EFFECTS OF INTEREST RATE CEILINGS ON THE OPERATIONS OF MICROFINANCE IN KENYA

CASE STUDY OF KENYA WOMEN FINANCE TRUST LIMITED .

BY

GATOBU MAUREEN NKIROTE

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RESEARCH DISSATETION SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE BACHELOR'S DEGREE OF BUSINESS ADMINISTRATION FINANCE AND BANKING OPTION OF KAMPALA INTERNATIONAL UNIVERSITY

DECLARA TION:

I declare that this research project is my original work and has never been submitted for any academic award. Where the works of others have been cited acknowledgment has been made.

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Signature~

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GATOBU MAUREEN

Date

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APPROVAL

I certify that the work submitted by this candidate was under my supervision. Her work is original and worth for the award of a Bachelors Degree in Business Administration

SUPERVISOR--- DATE---1/12/10-----------

RUTEGANDA MICHAEL

DEDICATION

This work is dedicated to my beloved parent Mr. Julius Gatobu and Mrs. Rosemary Kinanu Gatobu my brother Edwin Karani ,sister Diana karimi for their tireless effort to make my research a success, May Almighty God bless them all.

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I thank GOD almighty for giving me all the necessary strengths, knowledge, wisdom, financial and moral ability to complete my research report.

I wish sincerely to express my heartfelt gratitude to everyone who assisted me to complete this research report. My primarily obligation is to Kampala International University and to my Supervisor RUTEGANDA MICHAEL for his useful comments, parental, criticisms and suggestions on the original manuscript of this report.

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ABSTRACT

Micro finance includes the entire spectrum of financial services for broad sectors of the population, but particularly for the poor, but refers not only to small and micro loans, but also saving products to savings products insurance and money transfers. **In** short, microfinance means specialist financial services to disadvantaged people

The study aimed at investigating how interest rate ceiling affect the availability of credit to the marginalized poor in Kenya. The microfinance institutions in Kenya have been charging high interest on the loans hence discouraging borrowing as the loan tend to be expensive for the poor. The objectives and hypothesis of the study vigorously focused into the trends, causes and implications of this notion.

For microfinance to achieve their objective of making credit available, they have to eliminate predatory lending to the poor Kenyans. The government has also to involve the microfinance institutions in their discussion table when setting the interest ceiling rate for them. This will ensure the interest charged by the microfinance will allow the profitability and growth of the institutions as well facilitate the availability of credit to the poor.

ACRONYMS

MFI	Micro Finance Institutions
KWFT	Kenya women finance trust
MLA	Micro Lending Association

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CHAPTER ONE

INTRODUCTION

1.0. Introduction

The aim of this research was to investigate the effects of interest rates earnings on the operation of micro finance institutions in Kenya a case study of micro finance institutions have continued to charge high interest rates on loan even after government intervention in setting interest rate earnings. This has prompted research to investigate factors contributing to the situation and how it can be corrected.

1.1 Background to the study

Interest rate earnings are found in many countries through the world with the expansion of micro finance in developing countries, many legislators and the general publics have found it difficult to accept that small loans to poor people generally cost more than normal commercial bank rates. Though meant to protect consumer's interest rate earning all most always hurt the poor.

In 2003 the UN Secretary General Kofi Annan said the ceiling is that most people in the world still lack access to sustainable finance services, whether it saving or credit and he great challenges is to address the constraint that exclude people from full participation in the finances sector.

Many countries have established interest rate ceiling to protect consumers from unscrupulous lenders. Governments also focus political or cultural pleasure to keep interest rates low. Despite good interests, interest rate selling's generally hurt the poor by making it hard for new micro finance institutions (MFIS) to emerge and existing ones to stay in business. Glen (1991).

In countries with interest rate caps. MFIS withdraw from the market; they grow more slowly, because less transparent about total loan cost or reduce their work in rural and other costly markets. This forces pro-poor financial institutions out of business, according to Sanlomero (2003) interest rates caps often drive clients back to the expensive informal market where they have no or little protection.

Micro finance institutions have to be developed to address the imbalance between the financially stable individuals and the poor. This will address the challenges that exclude people from full participation in the financial sector.

Micro finance includes the entire spectrum of financial services for broad sectors of the population, but particularly for the poor, it offer small and micro loans, savings product insurance and money transfer, therefore in short micro finance means specialist financial institutions offering financial services to disadvantaged people at market condition.

Charging high interest rates by (MFIS) has reached the attention of policy makers through the world. Several concerns have been raised, why do institutions that set out to help the poor charge such high rates? How can governments support this practice from a political perspective? Should result in high Micro Finance Institution costs? How can customers be best protected from previously tenders, where they exist? Santomero, (2003).

Governments have used mandatory interest rate ceiling to address these kinds of concepts. Currently, on appointment about 40 developing and transitional countries have interest rate selling's of loan kind or another. Unfortunately, this often hurts rather than protects the most vulnerable by shirking poor people's access to financial services. Interest rate ceiling makes it difficult or impossible for formal and semi-formal micro lenders to cover their cost, driving them out of the market.

Poor clients are either left with no access to financial services or must revert to informal credit markets. (such as money lenders) which are even more expensive, ceiling can also lead to less transparent about the costs of credit, as lenders cope with interest rates caps by adding fees to their services.

Professor Muhammad Yunus Pioneered the exists on modern micro finance which emerged in the form of small scale micro credit facilities for poor household in Bangladesh. The impressive result that he and his team achieve led to the establishment of the new well-known Gvameen bank which provides finance services on a national scale. Honoring professor Yunus with the noble peace price in 2006 for his pioneer work in the area of micro finance also signifies the important of micro finance in promoting peace and prosperity around the world.

The objective of any micro finance institutions is found towards socially responsible reasons. But the only term viability of a micro finance and operational feasibility.

After the government of Kenya introduced interest rate ceiling of 18% Kenya women finance trust reduce their work in the rural areas and became more segmental because it could not ever its operating costs. The poor have to pay for inefficiencies that result into high micro finance institutions cost and this have turned the institutions to predatory lenders.

Kenya women finance trust (KWFT) is a uniave micro finance institution exclusively for women. It is built on the belief that women can transform their lives, those of their families and the way the world works through entrepreneurship.

Kenya women finance trust has grown from small beginning in 1981 into institution with 100,000, members from seven of Kenya's eight providers. The institution has achieved overall sustainability by March 2002.

In its early days, Kenya Women Finance Trust (KWFT) depends substandard on donors grants to finance both lending funds and administrative expenses since 1994 (KWFT) began borrowing from other NGOs and the financial sector for incremental portfolios was financed by funds borrowed from commercial sources locally and internationally.
It headquarters is in Nairobi and has branches in other Kenyan provinces and districts.

1.2 Statement of the problem.

The high interest rates charge by many micro finance institutions (MFTIS) have attracts the attention of policy makers throughout the work. Several concerns raised like, why do institutions that set out to help the poor charge such high rates? Should poor people have to pay for inefficiency that result in high MFI costs? How can customers be best protected from predably lenders, where they exist? This research aims to shed some light on the relationship between interest rate ceiling and operations of micro finance institutions in Kenya.

Policy makes in Kenya are increasingly ethical of the high interest rates that Micro finance institution charge some policy makers have suggested that ceiling be involved on micro credit interest rates to ensure that poor household has access to affordable credit. Charging, procure high enough to cover costs is an essential practice for any business enterprise that internals to continue it operations beyond the short term.

Thus, it's not surprising that promoters of sustainable micro finance have emphasized the need to adopt this practice by Micro Finance Institution.

Many Micro Finance Institution in the region have thus adopted cost recovery interest rates on micro credit. A significant number of such institutes have been able to expand the depth and breadth of their operations. The nominal interest rates charged by most Micro Finance Institutions in the country range from 30% to 70% a year (on a reducing balance basis). The effective interest rates are even higher because of commission and fees charged by micro finance institutions. Other factors such as the compulsory deposit for obtaining a loan, frequency of repayments, and the systems adopted to collect repayments also raise the effective interest rates. Santometo (2003). High interest rates on lending by financial institution, in the country have made credit accessibility almost impossible to the poor and effectively negated on poverty alleviation.

Kenya Women Finance Trust: micro finance network began with micro venture lending in Nairobi in 1981. The institution identifies needs for law income people in urban and rural areas and that sustainable economic development for the marginalized poor to financially liable persons.

1.3. Objectives of the study

1.3.1. General objective

Investigate the impact of interest rate ceiling on the operation of micro finance institution in Kenya.

1.3.2 Specific objectives

(a). To establish whether interest rate ceiling influence loan lending

(b). To determine whether interest rate ceiling protect borrowers from exploitation.

(c). To examine factors contributing to the contraction of the micro finance institutions.

1.4. Research questions

a) How does the interest rate ceiling influence loan lending?

b) How does interest rate ceiling protect borrower from exploitation?

c) What are the factors contributing to contraction of micro finance institutions?

1.5 Hypothesis

There is no relationship between high interest rate and debt financing. There is a relationship between low interest rates and debt financing.

1.6 Justification of the study

The research examined the effect of the interest rate ceiling on the micro finance lending industry in Kenya. Improving access to credit for small enterprises and low income individuals micro finance institutions should chare full cost recovering interest rates. After the government of Kenya introduce interest rate ceiling. Kenya women Finance trusts reduce their work in the rural areas and become more segmented in rural areas.

The research examined the factors contributing to the contraction of the micro finance institutions operations. This will assist Kenya women finance trust in restructuring rural areas and urban areas

1.7 Significance of the study.

The study was importance to the following:- business people will know the impact of interest rates ceiling on loan provision by micro finance institutions. This will help them in taking the best credit facility availed by micro finance.

Other students of research will learn from what has been researched on. This will enable them to research other areas to avail duplication of work. Other micro finance institutions will get useful information that would assist management in selling the interest rates.

This will help the government entitles which set interest rate ceiling to put into consideration the cost structure of micro finance in their calculations.

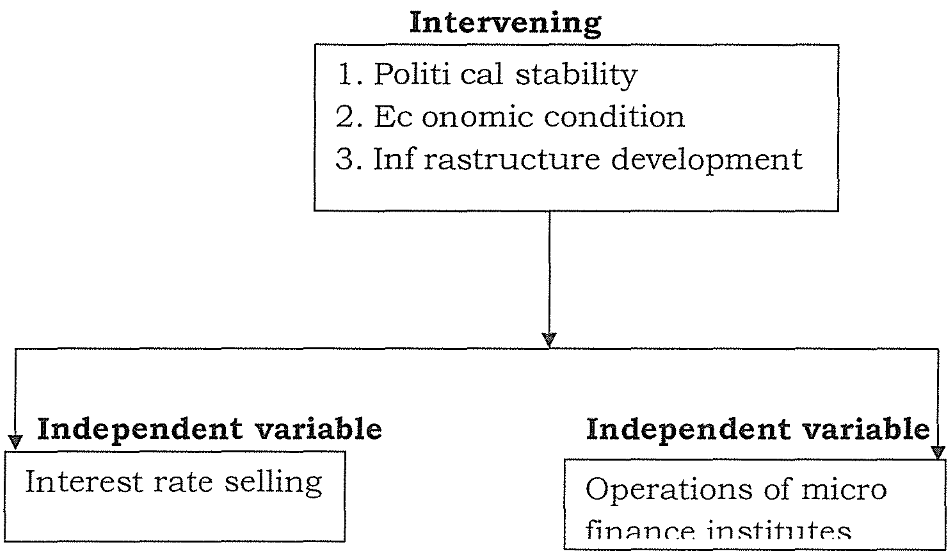
Current and potential companies in various industries may use this information to understand and appreciate the role played by interest rates on operations of micro fiancé institutions.

Scholars and future researchers may use the findings of this research as a source of reference. The study may also be used as a stepping stone in studying interest rates ceiling on establish any difference if any so that marketer will not make blank assumptions to the potential of its use across other micro finance institutions.

1.8 Scope of the study

The respondent to the research were Kenya women finance trust customers as well as the management and employees. The study was based on the interest rate ceiling effects on Kenya women finance trust operations. The research was conducted within KWFI head office in Nairobi.

1.9 Conceptual framework



The independent variable in this study is the interest rate ceiling while the dependent variable is the operations of micro finance institutions. These include debt financing loaning etc.

High interest rate ceiling mean's that the operation of debt financing will be affected negatively, lending of loans decreases substantially.

However, a low interest rate ceiling will increase lending activities of micro finance institutions.

The intervention variable includes, political stability, economic conditions and poor infrastructure, lending of credit decreases sustainability. However, when here is a political stability and government economic conditions and favorable infrastructure, lending activities are high.

CHAPTER TWO
LITERATURE REVIEW

2.0. Introduction

This chapter gives reference to what other scholars have written concerning interest rates ceiling and their impact on the performance of Microfinance Institutions. The literature review in my study concerns the interest rates ceilings and performance of the microfinance institutions with an emphasis on MFIS in Kenya. The literature review will help the researcher to document what other research have done and to identify the knowledge gap. The material used in the review includes magazines and journals on micro finance and micro finance relation websites over the internet.

2.1 Emergence of Microfinance

Modern microfinance emerged in the form of small-scale facilities for poor households in Bangladesh. Professor Muhammad Yunus pioneer these efforts. The impressive results that he and his team achieved to the establishment of the now well-known Grameen Bank which provides finance services on a national scale. Honoring professor Yunus with the Nobel Peace Prize in 2006 for his pioneering work in the area of microfinance also signifies the importance of microfinance in promoting peace and prosperity around the world.

2.1.1 Achievements of the microfinance industry.

Today, modern microfinance can claim many achievements. According to (Ftrrr.1999), the most profound achievement is the launch of an irreversible process of financial democratization. Early success shattered the deep rooted myth that poor people have neither willingness nor capability to repay loans. Later on, another myth about the poor was dispelled: that poor people have neither capacity nor willingness to save. Today, the recognition that poor people's demand for financial services goes well beyond microcredit and deposit services is further democratizing financial services.

According to (KKK, 2001), over 100 million poor people in the Africa, Asia and the Pacific region now have access to micro-credit from institutional sources. In addition, millions of poor people have gained better access to deposit facilities and other financial services of semi-formal or formal institutions. This outreach in itself is an achievement given the massive financial exclusion of the poor that existed about two decades ago. Its significance is even greater because majority of the microfinance clients are poor women undoubtedly the most vulnerable group in most societies.

The second remarkable achievement of modern microfinance is the impetus it provided to commercialize the provision of financial services to the poor and low-income households. It took more than decade to generate this momentum. Modern microfinance has shown that there is potential for profit at the bottom of the market pyramid –that institutions can do well while doing good. It is for this reason that we see today an increasingly diverse range of market-oriented institutions in the once barren landscape of formal finance services for the poor.

These institutions include conventional domestic banking institutions and global giants that previously shunned the poor for a variety of reasons. In addition, we see many different types of social investors and private investment funds providing debt and equity investments for retail microfinance institutions in many countries.

These diverse institutions bring a range of innovations to expand the depth and breadth of financial services to the poor. The growth of cell phone-based financial services, other emerging forms of branchless banking, and micro insurance services in countries such as the Philippines, Kenya and India provide a glimpse of the future of financial services that will benefit the poor.

Today's fertile landscape illustrates not only the achievements of modern microfinance, but also its bright future. However, this does not mean there are no challenges ahead.

2.1.2 Challenges to the microfinance industry

One of the biggest challenges is to further improve the enabling policy environment. For example, interest rate caps on small loans by banks remain a major issue in a number of countries where the unserved and underserved market for financial services for the poor is still massive. Many countries also continue to operate highly subsidized government microcredit programs through state-owned financial services to the poor and undermine growth rate ceilings for microcredit, thus increasing policy risks and making the investment climate less attractive. Hence, while complex, the issues related to policy environment must be addressed.

The second biggest challenge is building adequate retail capacity to provide a broad range of services in demand among the poor. This is particularly true in African countries where the un-served and underserved markets continue to be still very large. In China, massive efforts are necessary to establish retail institutions, reform the existing rural credit cooperatives and build the capacity of domestic banks to become dynamic players in the micro finance industry. In India, the capacity of poorly performing self-help-groups and many other retail institutions which continue to struggle to achieve efficiency and scale needs to be developed systematically. The current retail capacity limitations in many states of India are putting tremendous pressure on a small group of core microfinance institutions to overstretch to geographically. Many relatively smaller countries also have to address the issue of inadequate retail capacity.

Another challenge is the need for microfinance institutions to significantly reduce the transaction costs of providing a broad range of services. Some poor people are unable to access formal financial services due to high costs.

If the industry is to deepen its services to reach the poorer potential clients and those in remote locations that it has not been able to reach on a significant scale to-date, transaction cost reduction is essential. Transaction costs result in a wedge between the prices clients pay and the returns that service providers receive. Reducing transaction cost will therefore have a positive impact on both the supply and the demand for services, creating a win-win situation for all.

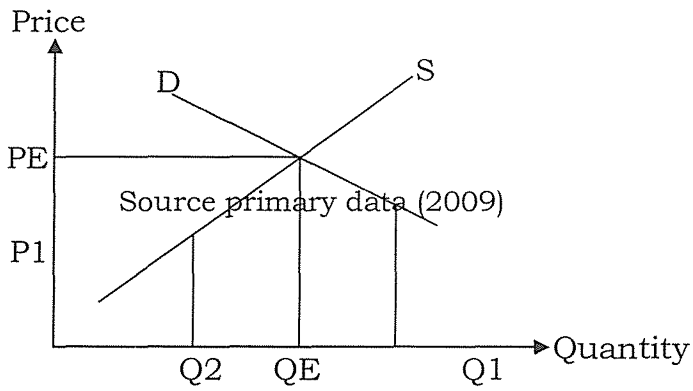
According to Birtha (2007), the next revolution in modern microfinance will be brought about by a series of process innovations that will significantly reduce transaction costs and significantly expand the currently limited scope of services.

2.2 Effects of interest Rate Ceilings on loan provision

When the government regulates the working of the market, supply and demand cannot interact freely to find the equilibrium quantity and price. When there is an artificial ceiling the allocation of resources is distorted if the equilibrium price is above the ceiling. The consequence is people who want finance, but due to their circumstances does not qualify at the ceiling interest rate are denied access. Jaffee & Dwight, (2001).

As this large segment of the market cannot access funds in the formal economy they have to resort to the informal economy. By limiting the interest rate chargeable the government may force many actors in this sector underground. The Microfinance Banking Act ignores the fact that of the reasons high interest rates are charged to that they are uneconomical to service at low interest rates. Santomero, (2003).

By placing a ceiling on the interest rate, but not providing an alternative means of finance, the government effectively excludes the people they were trying to protect. This is clearly shown in the diagram below.



Some interests are not allowed to rise above P1, there are no incentives to expand the quantity of loans offered and this will create a shortage. "Some suppliers may in fact leave the market altogether so that with the supply curve shifting inwards, the shortage will become even more acute". Santomero, (2003), basically the cap will encourage people to consume more of the service than if the market price were changed.

2.2.1 The impact of interest rate ceilings on credit supply

Lenders cannot afford to cross subsidize high risk borrowers without risking their competitive position. In markets without price controls specialist lenders meet demand for small sum credit, typically provided at high cost to high risk borrowers, Kraken and John, (2007).

Such lending models do not develop or lenders withdraw in markets where price controls are introduced. The impact of price controls is evident in both the diversity of credit products offered in market and in the extent of credit rationing.

Where ceilings are effective in containing price, lenders withdraw from markets where they cannot lend profitably. Lenders in these markets also set minimum lending levels higher than is appropriate to the needs of low income households and high risk borrowers. Grove, (2004).

The constrained credit product mix in price capped markets leads borrowers to use products which are less suited to their needs and expose them to greater risk. Where ceilings are imposed those without options are diverted to pawn-and illegal's while others are primarily diverted to mainstream revolving credit.

Illegal lending tends to arise in a credit vacuum, is frequently associated with other criminal activity and is both very high cost and damaging to victims. These effects are readily observed in markets with and without ceilings, as are the differences in outcomes for consumers. Santomero, (2003).

2.3. Whether interest rate ceiling protect borrowers from exploitation?

Many countries have established interest rate ceilings to protect consumers from unscrupulous lenders.

Governments often also face political or cultural pressure to keep interest rates low. Despite good intentions, interest rate ceilings generally hurt the poor by making it hard for new microfinance institutions (MFTs) to emerge and existing ones to stay in business.

In countries with interest rate caps. MFIs often withdraw from the market, grow more slowly, become less transparent about total loan cost, and or reduce their work in rural and other costly markets. By forcing pro-poor financial institutions out of business interest rate caps often drive clients back to the expensive informal market where they have no or little protection. Malkiel (2006).

Microfinance institutions (MFIs) influenced by interest rate ceilings have tried to cover their costs by imposing new charges and fees (Mahajan et el, 1996). Customers do not always clearly understand that these fees are part of the loan cost. Even when enforcement is weak, or when de facto interest rate ceilings exists due to subsidized lending, financial institutions often try to give the impression of compliance by charging an interest rate in line with the ceiling, but then adding fees and commission. Hence this lack of transparency hurts the poor by undermining their ability to comparison shop for loans. Santomero, (2003).

Even in case where there are clear rules for calculation the interest rate, and where the total costs of loans is included, authorities may find it difficult to design interest rate ceilings for other reasons. They vary widely by term (1 month, 4 months, 6 months, and 12 months) and repayment structure (daily, weekly and monthly). “By altering just one of these variables, the effective interest rate on a loan product changes creating an enormous variety of interest rates according to products” (Harper, 1998). This makes it difficult to compare credits products on price alone and even harder to ensure transparency regardless of whether interest rate ceiling exists.

2.3.1 What are alternatives to protect customers?

High interest rates on lending by financial institutions in the country have made credit accessibility almost impossible to the poor and effectively negated on poverty alleviation. To protect consumers from predatory lending, governments may pass consumer protection laws or schemes. Cordell and David (2001).

Such strategies provide a desirable safeguard without the negative effects of interest rate ceiling. Consumer protection laws generally cover a set to non-prudential regulations, including mandatory disclosure on total loan costs. Clearly defined complaint resolution procedures, consumer education to prevent abuse, and effective enforcement mechanism. Malkiel (2006).

Public disclosure of loan costs allows borrowers to comparison-shop for loan stimulates competition among lenders, and compels them to become more efficient to stay in business. All MFIs should be able and willing to disclose their interest and fee costs to customers. Although disclosure is generally, it is not devoid of risk because it may draw political backlash due to the relatively high interest rates in microfinance.

Disclosure is required in most developed countries as well as in some South American Countries, such as Peru, Bolivia and Colombia. In South Africa, the government has mandated the Micro Finance Regulatory Council (MFRC) to protect consumers and regulate microfinance institutions. The MFRC requires full disclosure of loan cost, offers a consumer complaint process, and runs consumer education campaigns on micro lending. Cordell and David (2001).

While microcredit interest rates will nearly be high than commercial bank rates greater efficiency, scale and competition can led to lower interest rates. In Bolivia, BancoSol's effective interest rate (interest + fees) was 65% per year when it began operations in 1992 with 4,500 clients. Today, in a highly competitive market and with 55,000 clients, its annual interest rate is 22% in Cambodia, in its relatively new but highly competitive microfinance market, interest rates have dropped from around 5% to 3.5% per month over the past few years. In some provinces where MFIs are particularly active, money lenders have dropped their rates to match those of the MFIs Karaken and John (2007).

2.4. Factors contributing to the contraction of the micro finance institutions

The vision of microfinance is quite simple – to create systemic change in financial systems worldwide. Instead of the exclusive financial systems that have for decades benefited and protected the wealthy, microfinance intends that they serve the impoverished majorities, help lift them out of poverty, and make them full participants in their country's social and economic development.

Acess to loans and credit facilities has been a major problem for a larger portion of Kenyan society (Aveyard, 1999). The problem is most significant amongst the disadvantaged and especially in rural areas where the majority of people do not have access to formal banking services due to lack of collateral. The physical access to banking facilities and the unattractiveness of this large section of society to the banking sector have contributed to millions of unbanked and under –banked in Kenya (Wood, 1999). Microfinance institution are defined by the Micro Lending Association (MLA) as the provision of credit to people who are unable to obtain loans or credit from commercial banks because their only security is the fact that they have regular source of income (Thordsen and Nathan, 1999).

The Kenyan microfinance industry is a rapidly growing market given the increased disposable income and accompanying need for credit in the emerging market in our economy. The highly sophisticated formal banking sector provides services to established businesses and middle to high-income individuals, but limits services to established businesses and middle to high income individual, but services to low income individuals and micro-business almost entirely to the operation of savings account. This sector of the market is viewed by the formal banks as high risk and insufficiently profitable because of the small size of the loans and concomitant high transactions cost. Santomero, (2003).

2.4.1 Overview of the market for micro finance in Kenya

There is no way to separate the supply side from the demand side of the industry. They must be looked together. The demand functions can change as consumers become more sophisticated in the use of credit and as they understand the cost associated with borrowing or the benefits deriving from borrowing. The supply function can also evolve as the industry grows, becomes more sophisticated, develop new tools to lower cost associated with the risk, and develops new systems to lower administration costs and developing new ways of doing business, Santomero, (2003).

In with developing new systems and new ways of doing business, a wide range of firms have developed over the past 8 years to supply micro loans to the population of Kenya. The table breaks out the formal lenders by the legal category as they are registered by microfinance association of Kenya. Why this massive demand for credit? In Kenyan context access to financial credit is a rare commodity for the majority. A combination of factors including the formal banking industry shift away from the low income market, a growing gap between real income and inflation, increasing unemployment and irresponsible lending has fuelled demand and led to the growth of alternative financial service providers most noticeably money lenders. "Since many Kenyans do not have access to the financial services offered by the sophisticated banking sector these institutions are instrumental in catering for various social and financial demand of the broader community, Santomero (2003).

2.4.2 Challenges encountered in Contraction of the Micro Finance Institutions

One of the biggest challenges is to further improve the enabling policy environment. For example, interest rate caps on small loans by banks remain a major issue in a number of countries, including India and the people's Republic of China, where the un-served and underserved market financial services for the poor is still massive.

Many countries also continue to operate highly subsidized government microcredit programs through state-owned financial and non financial institutions. These programs fail to adequately deliver financial services to the poor and undermine growth in commercial microfinance. Some countries have shown a tendency to introduce interest rate ceilings for microcredit, thus increasing policy risks and making the investment climate less attractive. Hence, while complex, the issues related to policy environment must be addressed. Karaken and John, (2007).

The second biggest challenge is building adequate retail capacity to provide a broad range of services in demand among the poor. This is particularly true in countries such as India the People's Republic of China where the un-served and underserved markets continue to be still very large. In china, massive efforts are necessary to build the capacity of domestic banks to become dynamic players in the microfinance industry. In India, the capacity of poorly performing self-help groups and many other retail institutions which continue to struggle to achieve efficiency and scale needs to be developed systematically. The current retail capacity limitations in many states of India are putting tremendous pressure on a small group of core microfinance institutions to overstretch geographically. Many relatively smaller countries also have to address the issue of inadequate retail capacity, Malkiel (2006.)

Another challenge is the need for microfinance institutions to significantly reduce the transaction costs of providing a broad range of services. Some poor people are unable to access formal financial services due to high costs. If the industry is to deepen its services to reach the poorer potential clients and those in remote locations that it has not been able to reach on a significant scale to –date, transaction cost reduction is essential. Transaction costs result in a wedge between the prices client pay and the returns that service providers receive. Reducing transaction costs will therefore have a positive impact on both the supply and the demand for services, creating a win-win situation for all. My prediction is that the next revolution in modern microfinance will be brought about by a series of risk some borrowers under uneven payment conditions will pay more for credit. A rate ceiling would appear unlikely also to prevent over-indebtedness. It is more likely to increase the indebtedness of low income borrowers and to simply shift more debt into revolving credit vehicles being repaid over extended terms. Santomero, (2003).

It would appear likely that credit exclusion will result from the imposition of a ceiling and that the consequences will include significant hardship for excluded households who will no longer be able to access small sum cash credit to manage cash emergencies or peaks of expenditure or to enable them to spread the cost of major purchases. Cordell and David (2001).

Other borrowers now using high cost credit will be diverted to revolving credit, with cash advances likely to become a higher proportion of credit card use. This will likely result in increased delinquency and default and to low income individuals being at greater risk of financial breakdown and insolvency.

As a consequence, more individuals will acquire adverse credit history and find themselves unable to obtain credit, increasing the hardship and exclusion earlier effects referred to. There is also a significant risk of creating the conditions for unlicensed lenders to enter the market, a development likely to be highly damaging for borrowers and likely to greatly increase the cost of credit for borrowers unable to obtain credit legitimately. Grove, (2004).

In the event that a rate ceiling is imposed, it would seem likely that there will be a significant need for alternative social lending. The experience of other countries who have pursued this route is that establishing a social lending operation is highly challenging, slow to establish and scale, for most governments, prohibitively expensive, Santomero. (2003).

The better way forward in protecting vulnerable consumers would appear to be greater focus on ensuring best practice in consumer lending, eliminating unfair and exploitative practices and achieving greater transparency on pricing, terms and conditions. The most effective way to reduce prices for low income borrowers may be to foster an environment which stimulates completion. Grove, (2004).

2.5. Conclusion

The microfinance industry is a means to pursue inclusive, socially sustainable economic development in Africa and other developing countries. As the industry has changed, so should the microfinance focus from support for narrowly defined microcredit programs to support for the development of comprehensive financial systems for the poor. There is need for developing member countries to build the policy environment, financial infrastructure, viable institutions, and other elements necessary for the growth of the industry. Microfinance provides a great opportunity to ensure that the benefits of accelerated economic growth are shared by the poor, thus helping them to escape from poverty.

CONCLUSION

The microfinance industry is a means to pursue inclusive, socially sustainable economic development in Africa and other developing countries .as the industry has changed, so should the microfinance focus from support for narrowly defined microcredit programs to support for the development of comprehensive financial systems for the poor

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introductions

This section will focus on the methods and ways that I will use in carrying out the study. It includes the research design, target population, sample techniques and size, research produced and data analysis techniques.

3.2 research design CASE STUDY

The research will entail an event study. This will be used to investigate the effects of interest rate ceilings before they were introduced in 2000 and after their application in 2002, 2003, 2004 and 2005 on the lending of loans to client of KWFI. This will help in investigating the effects of interest rate ceilings after they were put into place to regulate the microfinance lending.

3.3 Target population and sample frame

The studies will concentrate on the consumers, management and employees of KWFI. The customers will give an overview of the challenges and difficulties experience in borrowing and repaying of loans granted by KWFI. The management and employees will aid in investigating how operations are hampered by interstate ceiling.

3.4 Samples and sampling procedure

The population under study will comprise of employees of Kenya Women Finance Truest limited. This will include the top management, middle level managers and employees at supervisory level, assistant level as well as support employees. The customers of KWFT will also be targeted. This will include current customers servicing their loans as well as those applying for the loans. The total sample size will complies of 60 respondents.

Since KWFT has it operations all over Kenya, the research will be conclusive in university way branch of KWFT within Nairobi area. The respondents will be selected using sample random sampling techniques and purposive method will regard to individuals perceived ability to provide the type of information that will be sought through each research instrument. The customer targeted will involve those under the projects initiated by KWFT, for instance, business whose complies are raised though KWFT loans. This will help in investigating on the borders client experience while serving loans.

The top management, middle level management and employees will give a better understanding on the effects of interest rates ceilings to their operations and services that they offer. This in turn will help in ascertaining whether KWFT is adhering to it sole mission of providing sustainable economic development to the women in rural and urban areas. This will be measure in several dimensions including economic variables like improvement in living standards of individuals extended credit facilities.

Figure 2. breakdown of questionnaires that will be discussed to respondent.

Respondents	**Frequency**	**University way**
Management	2	2
Mid level management	4	4
Supervisors	6	6
Support employees	3	3
Customers	5	5
Total	**20**	**20**

Source: Primary data (2010).

3.5 Instrumentation

The data in this study will be collected using interviews and questionnaires, questions to be involved in the questionnaires will adopt close and open format.

3.6 Data collection

Interviews will be in form of face to face conversation. This will be suitable for the top management and middle level managers, who will be busy and may not have time to read the questionnaires. This will also create room to get sensitive information which the top management may be unwilling to put in paper.

The questionnaires will be administered to employees and customer. The questionnaires will provide a set of well typed questions with relevant questions to the study. They will have a brief introduction which will finalize the respondents filling the questionnaires on how to answer the questions posed.

The questionnaires will extant closed and open questions exploring on all areas of interest rates. They will be distributed through hand delivery and collected back on agreed date. The respondent will be assured of confidentially of all information they will give because this will be a scholarly study.

3.7 Data analysis techniques

The data will be analyzed from the contents of interviews and questionnaires. It will be analyzed appropriately where fact and figures arranged in a chorological manner which include frequencies, percentage and average resulting from the of interviews and questionnaires result. After data analysis that will be organized and classified according to the research objectives and later presented using tables and pie charts.

CHAPTER FOUR

4.0 RESEARCH FINDINGS

4.1 Introduction

This chapter is presented in several sections. The first section looks at the demographic profile of the respondents from the two different questionnaires. For the customers it is presented under the gender, and education level. For the employees it consists of gender, educational level, work duration, position and the department. The data has been presented in tabular and tally form in form of tables, pie charts and graphs.

The second section looks at the interpretation using percentages and tallying. Part B of the questionnaires used to collect data consisted of questions that sought to find out the extent to which interest rates impacted on microfinance operations. The responses were analyzed using descriptive statistics.

Out of20 questionnaires that had been administered to the interviewees, 13 of them were returned for analysis. This translates in to 65.0 percent response. Overall, the return rate can be considered to have been moderately high.

4.1.1 Rate of return

Figure 3: Breakdown of response from questionnaires distributed to the respondents

Respondents	**Frequenc**	**Number respond**
Management	2	2
Mid level management	4	2
Supervisors	6	4
Support employees	3	2
Customers	5	3
Total	20	13

Source: primary data (2010)

4.2 Demographic profile of the respondents

4.2.1 Profile of customer respondents

Since the study focused on the customers, the researchers found it necessary to analyze the demographic data, as customers are diverse. The demographic data sought included gender, and education level which helped in interpretation of their responses.

Table 1: Customers demographic data

Gender	Tally	Frequency	Percentag
Female	1-1-/-1- II	7	54
Male	!-!-!-!- I	6	46
Level of			
Secondary	II	2	15
College	1-1-1-1-	5	39
University	1-1-1-1- I	6	46

Source: primary data (2010)

From table 1, it is evident that majority of the respondents were females i.e. 54% while 46% were male. This implies that most customers at Kenya women finance trust are females as opposed to the males.

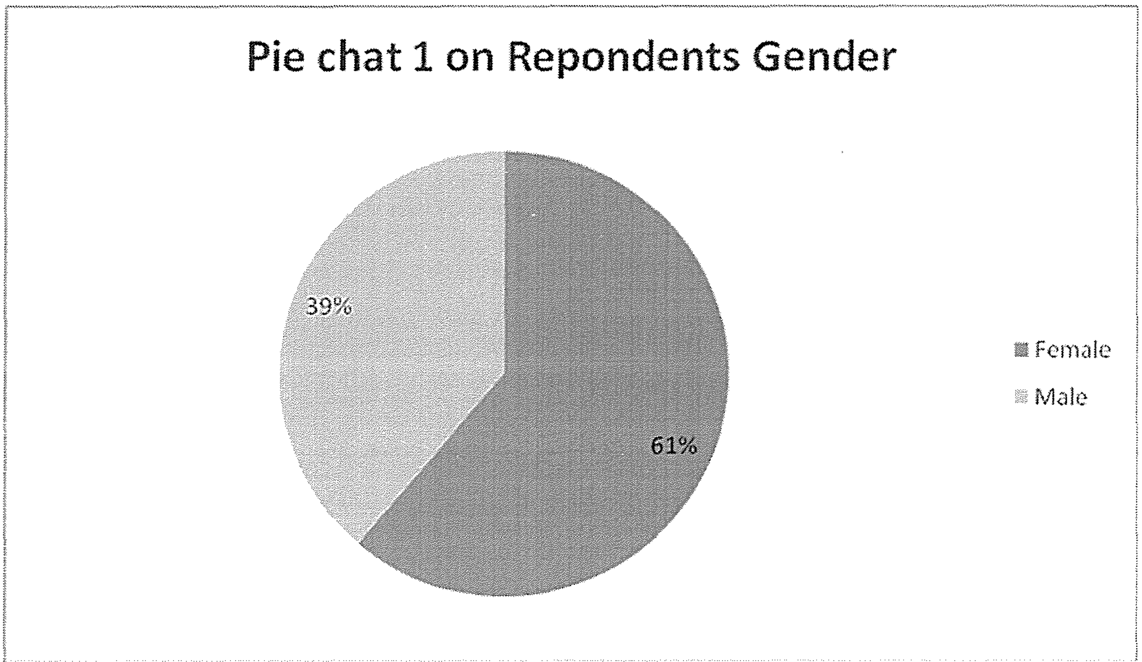
The level of education of the respondents was of importance because this would determine their level of understanding of the impact of interest rate ceilings on Kenya women finance trust operations.

Table I shows that (45%) of customer respondents had attained College education. (33%) have gone up to University level while only 22% had gone up to secondary level education respectively.

4.2.2 Demographic of employee respondents Table 2 on Respondents gender

Gender	Tall	Frequenc	O/O
Female	I-I-I-I-	8	62
Male	I-I-I-I-	5	38
Total		13	100

Source: primary data (2010)



The data provided in table 2 above clearly indicate that there were 38% male and 62% female respondents. More female were sampled out of this study than male. This is likely to have an impact on the questions where the gender aspect might be a major issue. From the data above its clearer there might be no clear regulations in terms of gender biasness on employee and recruitment. Most organizations should strive to strike a balance on both male and female when selecting and recruiting employers. The ratio of male to female should be real or pretty to that which seems not to be the case above.

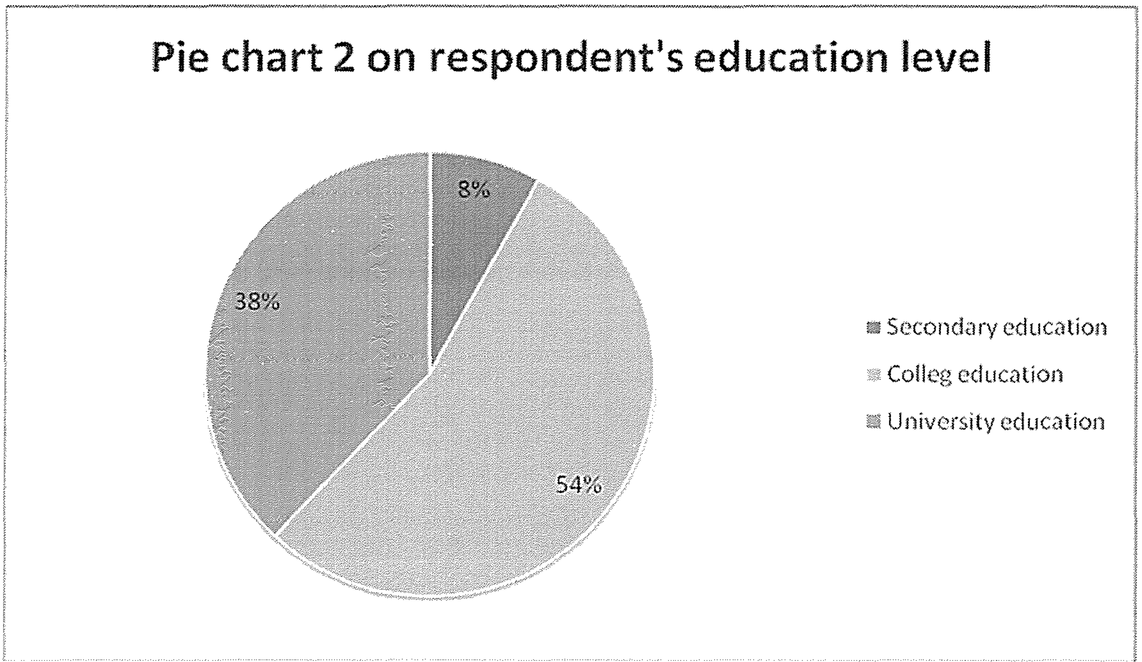
Source: primary data (2009)

Pie chart I above presents the respondents gender. Female respondents were 62% while Male respondents were 38%.

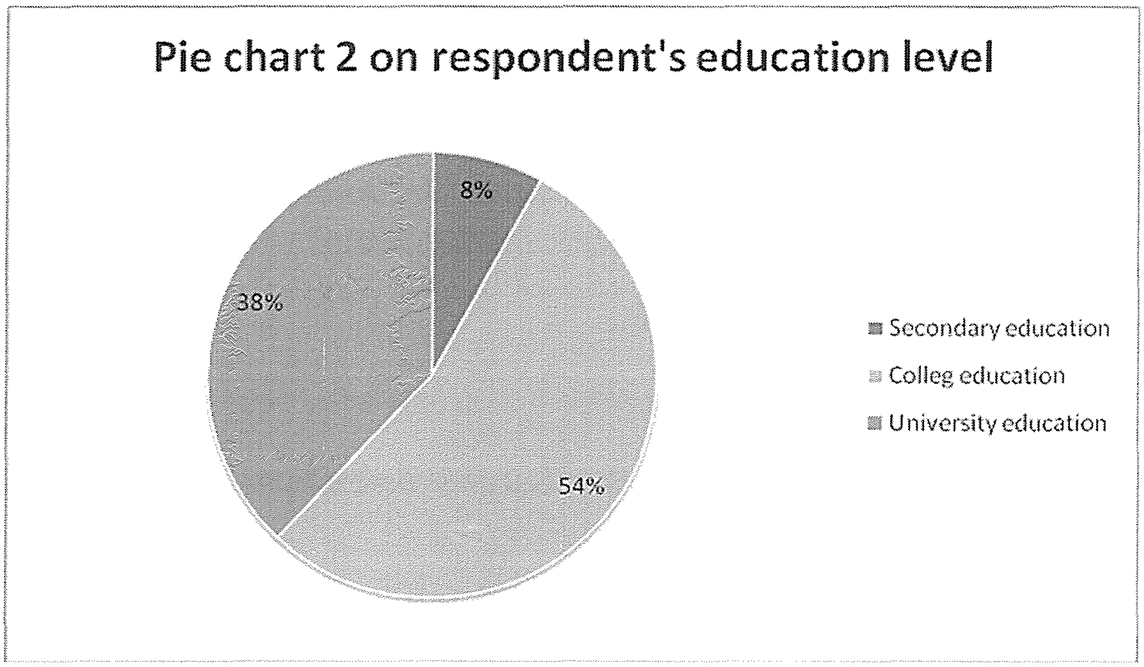
Table 3 on education level

Level of	Tally	F,-equency	0/0
Secondary education	/	I	8
College education	I-I+f. / /	7	54
University education	I-I+f.	5	38
Total		13	100

Source: primary data (2010)



From the data provided in table 3 above, the researcher wanted to find out the level of education of the respondents. It shows clearly that most of the respondents are highly learned, majority have attained College education, followed by University graduates and secondary school leavers concurrently with frequencies of 7,5 and lout of 13.This data shows that most of respondents have high level of education since majorities are college level trained. An organization should make sure that employer, are well qualified for their posts by offering them training, this will enhance their performance hence meeting organizational goals.



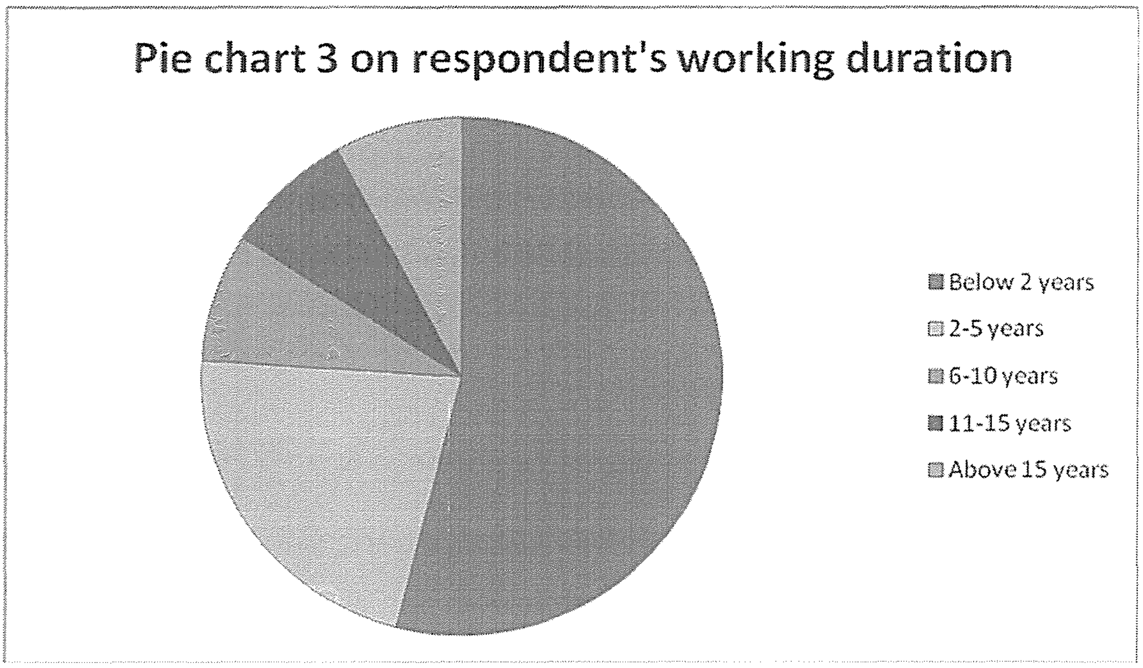
Source: primary data (2010)

Pie chart 2 above shows the respondents education level. Majority of the respondents were found to be college graduates with frequency of 7 out of 13, University graduates were second with frequency of 5 out of 13.There was I secondary education leavel' out of 13.

Table 4 on working duration

Time in years	**Tally**	**Frequency**	O/O
Below 2 years	1-/-1-l- II	7	54
2-5	III	,'' .:J	22
6-]0	I	I	8
II-IS	I	I	8
Above 15 years	I	I	8
Total		]3	]00

Source: primary source (2010)



The data in table 4 regarding the working duration the respondents have worked in the organization, indicates that most of respondents have worked for below 2 years followed by 6-] 0 years and those who have worked for] 5years and above are few.

This clearly indicates that most of the respondents have worked in the organization for a short period.

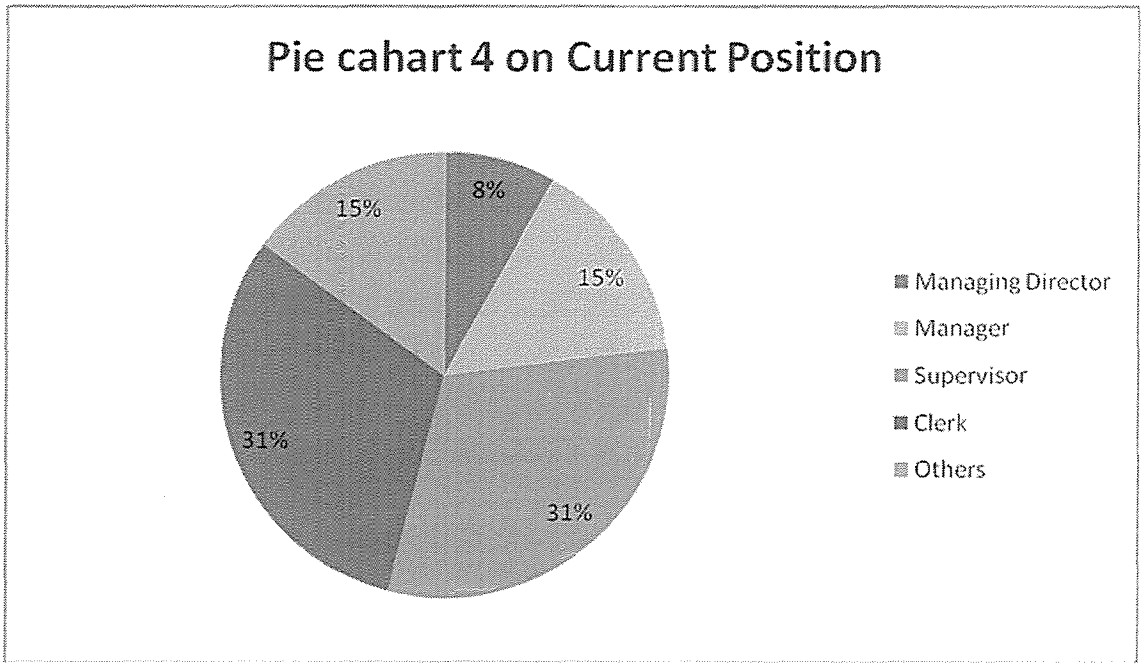
Organization should see to it that they have given the employee the right motivation so as to motivate them to stay in their organization for as long time to avoid the expenses of recruiting new employees. This will encourage employee to perform better hence good performance of the organization.

Table 5 on current position

Position	Tally	F"equency	%
Managing	I	I	8
Manager	II	2	15
Supervisor	IIII	4	3]
Clerk	IIII	4	31
Others	II	2	]5
Total		]3	100

Source: primary data (2010)

The researcher in table 5 sought to find out on the current position held by the respondents. Majority of the respondent were found to be supervisors and clerks followed by managers. This data clearly shows that most of the respondents were supervisors and clerks who were in every level there were representatives. This is evident that this organization is well structured. Every organization should make sure that in every level of management they have the right people who have the right qualification and the right number so as to have a good structured organization.



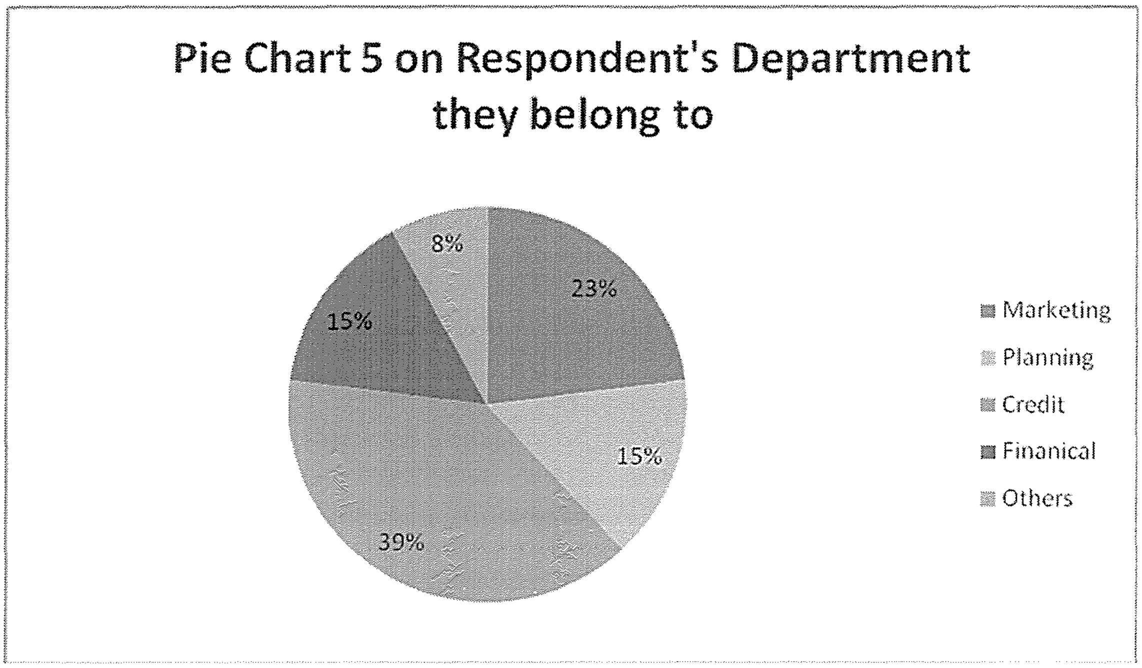
Source: primary data (2010)

In graph 1 above clearly shows that most of respondents were supervisors with frequency of 24 out of 80 followed by clerks with frequency of 14 out of 80 respondents whi Ie human resource manager made the frequency of 12 out of 80

Table 6 department they belong to

Department	**Tally**	**Frequency**	O/O
Marketing department	III	" .)	23
Planning	II	2	15
Credit department	IJ-I.I.	5	39
Financial	II	2	15
Others	I	1	8
Total		13	100

Source: primary source (2010)



The researcher in table 6 above wanted to find out the department respondents belonged to the organization. It is clear that most respondents belonged to the credit department, followed by marketing department; planning and financial departments concurrently with frequencies of 5, 3, 2 and 2 out of I3.0ne respondents in the organization did not fall under any department.

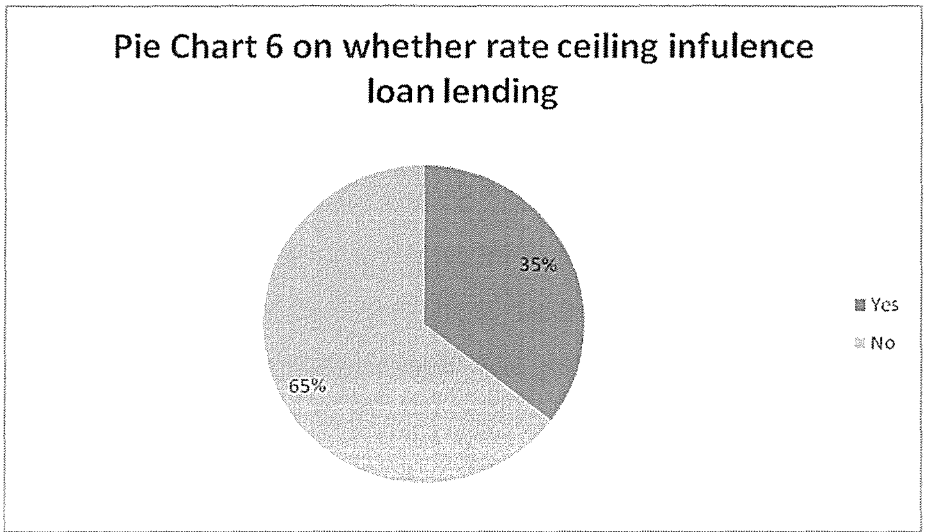
Organization should ensure that they strive and strike an equal representation of employees in all departments so as to have equal ratios of contributions when it comes to the organizational activities.

Table 7 on whether interest rate ceilings influence loan lending

Offers	**Tally**	**Frequency**	O/O
Yes	1-1-1-1-	**II**	85
No	II	2	15
Total		13	100

Source: primary data (2010)

The data in table 7 above the researcher sought to find out whether interest rate ceilings influence loan lending. It is clear that majority of the respondents reported that they had to check the prevailing interest rates before taking out a loan. While few of the respondents did not mind about the interest rates when taking out a loan facility. Microfinance should be keen with how they price their credit facilities in order to allow customers access to credit facilities. Lower interest rates usually stimulate the customers.



Source: primary data (2010)

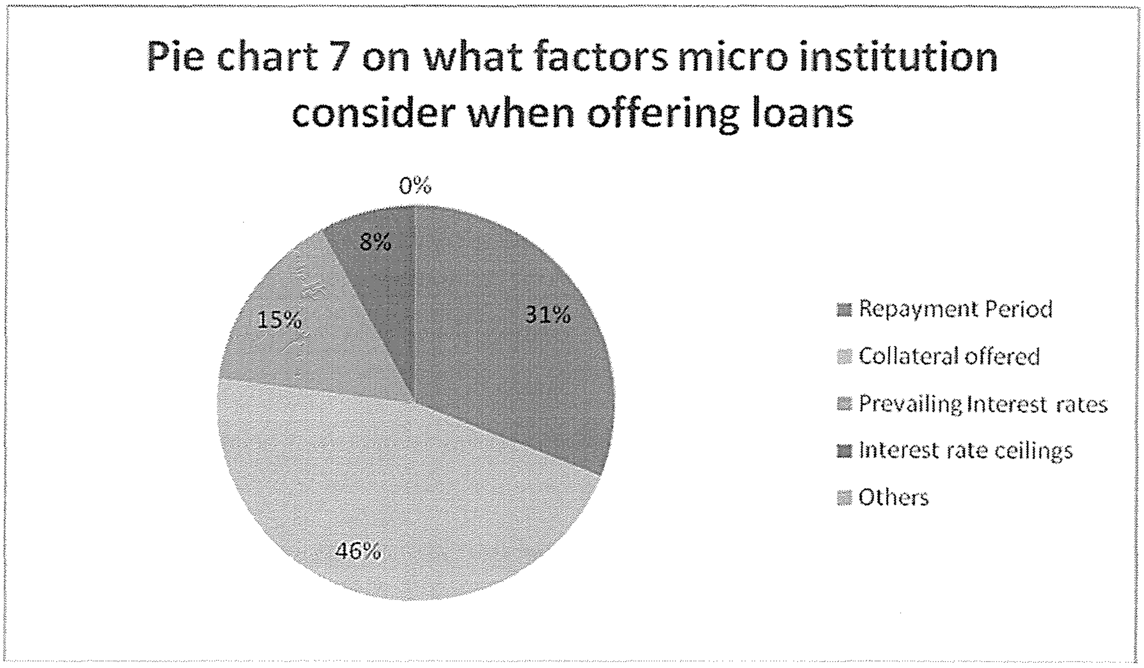
Pie chart 3 on whether interest rate ceilings affect loan lending indicates clearly that majority of the respondents say that they influenced their choice.

Table 8 on factors considered when offering loans

Factors	Tally	Frequency	O/O
Repayment	III I	4	31
Collateral offered	1-/-1-	6	46
Prevailin interes rates	II	2	15
Interest rate	I	1	8
Others	0	0	0
Total		1	100

Source: primary data (2010)

The data in table 8 above the researcher sought to find out the factors considered when offering loans. Clearly shows that 6 out of 13 respondents said that they base on collateral offered, while 4 out of 13 said microfinance base on the repayment period,2 out of 13 said it's the prevailing interest rates while I respondent said it's the interest rate ceilings. Micro finance institutions should take care of what factors to consider when offering credit facilities to its customers so as to maintain the microfinance focus of helping the poor to get access to the financial world.



Source: primary data (2010)

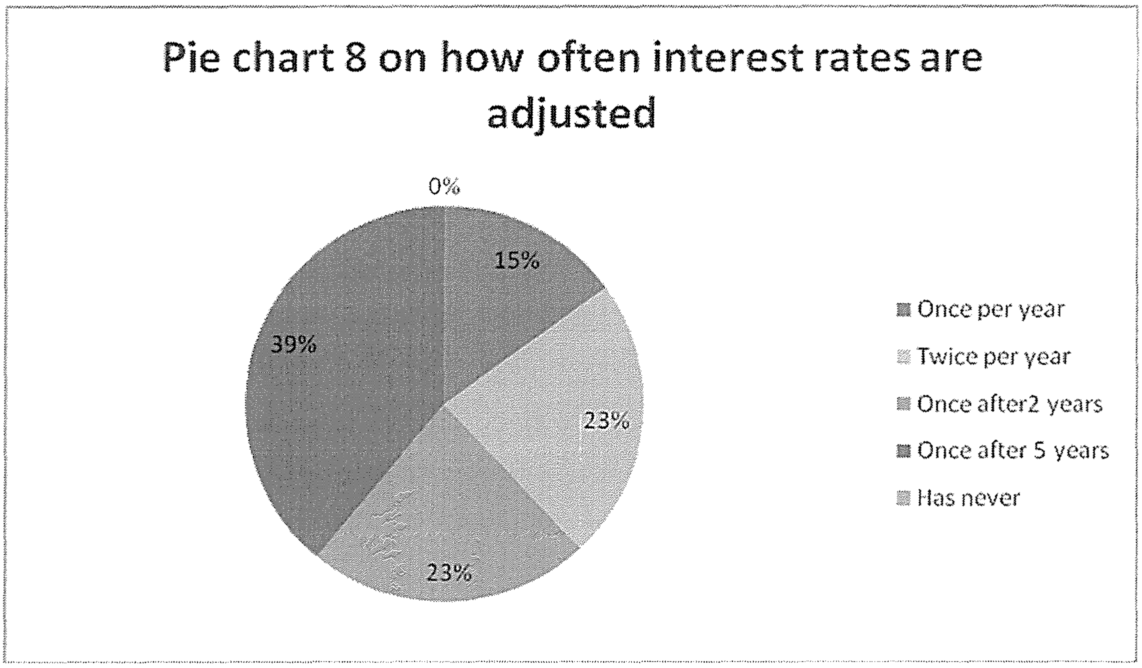
From graph 3 above on factors microfinance institutions consider when offering loans clearly shows that collateral offered was suggested to be the most considered factor while offering loans.

Table 9 on how often interest rates are adjusted

Period	Tall	Frequen	O/O
Once per year	II	2	IS
Twice per year	III	') .)	23
Once after 2 years	III	') .)	23
Once after S years	/-l-l-l-	S	39
Has never	0	0	0
Total	— —	13	100

Source: primary data (2009)

The data in table 9 above the researcher wanted to identify on how often the organization adjusted interest rates, majority of the respondents argued that it was adjusted once after S years, while few said that it was used twice per year. From this information it's clear that the organization does not adjust interest rates frequently in stimulating revenue. It's the duty of the organization to investigate on the consumer readiness and use a proper strategy to rectify the situation. Constant interest rate adjustments make the lending market to be volatile, thus limiting borrowing options by the public.



Source: primary data (2010)

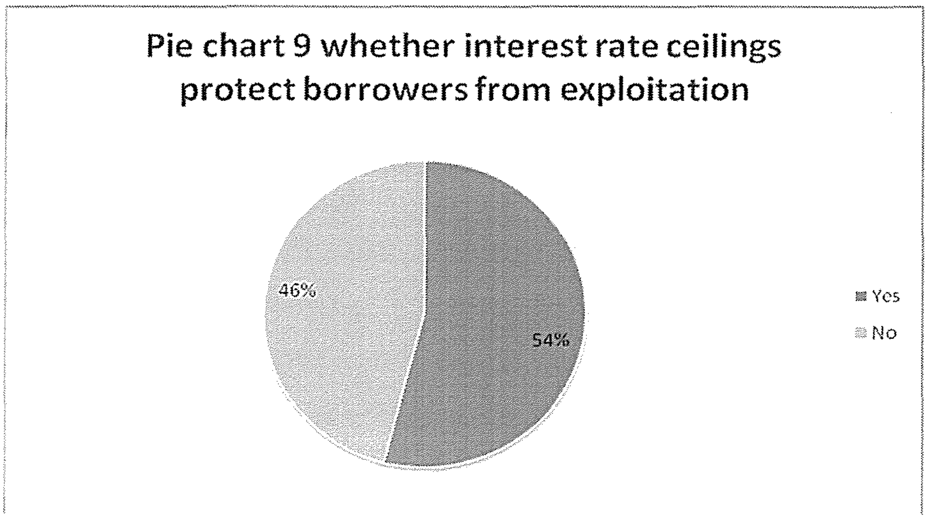
From graph 4 on how often interest rates are adjusted clearly shows that the MFI adjusts interest rates after every 5 years.

Table 10 on whether interest rate ceilings protect borrowers from exploitation

Influence	**Tally**	**Frequency**	O/O
Yes	f.I-I..I. / /	7	54
No	f.I-I..I. /	6	46
Total		13	100

Source: primary data (2010)

The researcher in table 10 sought to identify whether interest rates ceilings protect borrowers from exploitation. It shows clearly that more respondents were of the view that interest rate ceilings were protecting borrowers from exploitation by MFls with frequency of7 out of 13, while 6 out of 13 said it did not offer any protection since MFls were imposed other hidden charges.



Source: primary data (2010)

From the data it' s clear that interest rate ceilings were impacting on operations of MFIs. The central bank being the market regulator should take into consideration and survey clearly the most influencing factor which was contributing to high charges by MFls instead of relying on ceilings to offer the needed protection.

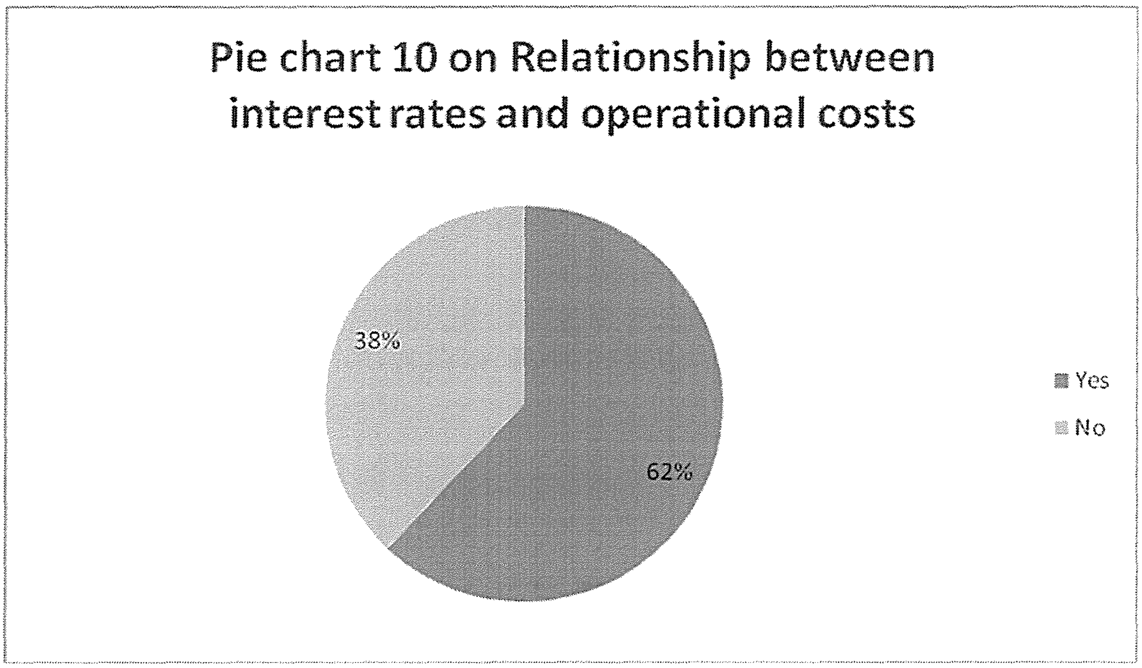
Table 12 on relationship of interest rates to operations cost

Relationship	Tally	Frequency	O/O
Yes	I-I-I!- III	8	62
No	I-I-I!-	5	38
Total		13	100

Source: primary data (2010)

The researcher in table 124 sought to find out the relationship between interests rates. Those respondents who responded with a Yes were 8 out of 13 while those who said No were 5 out of 13.This data shows that most respondents are able to note the relationship between interest rates and operational costs.

It's indeed important for MFls to bridge the gap on their operations costs through prudent planning instead of passing all bulk to their customers.



Source: primary data (2010)

Pie chart 3 above on relationship between interest rates and operational costs shows that 62% of the respondents agreed that there was relationship while 38% said there is no relationship.

4.3 Summary

This chapter and conclusion has been able to establish that indeed there is close

Relationship between interest rates and the operational costs incurred by MFI's. This fact has been widely supported in the literature review for instance; it has been well argued out that MFIs raised their interest rates so as to finance their operations. Once the government introduced interest rate ceilings then most MFIs begun experiencing cash flow hurdles.

It's also found that stiff competition in the market has been a threat to many microfinance institutions due to high operational costs. This has forced many microfinance institutions to either close down, or be innovative and adaptive and target consumers in high end market.

Other effects of high interest rates which have been found to have effect on loan provision are the target population. This makes them unable to offer loan facilities at lower interest rates to those poor individuals since the default rate is very high.

From this study it's clear that many MFI's are widely affected by interest rate ceilings on loan provision. The effect can either be positive or negative depending on the type of loan provided for. It's the work of the Central bank to see to it that, they have appropriate structural characteristics for dealing with different scenarios on loan provision so as to increase loan provision by MFI's thus meeting their goals.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter the researcher shall discuss the main points of interest in relation to the
data collected versus literature review available, interpretations shall be done in line with the known theories and logic summaries and recommendations shall be developed to act as points of reference and caution to future studies in this area.

5.2 Discussion and interpretation

The research study indicated that interest rate ceilings were impacting on loan provision
by microfinance institutions. The extent to which the customers at Kenya women finance trust procured loans ranges depending on the interest rate charged. The study also indicated that most microfinance institutions had their operations hampered by charging low interest rates which emanated from the ceilings imposed on chargeable interest rate by the government through the Central Bank of Kenya.

The belief that interest rate ceilings can be effective in increasing loan procurement appears to be well-accepted among the customers. Many examples of increased loan procurement due to effective ceilings on interest rates have been reported in the media, although few data on their effectiveness are provided. For example, in Murang'a road branch customers interviewed said that they were now at ease to procure credit facilities since the interest rates were certain and not subject to change.

Relatively few studies, however, have been published to show the effectiveness of interest rate ceilings. A study by Scott (2006) predicts the impact of high interest rates on credit facilities acquisition. Among customers given a loan on high interest rates, only 4% were willing later to procure such a loan, compared with a

9% subscription rate in the control group. This demonstrates that high interest rates were in fact hindering credit access to the deserving customers.

In a field experiment, Lammers (200 I) offered a low interest loans to customers who. In the very short term (within months), provision of low interest loans had a positive
impact on other customers, though not of the sampled variety. As a result, his findings would be most relevant to microfinance institutions wanting to examine the short-term effects of a low-interest loan on marketing its products, rather than on the target clients.

Prior research has also demonstrated the positive effects of interest rate ceilings on measures such as belief, strength and attitude (Marks and Kamins, 1988), perceptions of loans (Bettinger et al. 1979, Hamm et al. 1969), and the initiation of interpersonal communication about the brand (Holmes and Lett, 1977). While these studies did not examine the long-term effects of interest rates, they suggest that higher interest rates could cause hindrance to acquisition of loan facilities by poor individuals.

Surveys conducted by the Sunflower Group (1997) suggest that the incidence of higher interest rates in microfinance institutions is several times that which is commonly charged by conventional banks.
In general, the findings indicate that interest rates influenced credit facility acquisition largely. It has also been realized that consumers felt protected by interest rate ceilings. This is mainly so because many consumers felt that once microfinance institutions are left to set interest rates on their own, they tended to go for profitability.

5.3 Recommendations

This study has shown that marketing free samples influenced sales. For there to be a

great influence, it is however important to tailor the sales promotion to each stage of the consumer purchase decision since each promotion has an influence of its own at each stage. Proper research is important before determining which tools will be effective in influencing the purchase decision of each product at each stage. For instance, free samples are effective for small consumer products while after sales services are effective for high cost products.

Organizations should strive to identify any effects of marketing free samples on sales affecting their organization. This will enable them to be aware of change affecting them so as to deal with it properly.

In summary, given that interest rate ceilings have been used for a long time and that considerable research has been conducted, it is surprising that they as they should be. Second, there do not appear to be any controlled field experiments other than the study by Scott (1976) on interest rate ceilings. Third, with the exception of the Gedenk and Neslin (1999) study on higher interest rates, there do not appear to be any empirical studies that have examined the effects of interest rates beyond the first 2 months after grant of a loan.

5.4 Areas of further study

Due to funding and logistic limitations, this project was conducted as a pilot study that utilized a small sample size, relatively short time duration, and a convenience sampling technique. It is suggested that a follow-up study should be carried out over a longer time span (about 15 weeks of instruction), and that the study should use a much larger sample size, and if possible, adopt randomization procedures in sample composition. A sufficiently large sample would make it possible to include a sizeable number of male and female participants in the study such that more hypotheses could be built into the research design. For example, it would be interesting to investigate both the possible effect of gender on loan provision, and a possible interaction effect between treatment (socio type) and gender.

Further studies on interest rate ceilings at microfinance level should be conducted in relation to small and medium enterprises. An investigation of the attitudes towards loans offered by M FI 's, as compared to those offered by conventional banks, could prove to be important.

This study has just touched upon relationship between interest rate ceilings and loan provision in the country. Kenya is a an open economy with a blend of different financial institutions and an in-depth study wherein the issue of loan provision in relation to one's socio class would be valued

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BUDGET

O.	ACTIVITY	COSTS	
		Kshs	Ushs
I.	STATIONARY	4,000	100,000
2.	TYPING AND PRINTING	2,500	62,500
3.	TRANSPORT	3,000	75,000
4.	MEALS	2,000	50,000
5.	PHOTOCOPY	1,000	25,000
6.	INTERNET AND AIRTIME	1,000	25,000
7.	MISCELLA EOUS	5,000	125,000
TOTAL		18,500	462,500

TIME FRAME

ACTIVITY	PERIOD	OUTPUT
Proposal writing	23/10/2010	Proposal submission for approval
Field customization	October 2010	initial information collection
Developing instruments	October 2010	Developing of instruments
Data collection	November 2010	Coding and entering of data
Data analysis	November 2010	Analyzing and interpretation of data
Preparation of report	December 2010	Submission of dissertation

Questionnaire's on assessment of Interest Rate Ceilings on the operations of Micro Finance Institutions in Kenya

QUESTIONNAIRE FOR EMPLOYEES

Dear: respondent

Ref: collection of survey data

Section A

Instructions: tick the appropriate answer 1.

Tick your appropriate gender

Male

Female

2. Indicate your education level

Secondary education

3. College education

4. University education

3. How long have you worked for Kenya women finance trust Limited?

Below-2 years

2 -5 years

6-10years

11-15 years

Above 15 years

4. Indicate your position in this organization

Managing director

Manager Supervisor

Clerk

Others (specify) ....

5. Which department do you belong to?

Marketing department

Planning department

Credit department

Financial department

Others (specify) ....

SECTIONB

6. What factors does your organization consider when offering these loans?

Repayment period

Collateral offered

Prevailing interest rates

Interest rate ceilings

Others (specify) ....

7.what do you understand from the term interest rate ceilings?

1.a measure put in place to regulate lending

2.interest rate controls

3.a microfinance term

8.is your organization operations hampered by interest rate ceilings?

Yes

Please explain---

9. Do interest rate ceilings protect borrowers from exploitation?

Yes

Please explain ....

no

Please explain
....
.

•

10. What is the relationship between interest rate ceilings and microfinance operations?

Positive egative ☐

No relationship ☐

☐

11. How often do you review your interest rates?

Once per year

Twice per year

Once after two years

Once after five years

Others (Specify) ....

12.What is the amount of loan issued before the interest rate ceiling were introduced more or less than after interest rates were introduced

Amount before

Kshs ....

Amount after

Kshs ....

THANK YOU FOR YOUR CO-OPERATION

<u>Customer's questionnaire</u>

<u>TICK WHERE APPROPRIATE</u>

1) Gender: MALE ( ) FEMALE ( )

2) EDUCATIONAL LEVEL:

- SECONDARY LEVEL ( )
- UNIVERSITY LEVEL ()
- OTHER (specify) ....

3) What is your relationship with Kenya women finance trust?

Customer ....

Borrower. ....

Others (specify) ....

PART TWO: Impact oflnterest Rates Ceilings on Microfinance Operations 4) Do you finance your financial needs with loans?

YES [ ]

NO [ ]

5) What is the duration of the loan?

7 days [ ]

14 days [ ]

1 month [ ]

6 months [ ]

12 months [ ]

6) Is the interest rate fixed or floating?

YES []

NO []

7) Are there any fees charged when applying for the loans?

YES [ ]

NO [ ]

8) Are interest rate ceilings protecting you from exploitation? YES [ ]

Explain ....

NO

Explain ....

9) What happens incase you do not repay your loan as agreed?

10) Is the interest rate on your loan lower comparing with that of commercial banks?

11) Do interest rate ceilings affect your operations? Yes

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Explain ....

No()

Explain ....

12) How has the microfinance loans changed your life/created development?

13) Why do you borrow loans from microfinance institutions?

14) Do microfinance institutions serve the marginalized poor individuals?

YES [}

NO [ ]

PARTIALLY [

THANK YOU