 5. Respondents' length of service, {marketers}

Period in service	Frequency	Percentage
Less than 2 years	17	17%
2- 5 years	41	41%
5- 8 years	23	23%
Over 8 years	19	19%
Total	**100**	**100%**

Source: primary data

From the above illustration, it is evident that the largest proportions of the respondents were age period between 2- 5 years with a frequency of 41 representing 41% of the respondents. This therefore proves that their views are largely based on past personal experiences with the peoples culture over the period of 5- 8 years which had 23 of the respondents constituting of 23% of the respondents thus this shows that the respondents of 41% have a fairly sound knowledge on the marketing techniques of loans in the microfinance sector. There were 17 respondents who had taken less than two years in the service in the micro-credit issuance business which represent 17% of the respondents. The researcher also found out that there were only 19 respondents who had worked in Faulu Kenya Limited for over eight years representing 19% of the respondents. Below is the table showing the respondent's length of service frequency.



Source: primary data.

4.2.1 Marketing policy review on varying Cultures.

The researcher was also interested to find out how marketing policies are reviewed and how effective they are to Faulu Kenya Limited.

Table 7: management's review of the microfinance institutions marketing policy.

Response	**Respondents**			
	Strongly agreed	**% -age**	**Strongly disagreed**	**%-age**
Review cultural backgrounds	100	100%	0	0%
Changing market condition	70	70%	30	30%
Increasing risks of peoples perception on taking loans	76	76%	24	24%
Central bank directives	10	10%	90	90%
Legal considerations	0	0%	100	100%
Increased competition	20	20%	80	80%
Review every:				
By annually	35	35%	65	65%
Year	40	40%	60	60%
2 years	60	60%	40	40%
3 years	8	8%	92	92%
Never	0	0%	0	0%

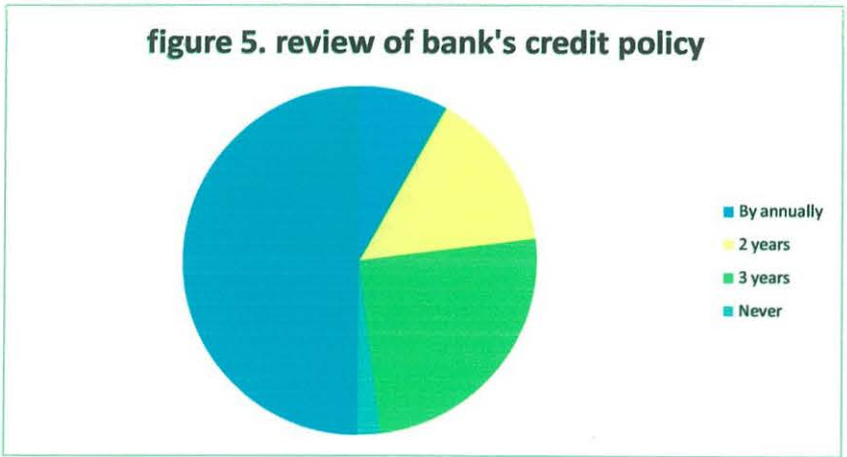
Source: primary data

Branch manager and head of marketing department review the micro institutions marketing and credit policies, procedures and directives periodically. 40 respondents agreed that the management reviewed their loan marketing policy at least once year representing 40% of the respondents. The issues taken into consideration in the review of the marketing policies and credits are shown in table 7 above.

The response of marketing supervisors on the question of extent of applicability of market definition was also examined. All marketing supervisors interviewed strongly agreed that the micro finance institution had a policy on loan marketing write off. 35 respondents agreed that the marketing policy was reviewed by annually and this representing 35% of the respondents. 40% agreed that the marketing is reviewed every year.

60 respondents strongly agreed that marketing was reviewed every two years while about 8% agreed that the policy was reviewed every 3 years. Figure 7 shows the marketers knowledge of the micro finances review of the marketing policy.

Figure 7: Review of the marketing policy.



Source: primary data

The marketing policies thus encourage clients to borrow from microfinance institutions and this has been supported by the respondents. 52 of the respondents have strongly agreed that the policy encourages clients to borrow, hence this represents 52% of the respondents in the research, 43% of the respondents agreed that the policy does encourage clients to accept marketers approaches as well as tendency to borrow, however, 5 respondents disagreed that the policy does not encourage borrowing to the clients, thus represents 5% of the clients.

4.2.2 Loan evaluation in Faulu Kenya Limited.

Loan evaluation looks at the in depth analysis in a client application and knowledge as regards loan acquisition which also entails the application and receiving period stipulated by the institution. Table 8 shows the responses on how long it takes a client to access the funds from the time an application on credit facility is tendered in.

According to the table below 76% of the respondents agreed that for big loans it takes a month for a loan to be approved from the microfinance institution while 4% of the respondents agreed that it only takes less than 15 days for loan application to be approved this is so when an applicant has meet all the requirement which are needed by Faulu Kenya.

Table 8. Response on Approval of loan facilities

Response	**Frequency**	**%- age**
Less that 15 days	4	4%
15- 30 days	76	76%
One and a half months	20	20%
Two months	0	0%
More than two months	0	0
Total	**100**	**100%**

Source: primary data

There are some clients who need less amount of loan from the micro-credit firm and have all requirements that the institution needs thus 4% of the respondents agreed that it takes less than 15 days for such clients to secure loans from the firm. While 20 of the respondents agreed that it takes one and a half months for a client to secure a loan from Faulu Kenya and this represents 20% of the respondents.

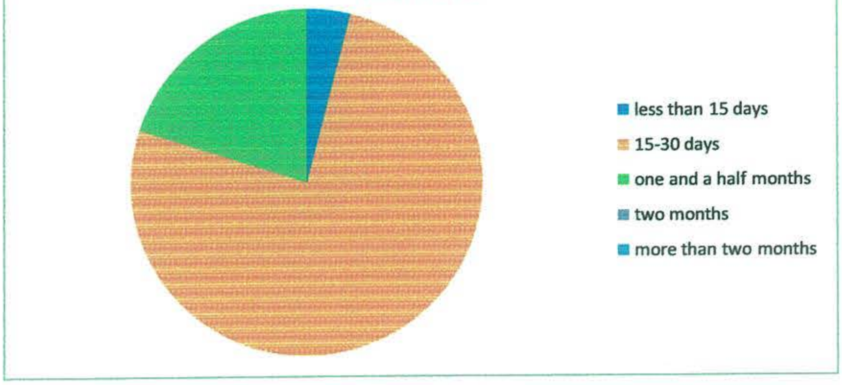


figure 6. response on approval of loan facilities

Source: primary data

4.3 LOAN RATING.

The microfinance institution uses a loan rating system in assessment of the clients' loan worthiness. These rates are assigned by the marketers in conjunction with credit officers, their supervisors and sometimes by the head of loans section or the general managers. The loan rates are assigned to rate loan worthiness of the respondent loan chart.

Table 9: Response on loan rating in Faulu Kenya Limited.

Response	**Agree**		**Strongly agree**		**Neither agree nor disagree**		**Strongly disagree**		**Disagree**		
Loan rating	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**Total**
14. Does your firm use a system of loan rating in evaluation of clients' application for loan facility?	35	35%	65	65%	0	0%	0	0%	0	0%	**100%**
15. Are loan rating of clients often reviewed?	32	32%	50	50%	3	3%	8	8%	7	7%	**100%**
16. Has the performance of the Faulu Kenya been effective between the periods of 2003- 2007?	45	55%	0	0%	0	0%	0	0%	0	0%	**100%**
17. Are there some factors that lead to non-payments/ bad debts in Faulu Kenya?	60	60%	38	38%	0	0%	0	0%	2	2%	**100%**

Source: primary data

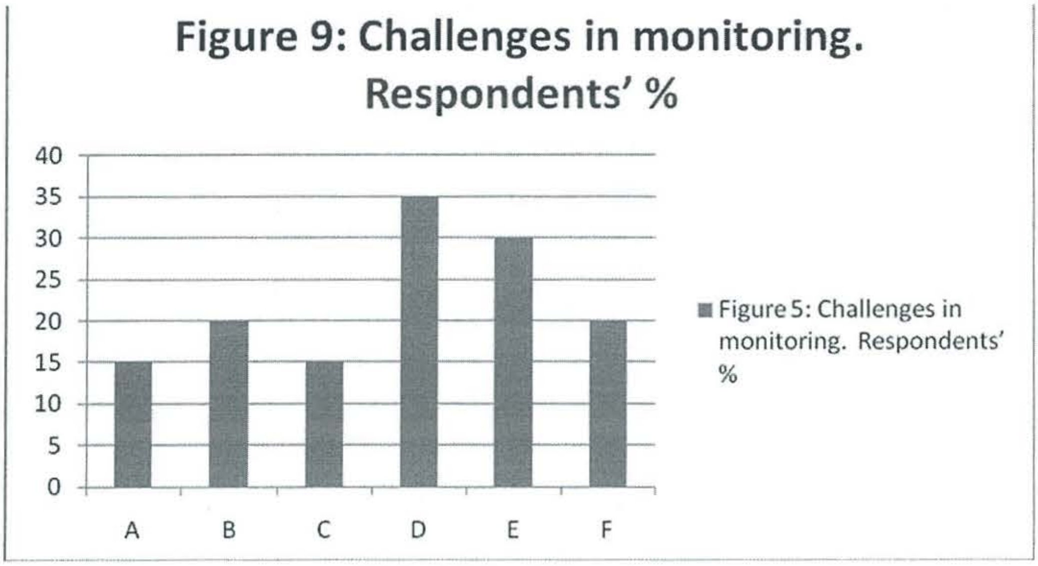
Key:
F- **Frequency**
%- **percentage**

At supervision level, the respondents agreed that the firm uses loan rating policy. This shows the supervisors involvement in the firm's and the microfinance's use of loan rating system. All respondents agreed that the institution uses a credit rating system in assessment of the clients' loan worthiness.

65 of the respondents strongly agreed that Faulu Kenya use credit policy system in evaluating of clients' application for loan facility thus this represent 65% of the respondents. This makes the microfinance to effectively choose their clients who can pay back the loans given by the institution. 35 of the clients agreed that Faulu Kenya uses loan rating system on its clients hence this represents 35% of the respondents.

The researcher also wanted to know if the loan rating of clients is often reviewed thus 50% of the respondents strongly agreed that Faulu Kenya reviews its loan rating policy while 32 of the respondents agreed that the firm reviews its loan rating policy, however, 15% of the respondents disagreed that Faulu Kenya does not review its loan rating policy. The researcher wanted to know if their were some factors that lead to non-payments/ bad debts in Faulu Kenya, hence 60 of the respondents agreed that Faulu Kenya microfinance firm faces some problems and this representing 60% of the respondents.

The respondents considered several factors as the cause of bad debts namely: *improper appraisal, conmen, poor supervision, political influence, weak legal system, diversion of funds, non-compliance and poor payment* thus this is shown in figure 9 below.



Source: primary data

Key:

A-	Poor communication
B-	Large portfolio of clients
C-	Clients change of premises
D-	Hostile clients
E-	Transport
F-	Accessibility of clients

4.6.1 Response on factors on assessment of loan facility

The researcher was interested in knowing how important are the below factors important in application for a loan facility and if at all people are aware of it.

Table 8: Important factors used in assessment of loan facility.

Response	**VI**		**I**		**FI**		**HI**		**NI**		**Total**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	
Loan limit summary	45	45%	40	40%	5	5%	7	7%	3	3%	**100%**
Purpose of the loan	60	60%	30	30%	7	7%	3	3%	0	0%	**100%**
Collateral/ security	70	70%	30	30	0	0	0	0	0	0	**100%**
Capacity of customer to pay	60	60%	40	40	0	0	0	0	0	0	**100%**
Character of the management	15	15%	30	30%	25	25%	10	10%	20	20%	**100%**
Financial assets of the company	45	45%	10	10%	20	20%	20	20%	5	5%	**100%**
Financial projection	40	40%	20	20%	10	10%	27	27%	3	3%	**100%**
Owner level of dependence	43	43%	45	45%	5	5%	3	3%	4	4%	**100%**

Source: primary data

Key: VI- Very important **I-** Important **FI-** Fairly important **HI-** Hardly important
NI- Not important **F-** Frequency

There are some important factors that Faulu Kenya has to take into consideration before granting loans to their clients thus the researcher wanted to know how important these factors are. There were 60 respondents representing 60% of the respondents who agreed that the purpose of the credit is very important before clients acquire the loan, the clients have to state the reasons why they need the loan.

70 of the respondents representing 70% agreed that collateral or security is very important for the microfinance institution to check before granting loans to clients, thus this will give the institution the assurance that the clients will pay the loan.

The institution has also to check on the capacity of the customer to pay the loan, thus 100% of the respondents agreed that this is important since the firm has to know whether the clients are capable of paying the loan. The researcher also wanted to know if the character of the management is an important factor when one is applying for loan hence15% of the respondents agreed that it is important while25 respondents representing 25% of the respondents fairly agreed that it is important. However, 20 respondents representing 20% of the respondents said that character of the management is not important when a client applies for loan.

45 of the respondents representing 45% agreed that financial assets of the company is very important factor in evaluating an application for the loan facility while 5 respondents representing 5% of the respondents said that financial assets of the company is not important in evaluating an application for the loan facility. Owner level of dependence is also important since this will prove to the microfinance institution that the client has the capacity to pay for the loan when given thus 43% and 45% of the respondents agreed that it is very important and important respectively in evaluating an application for the loan facility.

4.6.2 Feed back on loan repayment mechanism.

Table 9: Effectiveness of loan repayment mechanism.

Response	HE		FE		NE		NR		Total
	F	%	F	%	F	%	F	%	
Continuous supervision to ensure purposeful use of the loan.	30	30%	30	30%	40	40%	0	0%	**100%**
Continuous customer sensitization about their financial obligation	50	50%	40	40%	8	8%	2	2%	**100%**
Reminder on phone, letters and physical customer contact.	70	70%	30	30%	0	0%	0	0%	**100%**
Use of court bailiffs and mortgage of collateral	60	60%	40	40%	0	0%	0	0%	**100%**
Visiting clients whenever need be.	55	55%	40	40%	4	4%	1	1%	**100%**
Auctioning clients property	66	66%	32	32%	2	2%	0	0%	**100%**
Referees to guarantors	48	48%	48	48%	2	2%	2	2%	**100%**
Warning to the customers	65	65%	35	35%	0	0%	0	0%	**100%**

Source: primary data

Key

High effective (**HE**), fairly effective (**FE**), Not effective (**NE**), Non response (**NR**)

Frequency (**F**)

In the evaluation on repayment approaches, the researcher wanted to find out effectiveness of the above table. 30 of the respondents representing 30% of the respondents agreed that continuous supervision to ensure purposeful use of the loan is highly effective in loan repayment approach hence the microfinance institution cannot supervise what the clients do with their loans which they have been given by the institution.

50 respondents representing 50% of the respondents' agreed that continuous customer sensitization about their financial obligation is highly effective in loan repayment approach while 40% of the respondents agreed that continuous customer sensitization about their financial obligation is fairly effective.

The researcher also wanted to know whether reminder on phone, letters and physical customer contact is effective hence 70 respondents representing 70% of the respondents agreed it is highly effective since the firm has to remind its clients on their obligations.

Faulu Kenya Limited also uses court bailiffs and mortgage of collateral as away of loan repayment approach and this is shown by the respondents where 60 of the respondents representing 60% of the respondents agreed that its is highly effective while 40% of the respondents fairly agreed that court bailiffs and mortgage of collateral are effective.

Being that Faulu Kenya is micro deposit institution, the bank does visit its clients whenever need be. 55 respondents representing 55% of the respondents agreed that clients' visit is very effective so that the management can know their clients very well while 40 of the respondents representing 40% agreed that it is fairly effective for the institution to visit its clients.

66 of the respondents representing 66% of the respondents highly agreed that auctioning clients' property is effective approach of credit recovery since some clients' might not be able to pay their loans back yet the bank have their security thus the only option the firm has is to sell the security in order to get back their money. The respondents agreed that the institution has to warn the customer before auctioning their securities. 65 respondents representing 65% agreed that it is highly effective that the microfinance institution has to make the warning to the customers.

4.7 FEEDBACK ON DURATION GIVEN TO BORROWERS.

The researcher was interested in evaluating the duration given to customers by the microfinance institution before paying the principal and interest from the loan.

Table 10: duration given to clients/ borrowers from the microfinance institution.

Response	Agreed		Strongly agreed		Neither agreed nor disagreed		Strongly disagreed		Disagreed		
	F	%	F	%	F	%	F	%	F	%	Total
1. Are first time borrowers given short duration i.e. 3 - 6 months to repay the loan to the firm?	3	3%	0	0%	0	0%	57	57%	40	40%	**100%**
2. Are second time borrowers given long time duration i.e. 6 months to one year for them to repay their loans?	0	0%	0	0%	0	0%	60	60%	40	40%	**100%**
3. Are the third time borrowers given long time i.e. more than one year for them to repay their loans?	0	0%	2	2%	0	0%	43	43%	55	55%	**100%**

Source: primary data

The researcher wanted to know the duration given to first time borrowers, second time borrowers and third time borrowers before they pay up principal and interests if they are the same. 57 of the respondents representing 57% of the respondents strongly disagreed that the first time borrowers are given shorter time like 3- 6 months to repay the loan to the institution while 40 respondents representing 40% of the respondents disagreed with it.

The researcher also wanted to know the duration given to second time borrowers, before they pay up principal and interests if they are longer that is six months to one year for them to repay their loans thus 60 respondents representing 60% of the respondents strongly disagreed while 40% of the respondents disagreed that 2nd time borrowers are given that long duration to repay their loan.

43 of the respondents representing 43% strongly disagreed that the third time borrowers given long time i.e. more than one year for them to repay their loans while 55% of the respondents disagreed that the time borrowers are given that long duration to repay their loans. The respondents agreed that Faulu Kenya treat their clients equally and this depends on the amount of loan a customer applies for hence all customers are equal.

Table 11: implications of conmen and fraudsters in loan marketing.

Response	**Agreed**		**Strongly agreed**		**Neither agreed nor disagreed**		**Strongly disagreed**		**Disagreed**		
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**Total**
1. Are there some weaknesses in the policy, which might result to low repayment rate from the borrowers due to its strict terms and conditions?	20	20%	40	40%	0	0%	25	25%	15	15%	**100%**
2. Do the fraudsters limit the borrowers' capacity to securing loans?	43	43%	50	50%	0	0%	4	4%	3	3%	**100%**
3. Do the pyramid schemes establish guidelines for loans to the clients and determine the repayment terms?	45	45%	53	53%	0	0%	0	0%	2	2%	**100%**
4. Does Faulu Kenya check and create means to deal with conmen and frauds before giving out loans?	48	48%	52	52%	0	0%	0	0%	0	0%	**100%**

Source: primary data

The researcher wanted to know whether the above information are important to the clients thus 40 of the respondents representing 40% strongly agreed that there some weaknesses in the micro-credit sector, which might result to low repayment rate from the borrowers due to its strict terms and conditions for repayment. 25% of the respondents strongly disagreed with that, 15% also disagreed with it.

The researcher also inquired whether conmen and fraudsters limit the borrowers' capacity from securing a loan hence 50 respondents representing 50% of the respondents strongly agreed with this and also 43 respondents representing 43% of the respondents agreed, however, 4% of the respondents strongly disagreed that the policy limit the borrowers' capacity from securing a loan. 50% of the respondents who strongly agreed said that pyramid schemes were the major culprits in the limitations.

52 respondents representing 52% of the respondents strongly agreed that Faulu Kenya checks and create means to deal with conmen amongst clients before giving them loans. 48 respondents representing 48% of the respondents also agreed with it. This will help the Faulu Kenya to know the amount money they will give to their clients' proportionally with confidence and utmost trust.

4.8 Table 12: feedback on cultural practices of the people.

Response	Frequency	Percentage
Attendance to cultural festivities.	40	40%
Do regret being born in your culture?	0	0%
Do elders preside over the ceremonies?	45	45%
Are the ceremonies usually well attended?	15	15%
Total	**100**	**100%**

Source: primary data

From the table above, results of the survey and interviews conducted indicated that 45 respondents representing 45% of the respondents agreed that the elders of the community presided most of the cultural festivals.

40 respondents representing 40% of the respondents revealed that the cultural festivals are mainly meant to guide and gauge the respondents' way of living. This was due to the facts that there are many fraudsters set to cheat people and distort their lives.15 respondents representing 15% of the respondents agreed that at times there are low attendance levels to the ceremonies which means that many people are now liberated from their cultures.

5.0 CHAPTER FIVE

DISCUSSIONS OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS.

5.1 INTRODUCTION.

This chapter presents the summary of findings, conclusion, recommendations and suggestion for future research in line with the study objectives and the research question.

5.2 DISCUSSION OF FINDINGS.

5.2.1 Bio data

There were 19 males representing 45% and 22 females representing 55% of the respondents, thus females were the highest. This showed that Faulu Kenya employees have more females and the numbers of people seeking for loans in the MFI are females thus this has been indicated in the study.

Faulu Kenya also employed more workers who have diploma holder in level of education, 45% of the respondents agreed that Faulu Kenya has majority of diploma holders compared to degree holders who have 26% of the respondents. This shows that the MFI mostly uses diploma holders within the institution.

5.2.2 Credit Rating in relation to Peoples Culture.

The credit rating process is carried out in MFIs where Faulu Kenya does this to assess the clients' credit worthiness before giving them loans. These rates are assigned by credit officers, credit supervisors and head of departments where they do the assessment of credit rates basing on the feedback of the marketers analysis of the peoples culture. It was noted that the credit rating process has a significant effects on the performance of the MFI. 65% of the respondents strongly agreed that Faulu Kenya rate their clients. This implies that if the credit rating is effectively carried out, the performance of commercial banks and MFIs would be enhanced.

According to the journal for the capital markets industry, Uganda volume 11 pages 38-39, No. 3 July- September 2007; Credit rating is the assessment of both qualitative and quantitative information which may impact on an entities ability to repay its loans. Quantitative factors may include financial information on liquidity and debt while qualitative information may include management depth and lately corporate governance structure of the MFI. Credit risk evaluation is the core competence of the MFIs. However credit risk evaluation (credit rating model) focuses narrowly on the likelihood of default on a loan. Thus the most obvious use of credit ratings is to help investors decide whether to invest in a particular debt.

I therefore concur with the author concerning credit rating because credit rating enables the Faulu Kenya to know the credit worthiness of their clients before giving them loans hence credit rating is so essential in the MFI.

5.2.3 Marketing policy.

The performance of any MFI depends on its existing marketing policy at any given time period thus Faulu Kenya has written marketing policies, procedures and directives that are guided by the MFI's mission and strategies plan, 95% of the respondents strongly agreed that Faulu Kenya has a marketing policy which really help them in the firm. These are used to guide the marketing decisions made and define the target markets of the institution, hence it was noted that marketing policies are reviewed after every two years in the bank. 60 respondents representing 60% of the respondents strongly agreed that Faulu Kenya reviews their marketing policies after every two years, while 35% agreed that marketing policy is reviewed annually.

According to McNaughton D and Dietz (1996), microfinance institutions in developing markets*; Building strong management and responding to change, managing the marketing risk, Washington D.C* It provides parameters, defines responsibilities and establishes a system of checks and balances. A marketing policy should be specific, clear, concise, and relevant supported by the marketing procedures. It should include general policies, specific loan procedures, miscellaneous loan policies, quality control and committees to clearly guide the marketing decision made in microfinance institution. The marketing policy should define the MFI's acceptable and unacceptable risks.

According to Muelle P. Henry (1976) Marketing doctrine for the lending office, New York Citicorp defines marketing policy as a tool that provides framework for the entire credit management process. A marketing policy or credit management system (CMS) is aimed at optimizing the efficiency of marketing management of microfinance institutions and other related credit institutions. The MFIs must gain an acceptable level of confidence to extend the loans facilities at the lowest possible risk of loss since the MFI's funds are committed for returns.

According to Fundamentals of financial management 9th edition by Eugene F. Brigham and Joel F. Houston page 726- 28; The term marketing policy refer to the combination of the three decision variables namely marketing standards, marketing terms and collection efforts that influence the amount of loans extended by MFIs. Credit period that is the length the customers are given to pay their dues. Marketing standards, which refer to the required marketability strength, collection policy, which is measured by its toughness or laxity in attempting to collect or slow paying accounts.

I therefore agree with the author pertaining marketing policy since this is where terms and conditions given to a customer concerning the advantages of taking loans are indicated hence this will help the MFI to limit defaulters. Marketing managers base their evaluations on the risk in extending credit on assessments of the attributes of particular customers. This can be seen in 5 C's' that is Character, capacity, collateral, capital and conditions.

Character: this is a customer own desire to pay off debts hence this is the most important attribute.
Capacity: this is the ability to pay debt as reflected in the cash flows of the individual of firm.
Conditions: these are general economic circumstances of the firm's industry or the individual employment.
Capital: this refers to financial strength of customer which depends primarily on the customer's net worth relatively to outstanding debt obligations.
Collateral: this is asset that the customer has available to pledge against the debt.

5.2.4 Loan terms

Loan terms are the standards, terms, procedures and policies used to grant loans to customers. Once the client has met the terms of credit in the MFI policy, then the firm is under obligation to grant the client loan. 70% of the respondents agreed that the MFI must check on the collateral, owners' level of dependence and capacity of the customer to before giving out the loan to the clients.

According to Foundations of Financial management, 10th Edition, by Stanley B. Block, and Geoffrey A. Hirt, 2002 page 186-90; Once the decision to extend loans to customer is made then a decision regarding the terms of credit follows. Loan terms specify the duration of loan that is loan period and terms of payment in any MFI. He also articulated that loan period affects profitability, liquidity and survival since increase in loan period increases the loan portfolios.

Greuning H.V and Bratonivic B. (1999); Analysing banking risk, a framework for assessing corporate governance and financial risk management: *the world bank Washington D.C* concluded that in determining the loan terms of any customer, the following need to be considered marketing policies and procedures, prior loss experiences, loan growth, quality and depth of management in the landing areas, loan collection like recovery procedures, changes in natural and local economic business conditions and general economic trends.

I therefore concur with the author pertaining loan terms of the MFI, this is because a client has to meet all the requirements the MFI wants before he is granted loan regardless of their cultural beliefs.

5.2.5 Loan Recovery approach.

Loan recovery approach is the process through which Faulu Kenya recovers its loans that is principals and interests given to its clients. 70% of the respondents agreed that Faulu Kenya uses court bailiffs and mortgages as securities while giving loans, hence when clients fail to repay principal, 66% of the respondents agreed that Faulu Kenya will auction the clients' property when they fail to pay their dues. However the MFI has to remind the client on phone, letters and physical contact before auctioning the customer property.

According to Brigham F. Eugene 1985, financial management theory and practice, 4th Edition Collection policy refers to the procedures the MFIs or firms use to collect past dues accounts or receivable. A collection policy is needed because all customers do not pay the firm bills in time. Some customers are slow payers while others are not payers. The collection efforts should therefore aim at accelerating collection from slow pay and reducing bad debt losses. The firm's collection policy is measured by its toughness or laxity in following up slow paying accounts.

According to Meir Kohn, ***Money, Banking and Financial Markets (1991),*** Defaulting is to fail to pay off the amount owed when the loan matures. There is a risk of loss that adheres to generals in general. The lending institution cannot tell in advance which loans will turn bad or will cause trouble, but know from experience that loans of different classes offer varying possibilities for risk. Loan management policy helps to reduce this risk by reducing the rate of defaulters through monitoring loan given. All clients' pay a good credit policy enables that loaned amount back in the right time.

Not all clients do pay back their loans in time, other customers end up not paying their loans, and I therefore agree with the author that strong measure should be taken again them like selling their securities in order for the MFI to get back their amount loaned.

5.2.6 Implications of fraudsters and conmen on people and people's cultural practices.

According to Devereux, S. & Bhat, R. {2006}. *Building Business Relationships: A preliminary study of Business Executives views.* Journal of Cultural Management. Vol.12 Iss.3. They observed that informal financial organizations are only set to exploit illiterate and unsuspecting people in the society. 40 of the respondents representing 40% strongly agreed that there some weaknesses in the micro-credit sector, which might result to low repayment rate from the borrowers due to its strict terms and conditions for repayment. 25% of the respondents strongly disagreed with that, 15% also disagreed with it. Researcher also inquired whether conmen and fraudsters limit the borrowers' capacity from securing a loan hence 50 respondents representing 50% of the respondents strongly agreed with this and also 43 respondents representing 43% of the respondents agreed, however, 4% of the respondents strongly disagreed that the policy limit the borrowers' capacity from securing a loan. 50% of the respondents who strongly agreed said that pyramid schemes were the major culprits in the limitations.

On the other hand, 45% of the respondents agreed that the elders of the community presided most of the cultural festivals.

40 respondents representing 40% of the respondents revealed that the cultural festivals are mainly meant to guide and gauge the respondents' way of living. This was due to the facts that there are many fraudsters set to cheat people and distort their lives.15 respondents representing 15% of the

respondents agreed that at times there are low attendance levels to the ceremonies which means that many people are now liberated from their cultures.

5.2.7 Duration given to borrowers.

Faulu Kenya treats its customers equally whether he is the first borrower or second borrower or third. When a client wants a loan from the institution and has met all the requirements needed by Faulu Kenya then the firm will treat him like any other client who has been borrowing from the MFI. 57% of the respondents strongly disagreed that the institution does give shorter duration to their first clients compared to the second and third clients but the only difference depends on the amount of loan one takes from the MFI; those who take large amount of loan, their interest rates and time paying back their principal and interest are different from those who take small amount of loan.

According to Joanna Ledger wood (2000), Microfinance Institutions provide loans regardless of the approach selected, the actual loan product need to be designed according to the demands of the target market. This involves establishing appropriate loan amounts, loan terms, collateral requirements (or substitutes), interest rates and fees, and potentially compulsory savings or group contribution requirements.

According to Frederics Mishkin, *the Economics of Money, Banking and Financial Management* 1992, credit management is the activity of: Deciding whether a firm should grant credit to a customer and how much credit (that is, for what amount of money and the length of time) should be granted thus this ensures that customers who have been granted credit are paying on time. It is therefore very prudent that the MFIs treat their customers equally with no discrimination.

I concur with the author that clients should be viewed equally in that the first borrowers should not be treated differently from the second or third borrowers thus: the higher the amount of loan the lower the amount of interest rate and the longer the duration for paying back the loan but the lower the amount of loan the shorter the paying back period and the higher the interest rate demanded by the MFI.

5.3 RECOMMENDATION

In light of the findings obtained during the study, the researcher recommended that Faulu Kenya should work in conjunction with other banks and microfinance institutions to come up with a centralized customer data for easy access on details concerning a customer's credit worthiness, Financial institutions should always have qualified and experienced credit team who can tell a suitable candidate before any loan is given.

Faulu Kenya limited with other financial institutions should always keep proper records of a customer and terms and conditions given to a client before loan is disbursed should be followed by financial institution to avoid defaulters.

Marketing policies should also be reviewed often and made clear to all the persons working under credit department and even other departments so that Faulu Kenya customers should be well informed on the institution's policies.

The study assessed the effects of marketing policy of loans in relation to the people's culture in the performance of microfinance institutions in Kenya using Faulu Kenya limited {Bungoma} as a case study. This was in regard to Faulu Kenya past experience of loan marketing function in line with its target markets culture. The whole exercise of credit risk management depended on the discretion of management in controlling the level of loan portfolios. Thus its however advisable that a study on other functions in the firm outside the credit policy could provide further information on the factors that may influence the performance of microfinance institutions more so in Faulu Kenya limited in Kenya.

Research can also be done on other financial institutions apart from Faulu Kenya that deal with giving out loans and have marketing and credit policies since Faulu Kenya is just a part of financial institutions. This leads to easy comparison and make research done earlier more realistic.

5.4 LIMITATIONS OF THE STUDY.

The researcher found the following limitations in the process of this research:

1. The greatest constraint was the inadequate resources in terms of time, money, accessing and assessing the appropriate data.

2. Respondents were reluctant in giving information concerning the topic under study. The management of the Faulu Kenya- invokes confidentiality and internal use only clauses and regulations thus this also led to delay in data collection.

3. Call backs led to an increase in costs. Time framework within which the proposal was to be completed was not enough, yet a good work takes time.

4. Respondents' could not act in time due to unfavorable timing, especially during times when they were busy with the office work thus this led to delay of data collection and analysis.

5.5 CONCLUSION

It is evidently true that the good performance of Faulu Kenya can be mainly contributed by the loan control measures which work in tandem with both the loan marketers and people's culture as a result of well established marketing policy screening mechanism in place before loans are extended to clients. It's evident from this study that indigenous microfinance institutions in Kenya use all the elements of marketing and credit policy management process, but are not comprehensively using the aspects of the various elements of the process in the management of their credit function.

There is a significant and positive relationship between the elements of marketing policy management and the performance of Faulu Kenya thus these findings reveal that the marketing and credit policy management in the MFI has a strong impact of the quality of the institution's loan portfolio and thus the performance of the MFI..

An overall marketing policy management must include an evaluation of the loans risk management policies and practices of the firm. This evaluation determines the adequacy of financial information received from a borrower, which must be used by institution as a basis for the extension of the loans and the periodic assessment of inherently changing risk. Hence loan marketing policies should define target market risk acceptance criteria, credit approval authority, credit origination and maintenance procedures, and guidelines for portfolio managements.

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APPENDICES

PROPOSED BUDGET ESTIMATE

	ITEM	*QUANTITY*	*UNIT COST {Kshs}*	*AMOUNT {Kshs}*
1.	**Stationery**			
	a) Printing paper.	1 ream	280	**280**
	b) Pens	4 pieces	10	**40**
	c) Note books	2	100	**200**
	d) Correcting fluid	1 bottle	50	**50**
	Subtotals			570
2.	**Resource Costs**			
	Internet	2 weeks	60 per day	**840**
	Subtotals			840
3.	**Travel Costs**			
	Fare	30 days	100 per day	**3,000**
	Subtotals			3,000
4.	**Subsistence**			
	a) Meals	30 days	100 per day	**3,000**
	b) Accommodation	30 days	250 per day	**7,500**
	c) Allowance assistant	30days	100 per day	**3,000**
	Subtotals			13,500
5.	**Miscellaneous**			**2,000**
	Subtotals			2,000
	Grand Total			19,910

APPENDICES

Appendix 1.

QUESTIONNAIRE:

Dear Respondent,

The purpose of this questionnaire is to gather information regarding the effect of people's culture on marketing loans by Faulu Kenya Limited Microfinance Institution in Bungoma District, Western Province, Kenya. It's a partial requirement for the award of Bachelors Degree in Business Administration at Kampala International University tot the researcher.

You have chosen randomly in two categories to respond to questions that are similar in both categories. The first category is made up of those with a background in education and the second category is of those with no background of at all in education. Your honest response to these questions will be helpful in analyzing how the level of literacy and cultural independence affects loan marketing of microfinance institutions. All information received from this questionnaire will be used only for the project stated therein and treated with utmost confidentiality. I therefore urge you to answer all questions truthfully and without bias.

SECTION A: PERSONAL INFORMATION

1. Age

   18-25( )   25-35( )   35-45( )

2. Gender

   Male ( )   Female ( )

3. Marital status

   Married ( ) Single ( ) Divorced ( ) Separated ( ) Widowed ( )

4. Level of Education

   Primary ( ) Secondary ( ) Tertiary ( ) Others____________

5. Number of children

   1( ) 2( ) 3( ) 4( ) 5( ) Others____________

6. Have you had any cultural differences within your family? Yes ( ) No ( )

If yes, what was the cause of the differences?

____

____

SECTION B: KNOWLEDGE ON CULTURAL PRACTICES

1. Do you and your family including children speak your mother tongue at home? Yes ( ) No ( )

Why?

____

____

2. How often do you attend cultural festivities in your community?

Sometimes ( ) Always ( ) Never ( )

If you do, why?

____

____

3. What kind of people presides over the cultural ceremonies?

Elders ( ) Men ( ) both men and women ( ) Others________________

4. How often do you attend cultural ceremonies?

Daily ( ) Weekly ( ) Monthly ( ) Yearly ( ) Others________________

5. Do you take your children with you to the cultural festivities?

Yes ( ) No ( )

If yes why?

____

____

SECTION C: KNOWLEDGE ON MARKETING ACTIVITIES

1. What is your understanding of term loan marketing?

____

____

2. Do you think marketing of loans is of importance in improving your living standards?

____

____

SECTION D: KNOWLEDGE ON MICROFINANCE INSTITUTIONS AND LOANS

1. Do you have any microfinance institutions in your community?

   Yes ( )   No ( )

   If yes which ones?

   ____

   ____

2. Do you believe that it is important to ask for financial assistance from credible microfinance institutions?

   Yes ( )   No ( )

3. What is your understanding of pyramid schemes and what do you think lures people into it?

   ____

   ____

4. Is it beneficial to you?

   Yes ( )   No ( )

   Why?

   ____

   ____

5. What is your understanding on conmen and fraudsters?

____

____

6. What is your understanding of fraudsters posing as genuine pyramid schemes officials?

____

____

7. Do you think that illegal pyramid schemes can be stopped?

Yes ( ) No ( )

If yes, how?

____

____

8. What do you do when you realize you have been conned/ defrauded?

____

____

9. What do you understand by the term microfinance institutions?

____

____

10. Are you a member of any genuine microfinance institution?

____

____

Why?

____

____

11. How often do you engage in business with the microfinance institution?

Once a month ( ) Once a year ( ) Others____________________

SECTION E: KNOWLEDGE ON LOAN TRANSACTION

1. Are you able to understand and interpret terms and conditions of receiving financial aid?

Yes ( ) No ( )

2. If your answer is yes, interpret the following terms and conditions:

(a) If indicated on application form

Interest rates____

Third party____

Security/ collateral____

{b} Are you aware of the procedures in undertaken in the acquisition of loans?__________

SECTION F: EDUCATION BACKGROUND

1. Have you ever attended school? Yes ( ) No ( )

If yes, to what level? ____

If not, why? ______________________________

Thank you for answering the questions above truthfully, and without bias. The information that you have offered will be helpful in the research that I am conducting.

END

Appendix 2.

INTERVIEW GUIDE

{FOR THE MICROFINANCE LOAN MARKETERS}

1. What is the most common problem you encounter in marketing?

2. What do you believe is the cause of this problem, and how can it be prevented?

3. How do you assess credit worthiness of clients of varying cultures?

4. What do you believe to be the most likely cause of frauds and illegal pyramid schemes in the society and its prevention?

5. How can microfinance marketers keep track of the progress of their clients?

6. Do you as a marketer of loans believe that all the loan acquisition in this district is recorded?

7. Do you as a loan marketer believe that there should be a relationship between the society of varying culture and the marketers?

8. What do you propose to be the solution to cultural rigidity of the people as regards loan marketing?

9. How often does the management review the marketing polices of loans and other related services?

10. How long does it take for a client to be assured of receiving a loan after applying for one?