

A Qualitative Study on the Impact of an MFI: A Case of a Charitable Trust at the Margins in Kenya.

Dr Patrick Tonui

Breyer State University, USA

Mr Duncan Owino

Breyer State University, USA

Dr Laban Irhene

Breyer State University, USA

Dr Ezra Chomete

Breyer State University, USA

Keywords

Microfinance; Qualitative Study; Kenya; Impact Studies; Financial Vulnerabilities

Abstract

A qualitative study of Jamii Bora was undertaken in August 2007. Jamii Bora is a large, self-sustaining microfinance institution that was established in 1999 at the initiative of 50 street beggar families in Nairobi. It was registered as a charitable Trust in Kenya on 22 November 1999. In-depth interviews with 36 micro-entrepreneurs, all clients of Jamii Bora, reveal that access to microfinance has enabled them to start, expand, and develop their enterprises. Like many non-governmental organizations throughout East Africa, Jamii Bora is part of a regional (and global) movement to assist the poor. Where governments have retreated and markets have failed, microfinance institutions (MFIs) have primarily attempted to improve the lot of informal sector participants, particularly focusing on women. For those individuals that the formal education system has passed by in the developing world, particularly within East Africa, entrepreneurship is a legitimate avenue to enhance life choices. The assumption amongst most microfinance practitioners is the positive externality of access to microfinance so as to improve their quality of life through increased business opportunities.

Introduction

This qualitative paper focuses on clients of a microfinance institution and studies the growing movement towards empowering the "least" able in developing societies to start and/or expand micro-enterprises as a policy tool in the fight against Third World poverty. Through the use of qualitative research techniques, the Authors seeks to help move the field forward by attempting to address the following research question: ***"What is the client-level impact of MFIs on micro-enterprise development and poverty reduction?"*** Moreover, we seek to explore the nature, role, characteristics, and context of one such Charitable Trust in Kenya, in the investigative pursuit of the above research question, making this contribution unique to the growing microfinance literature.

Literature Review

The East African region has a relatively long tradition in the young field of microfinance, beginning with the work of the Missionary Trusts in the early 1960s (Bornstein 1997). Over the past forty years, the field of Micro-finance has matured to include the participation of such stately institutions as the World Bank, the International Monetary Fund, and the Non-Governmental Organisations (Kiggundu, 2002). The Cooperative Bank of Kenya aptly exemplifies the development possibilities and has become the "poster child" of microfinance institutions (Bornstein, 1997). Nonetheless, interest in the promotion of micro-enterprises as an engine of growth (Pisani & Patrick, 2002) and as a

poverty alleviation tool (De Soto, 2000, Ortiz, 2001) in the developing world is a recent phenomenon (Kiggundu, 2002).

Through the auspices of the Micro-credit Summit, the virtues of the micro-entrepreneur and microfinance have been extolled.

The "Micro Summit Declaration and Plan of Action" best articulates the prevailing beliefs in the efficacy of micro-lending (Micro-credit Summit, 1996); the prevailing beliefs are as follows: (1) Very poor people are a good credit risk, especially in the context of mutual responsibility systems; (2) sustainability of programs in the developing world is achievable; (3) micro-credit models have exhibited a high degree of replicability; (4) programs grow to serve large numbers of very poor people; (5) micro-credit programs help borrowers work their way out of poverty; (6) micro-credit programs stimulate savings and asset accumulation among poor people; and (7) micro-credit programs become vehicles for a variety of desirable social developments. Hence, the entrepreneurial- based microfinance model of reinvigorating economically underachieving areas is being loosely replicated around the world and in Africa (Mead & Liedholm, 1998).

It is notable that there has been no research taken in Kenya to ascertain how some of the micro-credit programs help borrowers work their way out of poverty. Shaw (2004) finds evidence in Asia that undermines the claim that micro-enterprise credit is an effective solution for the alleviation of serious poverty; it can be assumed that the same applies in Africa—a third world continent with perpetual poverty. Shaw (2004) finds that microfinance can work well for those who are near the poverty line and can engage in high-value enterprises. Shaw (2004) also argues that rural micro-enterprises, relative to urban or semi-urban Micro-enterprises, serve to protect current consumption levels but offer limited opportunity for exiting poverty. Furthermore, Shaw (2004) suggests that programs must be complemented by investment in social and physical infrastructure if they are to have any significant impact on rural-sector micro-enterprise development. Mosley and Hulme (1998) also conclude that differentials in MFI impact exist: lenders may focus their efforts on the poorest and have a relatively low impact on income, or lenders may focus their efforts on the not-so-poor and achieve a higher impact on income.

Microfinance institutions (MFIs) are financial intermediaries. The approach of MFIs may range from a minimalist MFI that simply offers credit to an integrated MFI that offers social intermediation (e.g., group formation, leadership training); enterprise development (e.g., training in marketing and bookkeeping); and social services delivery (e.g., literacy training) (Ledgerwood, 1999). Primary microfinance activities include the following: (1) small loans, typically for working capital; (2) informal appraisal of borrowers and investments; (3) collateral substitutes, such as group guarantees or compulsory savings; (4) access to repeat and larger loans, based on repayment performance; (5) streamlined loan disbursement and monitoring; and (6) secure savings products (Ledgerwood, 1999, p. 1). MFIs may be organized along a continuum from a non-governmental institution to a commercial bank, and according to Arum and Hulme, (2003, pp. 3–4) MFIs have undergone three distinct phases of growth: A "supply-side perspective" phase, which "showed the poor are bankable"; a "demand-side issues" phase, which highlighted "the needs of poor people for diverse and flexible products"; and the present phase, which is characterized by the challenge to "develop diversified financial services and products for the poor to meet their complex livelihood needs while maintaining institutional financial stability."

Though MFIs clients are not typically the most vulnerable in society, they are poor nonetheless (Amin, Rai & Topa, 2003). The focus of many MFIs has been on poor women because of perceived and real differences in income security, repayment performance, and life chances. Because of this focus, much of the microfinance literature notes gendered comparisons. The performance of female operated micro-enterprises, vis-à-vis male-operated micro-enterprises receiving microfinance, suggests few notable differences as far as repayment rates (Godquin, 2004) and sales and employment creation in Kenya, particularly for Kenyan women in the post-childbearing years (Kevane & Wydick, 2001).

The clients of MFIs are typically shut out of the formal financial system and tend towards being self-employed operators of Micro-enterprises. These informal businesses, synonymous with Micro-enterprise ownership, have been defined in the literature as very small firms employing five or fewer workers and often employing just the owner (Tokman, 1992). Ledgerwood (1999, p. 2) suggests that MFI borrowers "are often traders, street vendors, small farmers, service providers . . . and artisans and small producers."

In this article, the terms (micro) entrepreneur (ship) and self employment are used interchangeably. Entrepreneurship refers to own-account employment, and in this study, the term signifies small, owner-operated concerns. Borjas and Bronars (1989), Le (1999, p. 396), and Maloney (2004) found self-employment to be a preferred employment path for those facing various barriers "in gaining employment in the wage/salary sector." The great majority of the self-employed, particularly those in the Central Kenyan environment, work under conditions of anonymity with relation to governmental and regulatory authorities and thus are considered informal sector participants (Funkhouser, 1996).

Just as the case in Ghana, this employment that is hidden from government purview has been referred to as informal employment (Hart, 1973, 1970). The informal sector describes a world of illegal work performed outside the realm of government legislation (e.g., firm registration, tax collection, labour contracts, and social security coverage). Yet informal work activity is not considered criminal in the respect that the work itself could be undertaken within the bounds of government legislation (Portes & Schauffler, 1993). This notion is particularly true in Kenya, where informal sector participants make up an estimated 75% of the economically active workforce (Pisani, 2003), and the self-employed make up one-third of total employment (Pisani & Pagán, 2004).

The Kenyan Environment

Kenya is located in Eastern Africa, bordering the Indian Ocean, between Somalia and Tanzania. Border countries: Ethiopia 861 km, Somalia 682 km, Sudan 232 km, Tanzania 769 km, Uganda 933 km. Its total land area is 582,650 sq km land: 569,250 sq km; water: 13,400 sq km. It's got a Total Population/people of 33.83 Million (July 2005 Est.). The GDP purchasing power parity is \$34.68 billion (2004 EST.) whereas the GDP per capita is US\$460 (World Bank, 2005). Unemployment Rate: 14.6 % (2004.). The Trade portfolio involves Exports to the tune of \$2.589 billion f.o.b. (2004 est.) whereas imports show \$4.19 billion f.o.b. (2004 Est.).

It is difficult to discuss present-day Kenya without mentioning the astounding transformation that has taken place in the country over the past generation: the country has undergone privatization and IMF-led structural adjustment programs since the middle 1990's. In addition, free-market policies have been adopted and implemented in rapid order since 1990.

Kericho, the site for this present research, is the fifth largest district in Rift Valley Province in terms of population (4.85 Million in 2003). Kericho, which is located about 100 miles to the west of the capital city Nairobi, enjoys a tropical climate tempered by 3,300 feet of elevation (allowing for "cool" wet nights), perfect for tea cultivation. The people of the district are primarily rural (63%), conservative, not deeply religious, and young: half of the population is under 30 years of age. The town of Kericho (population 600,000) is the commercial and cultural hub of the region. The rural sector supports 121,614 individual agricultural producers, most of who own very small plots of land. Half of all agricultural producers have low educational qualifications and the size of their farms is positively correlated to the amount of formal schooling they have had (Institution of National Statistics Census, 2001, Table 3).

In the only comprehensive and empirical paper studying the entrepreneurial landscape in Kenya, Pisani and Pagán (2004) found that about one-third of all income earners were self-employed; they also found that women were, on a percentage basis, more likely to be self-employed than men (37% versus 31%). On average, the self-employed possessed a primary school education (Seven years) and had worked for over 10 years. The self-employed enjoyed higher earnings than both wage and salaried workers at a rate of 68.4% higher for men and 2.1% higher for women. And self-employed women earned about one-quarter more than self-employed men. The self-employed are found throughout the nation, but their numbers are greatest in Nairobi (the capital city), where an earnings premium is associated with urban residence (an earnings penalty is connected to rural habitation). While nearly 50% of self-employed men work in rural areas, nearly all self-employed women work in cities.

Pisani and Pagán (2004) further discovered that work experience, access to capital, and stability in the home (marriage, home ownership) were the primary determinants of self-employment.

For men, agricultural occupation was also a determinant of self-employment. Interestingly, education was not a significant variable in self-employment choice; this indicates a heightened reliance on experience and access to capital in the formation of self-employed enterprises. Lastly, based upon the dynamics of the macro-economy in Kenya, Pisani and Pagán (2004) found tentative evidence of positive selection for the self-employed when economic times are the bleakest. Relatively speaking, economic times are much worst today than they were a decade ago.

Jamii Bora; A Small Lending, Big Business

Since its launch in 2000, Jamii Bora (which means '*Better Families for a Better Life*', or '*Good Family*' in Kiswahili), has expanded to 61 branches in almost half of the country's districts. Membership, on an upward curve, hit 112,000 in 2005. Total assets of the Nairobi-based micro-credit outfit, including fixed investments in water projects, a children's home, a housing project and stock, is an impressive \$10.5 million.

A philanthropic investor, Unitus, a non-profit, donated a \$1.2 million line of credit and \$232,000 for staff training and the establishment of a computer system that will digitize bookkeeping, which has been in some cases paper-based and shoddy. Jamii Bora personnel - from the branch managers to the tellers - are almost entirely comprised of borrowers. The average micro business loan is a little more than \$100. Borrowers have almost one year (50 weeks) to repay their debt at a simple interest rate of 0.5 per cent per week along with a minimum weekly principal payment of two per cent. For instance, on a \$100 loan the principal and interest payment for the first week is \$2.50, diminishing every successive week as the principal is reduced. For poor entrepreneurs no amount of upfront capital is too negligible. Fruit and vegetable vendors expand stock, shopkeepers buy refrigerators to cool drinks, or small-screen cinema owners equip theatres with generators so that frequent power failures no longer cancel the show. New members must set aside at least \$4.80 in a bank accounts prior to requesting a loan, and is eligible to borrow up to twice the amount of their savings. The only transaction cost is a one-time \$1.60 start-up fee. According to its Chief Executive, although default and repayment rates are hard to verify, the Trust factors in a three per cent annual loan loss. The amount since written off is less than one per cent in six years. In the past, defaulters had typically taken ill - unable to work and scrambling to pay high hospital fees - or died. It made business sense for the Trust to introduce health and life insurance. Jamii Bora offers related services with its own business academy that charges rock bottom prices for courses in home economics, management, computers and literacy. In addition, Jamii Bora tackles the conditions of poverty with a bevy of counselling programs. Loans are also available for housing and school fees.

Though Jamii Bora's statements of vision, mission, and objectives are not textbook versions, Jamii Bora not only proclaims its reason for being, but also effectively communicates its purpose to its members. Jamii Bora defines itself as "*It does not matter where you come from....what matters is where you are going to*". This is exemplified in its vision, mission, and objective statements.

The staff of Jamii Bora are recruited from the membership. They are the most determined and enthusiastic members, the best students in their Business Academy, and the best mobilisers. Their staff and members constantly plant new dreams and assure members: (i) that it does not matter where you come from, what matters is where you are going; and (ii) that a poor person has nothing to lose except her poverty. Their successful members are the best in planting new dreams in the members. They know that it is possible to get out of poverty, because they have done it themselves. They are the mentors, planting new dreams in others and giving them hope.

Methodology

To assist in providing perspective to the Research question, "*What is the client-level impact of MFIs on micro-enterprise development and poverty reduction?*" the Authors developed a semi-structured interview guide of 40 questions. The interview instrument contained questions grouped around micro-enterprise history; the current status of the micro-enterprise, including the intervention of micro financing; the current business environment; and individual- and family-level demographics. The survey instrument was developed by the authors as a means of investigating similar phenomena and is based in part on the economic theory of the household. The semi-structured interview guide has been employed in a series of micro- and small-business interviews in other parts of the world like in Mexico, Belize, and Central America since 1998 without difficulty.

In all, 36 firm-level interviews were conducted in the urban core and periphery of Kericho, as well as in two rural communities within the same district. The urban sample of firms was drawn from five neighbourhoods within the town of Kericho municipality proper and adjacent barrios.

The stratified targeted sample of Jamii Bora clients was drawn with the help of its staff and was based on the overall loan portfolio. The authors of this study developed the parameters for firm-level selection. The operationalizing of the sample was left to chance once the investigators entered into a targeted geographical area.

The stratified targeted sample was also meant to broadly cover the geographical reach (urban, rural), sectoral composition (commerce, services, agricultural production), and gendered (female, male) nature of the members. Each firm that was contacted willingly participated in the study. The interviews were conducted in Kiswahili at the location of the business and lasted between thirty minutes and an hour and a half; the interviews also included a tour of the business or farm.

Overview Results from interviewed firms

Our stratified, targeted sample of the Jamii Bora loan portfolio included a variety of businesses from both urban (61%) and rural locations (39%). These 36 businesses included in-home, one-room general stores (38.8%), 16 farms (25%), bakeries (5.6%), tailoring shops (5.6%) and one business each of the following: clothing store, eatery, fruit stand, hardware store, packaged-nut seller, butcher shop/fruit stand (combination), potato-chip-making business, and a pharmacy and shoe retail business. All of these firms had the common desire to access credit for their businesses through the auspices of Jamii Bora.

The term *micro-credit* aptly describes the loans for each firm. The average loan size for our sample of 36 micro businesses was \$382.54. The micro businesses were, on average, operating within their eighth loan cycle; each loan cycle usually runs for 50 weeks in length. Our present sample is composed of relatively veteran clients, who have an average of four years experience working with Jamii Bora. At the time of our interviews, the average loan amount still outstanding was \$244.93. Typically, Jamii Bora provides smaller amounts of financing to new clients; as these clients pay back their loans, they become eligible for another loan cycle, with the opportunity to borrow more money. Once the micro enterprises turn in their loan applications and have signed contracts, Jamii Bora disburses credit in less than three days on average. In line with the default/arrears rate of Jamii Bora (3.7%), one firm (2.8% of our sample) was in default of its loan. Though two firms in our sample possessed loans from other MFIs, Jamii Bora's policy proclaims that its applicants cannot have current loan obligations with other lending organizations, to avoid the issue of borrowers' recycling current debt for another source of debt.

Current Portfolio Statistics

(As of November 2007)

Clients added since start date with UNITUS	No. of Clients	FY 2007 Projection
95,851	165,851	145,000
Portfolio at Risk > 30 Days	Maximum 1st Loan Size	Portfolio Outstanding
3.0%	\$101	\$5,766,828

Source: Jamii Bora Trust 2007.

Self-reported sales and income data suggest average annual sales revenues of \$1,334.664 and average annual business income of \$863.24. Adjusting for other household income and the size of the household, per capita income in our sample is \$460.71, on par with Kenya's national average. Nearly six in ten of the interviewed firms identified themselves as informal business owners or as not part of the official business community as measured by the government's inability to collect taxes or secure registration from the micro enterprises. A third measure of informality, non-enrolment in social security, was also used to confirm informal status.

These findings are in line with previous research (Pisani, 2000). The sampled firms employ about one paid and two-and-a-half unpaid (family) employees. Most paid employees earned between \$1 and \$2 per day. Though most of the interviewed micro entrepreneurs had a notion of what kind of business they wanted to create, only two (5.6%) actually put pencil to paper to develop a written business plan prior to business start-up (formal business planning is not a prerequisite to loan disbursement). Because of the large number of Kiosks in our sample, the average workweek appears high at 66.8 hours per week; this is because Kiosks are open about 18 hours per day, seven days a week. Removing kiosks from the sample reduces the average workweek to 49.3 hours, which is in line with previous studies of self-employment in Kenya (see Pisani & Pagán, 2004).

As previously stated, about two-thirds of the present sample is made up of female-owned micro enterprises. For the most part, our samples of micro entrepreneurs are married and middle-aged and have a primary school education. They are also homeowners and household heads; a typical household consists of about six people (four adults, two children) living in a cramped home with about two bedrooms.

An important outcome of the Jamii Bora program is improved welfare of its clients. We asked our sample of micro entrepreneurs two questions related to household health and food consumption before and after the acquisition of microfinance from Jamii Bora.

Just over half (52.8%) of our interviewees indicated an improvement in household health and food consumption subsequent to their loans from Jamii Bora: most interviewees went from having insufficient household food and health care funding prior to their loans from Jamii Bora to having sufficient funds to meet food and health care needs within the immediate family unit. Nearly 40% of the sample (38.9%) indicated no change in their health care or consumption of food—these statistics were reported in two subsets: the first sub-group (33.3%) rated their expenditures as sufficient pre- and post-financing with Jamii Bora, while the second sub-group (5.6%) indicated that they did not have adequate funding for food or health care pre- or post-financing. And almost 10% (8.3%) indicated an improvement from sufficient food consumption and health care to a higher quality of food consumption and health care. It is significant that over 60% of Jamii Bora clients have indicated a noticeable and qualitative improvement in their household health care and food consumption.

The links between the diverse economic opportunities were tightly woven in our sample. This concept was demonstrated overtly by individuals' statements that "if not for the goodwill of Jamii Bora, we would not have access to credit," and "only Jamii Bora cares enough about us here in the slums to search us out and serve our needs," and "with the help of God, we will be able survive and repay our loans." Though Jamii Bora is amongst the lowest-cost providers of micro credit out of about a dozen competitors in the region, it is the reach, care, and trust associated with the Trust that clients seek in meeting their financing needs. These positive spillovers, in effect, give Jamii Bora advantages in the marketplace: these advantages include name recognition, trust and ease of entry into new neighbourhoods (markets), (brand) loyalty, and salvation.

Important notes from the study

For each of the firms studied, business ingenuity and familial participation as a source of help (mostly unpaid) were critical ingredients for business operation and (potential) success. Each micro enterprise would have benefited from greater technical assistance available from Jamii Bora.

In terms of the entire sample, several firm-level issues are evident:

(1) Repayment rates are high; (2) formal business planning is mostly absent; (3) income from self-employment— influenced by business sales volume, work experience, number of employees, and the loan from Jamii Bora is much higher than wages in micro enterprises; (4) the size of loans provided to borrowers from Jamii Bora is directly related to urban location and length of repayment period; (5) work hours are long, particularly for kiosks proprietors; (6) the degree of informality diminishes in urban areas and increases in relation to the micro entrepreneur's work experience; (7) loan cycles are short; (8) a few of the urban clients within its portfolio potentially had a choice of microfinance institutions from which to borrow; (9) the clients serviced by Jamii Bora are not, by and large, the economic dregs of society; rather, borrowers have been self-selected out of the most precarious economic positions and into higher income groups based on their business ownership; and (10) for most borrowers, consumption of life's basic amenities -health care and food-has improved.

Typical constraints for small-business success are inadequate financing and lack of formal business planning. With Jamii Bora supplying the financing for all firms in our sample, the constraint of financing was eliminated. The two firms that had formal business plans managed much larger sales volumes and monthly incomes (about twice as much) than those firms without written business plans. It is difficult to make generalizations based on the outcome of a written business plan because only two out of thirty-six firms had written business plans: However, it is clear that business planning may be an important variable to monitor in provisioning micro credit as well in building capacity at the enterprise level.

As Pisani (2000) found in his study of the Kenyan labour market, self-employment may not be such a precarious situation, even in the informal sector, as previously thought. However, as the present study reveals, paid employment in the micro enterprise sector (formal or informal), is abysmal. Consistent with previous findings (Pisani & Pagán, 2004), business activity is related to urban location. Degree of formality is related to the urban connection in our sample; that is, government detection and enforcement is much greater in the city than in the country.

An ancillary goal of microfinance should be incorporation of micro enterprises into the larger business community, including incorporation into the realm of business registration and taxation.

That is, as businesses grow, particularly with the assistance of microfinance, the benefits of formality and the costs of informality— evasion and punishment— may eventually outweigh the benefits of informality (Cross, 1998). Informal firms remain small in size and scope and wary of government agents. Hence, evasion costs impinge upon firm-level growth, formal (commercial) finance options, and customer selection. Punishment costs refer to firm-level costs coupled with exposure, such as back taxes and business fees. From the government's perspective, formalization allows for greater tax collection, firm and consumer protection, and macroeconomic planning.

Small loans with short loan cycles are consonant with loan monitoring and business success in building the financial capacity of micro enterprises in the absence of collateral. That is, short repayment time frames force quick intervention if repayment is a problem, and additional financing suggests the ability to repay at higher loan levels. For a few established firms in our sample, Jamii Bora was the "bank" of choice. It was evident that these established firms could have accessed other MFIs or formal financial institutions; these firms may have chosen Jamii Bora because of its relatively easy application process, quick disbursement, and fine customer service. Though Jamii Bora's mission is to reach out to the poor, the poorest of the poor may not be accessing its services. Our sample clearly shows that although the micro entrepreneurs that utilize the loans may be living at the margins, they are not marginalized. And for most entrepreneurs, Jamii Bora's involvement in their lives has corresponded with improved health care and food consumption.

The picture that begins to emerge from our study indicates a professional, customer-focused, world-class MFI that is improving the lives of thousands in the highlands and lowlands of the western part of Kenya. Jamii Bora is quick to disburse loans, regardless of whether a member is petitioning for financing in their first, fifth, or tenth loan cycle. In this remote region of Kenya, Jamii Bora as a Trust has provided positive spillovers in the marketplace: these positive spillovers include access to potential borrowers, implicit trust between MFI and client, and goodwill in the community. But the real competitive advantage of Jamii Bora is the organization's desire and ability to service the rural poor. The agricultural sector is inherently riskier for businesses (e.g., weather unpredictability, price-taking in commodity markets) and costlier to service because of low population densities and longer travel times. Even so, clients repay loans at a rate of 96.3%; the loans have been good risks, despite having interest rates that are slightly above commercial market-rate interest rates. Notwithstanding these successes, Jamii Bora is constrained from becoming an independent commercial bank to the poor because of the organization's Beliefs and Mission. As a self-sustaining MFI, it may be time for it to consider financial independence from foreign donors.

Clearly, Jamii Bora is fulfilling its mission to provide financing to micro enterprises in the local community in tandem with its mission to enhance "life conditions." Jamii Bora is a relatively young MFI, established in 1999 with service to Nairobi city and expanded in 2000 to the adjacent rural districts of Central province. Though the small-business community is not necessarily the most impoverished, especially in urban Kenya (Pisani & Pagán, 2004), the move to full-scale lending for micro enterprises in the agricultural sector puts it in the heart of socio-economic hardship (Pisani, 2003)—It is getting nearer to helping the truly impoverished. Superior leadership has enabled it to achieve financial self-sufficiency in less than a decade, a milestone in MFI development.

Conclusion

Within the present neo-liberal era, promulgated by the International Monetary Fund and the World Bank among others, Third World governments have retreated from state-led poverty abatement projects. This has been especially true in Africa and Kenya in particular (Pisani, 2003). Chief among lasting poverty-reduction programs in the region are programs that offer enhanced educational opportunities (Pisani & Pagán, 2004) and macroeconomic policies that have been designed to foster micro enterprise and small business growth (Pisani & Patrick, 2002). Microfinance continues to grow in importance as a vehicle to arrest the abject poverty of many. As the microfinance movement matures, it is important to reflect upon the successes and challenges facing MFIs around the world. Perhaps a consensus on best practices in microfinance is emerging (Ledgerwood, 1999). The present study has sought to report the qualitative findings of a single, albeit large and self-sustaining, MFI operating in the slums of Kenya. Our findings suggest that MFIs like Jamii Bora are making a difference in the lives of thousands. For the more than 100,000 clients of Jamii Bora, microfinance has enabled micro entrepreneurs the opportunity to start, expand, and develop enterprises with the goal of enhancing their lives. This enhancement of entrepreneurs' lives was particularly evident

in our qualitative sample that showed that access to finance improved the consumption of food and health care for most clients.

Moving beyond the basic survival strategies of low-value activities and micro enterprises, we found that monthly business income was positively related to the amount of monthly business sales; this correlation suggests that Jamii Bora must focus on firms with the ability to grow and ramp-up sales as priority clients to effectively parley micro credit into a significant poverty-reduction strategy.

Our findings also suggest that these clients are more likely to be found outside the current network of Jamii Bora borrowers, particularly in urban areas; this situation leaves much work to be done for Jamii Bora.

Within the field of microfinance in general, the successes and failures of foreign donor-sponsored MFIs have not been studied in Kenya; however, these MFIs are no less important than others, especially given that the outward goal of the Trust is to make the poor richer. We suggest further research utilizing larger, random samples that focus on a single sector (e.g., bakeries or fruit vendors) or a comparative approach across in-country MFIs or cross-national networked MFIs. This additional research may provide quantitative and generalizable insights that cannot be discovered at the qualitative level. Also worthy of future study is an institutional analysis examining the self-sufficient nature of Jamii Bora, because of the dearth of stand-alone MFIs.

References

- Amin, S., Rai, A. S., & Topa, G. (2003). Does micro credit reach the poor and vulnerable? Evidence from Northern Bangladesh. *Journal of Development Economics*, 70(1), 59–82.
- Arun, T., & Hulme, D. (2003). Balancing supply and demand: The emerging agenda for microfinance institutions. *Journal of Microfinance*, 5(2), 1–5.
- Bastiaensen, J., & D'Exelle, B. To pay or not to pay? Local institutional differences and the viability of rural credit in Nicaragua. *Journal of Microfinance*, 4(2), 31–56.
- Borjas, G. J., & Bronars, S.G. (1989). Consumer discrimination and self-employment. *Journal of Political Economy*, 97(3), 581–605.
- Bornstein, D. (1997). *The price of a dream: The story of the Grameen Bank*. University of Chicago Press.
- Cross, J. C. (1998). *Informal politics: Street vendors and the state in Mexico City*. CA: Stanford University Press.
- De Soto, H. (2000). *The mystery of capital: Why capitalism triumphs in the West and fails everywhere else*. New York: Basic Books.
- Funkhouser, E. (1996). The urban informal sector in Central America: Household survey evidence. *World Development*, 24(11), 1731–1751.
- Godquin, M. (2004). Microfinance repayment performance in Bangladesh: How to improve the allocation of loans by MFIs. *World Development*, 32(11), 1909–1926.
- Grosh, B., & Somolekae, G. (1996). Mighty oaks from little acorns: Can microenterprise serve as the seedbed of industrialization. *World Development*, 24(12), 1879–1890.
- Hair, J. F., Anderson, R. E., Tatham, R. L., & Black, W. C. (1998). *Multivariate data analysis* (4th edition.). Upper Saddle River, NJ: Prentice Hall.
- Hart, K. (1970). Small scale entrepreneurs in Ghana and development planning. *Journal of Development Planning*, 6, 104–120.
- Hart, K. (1973). Informal income opportunities and urban employment in Ghana. *Journal of Modern African Studies*, 11(1), 61–89.
- [Http://www.iadb.org/res/publications/pubfiles/pubWP-454.pdf](http://www.iadb.org/res/publications/pubfiles/pubWP-454.pdf)
- [Http://www.jamiibora.org/newsevents.htm](http://www.jamiibora.org/newsevents.htm).
- Kevane, M., & Wydick, B. (2001). Microenterprise lending to female entrepreneurs: Sacrificing economic growth for poverty alleviation? *World Development*, 29(7), 1225–1236.
- Kiggundu, M. N. (2002). Entrepreneurs and entrepreneurship in Africa: What is known and what needs to be done. *Journal of Developmental Entrepreneurship*, 7(3), 239–258.
- Lashley, J. G. (2004). Microfinance and poverty alleviation in the Caribbean: A strategic overview. *Journal of Microfinance*, 6(1), 83–94.
- Le, A. T. (1999). Empirical studies of self-employment. *Journal of Economic Surveys*, 13(4), 381–416.
- Ledgerwood, J. (1999). *Microfinance handbook: An institutional and financial perspective*. Washington, D.C.: The World Bank.
- Malcolm Harper, Sukhwinder Singh Arora (2005). *Small Customers, Big Market: Commercial Banks in Microfinance*. Practical Action.
- Maloney, W. F. (2004). Informality revisited. *World Development*, 32(7), 1159–1178.
- Mead, D. C., & Liedholm, C. (1998). The dynamics of micro and small enterprises in developing countries. *World Development*, 26(1), 31–74.

- Micro credit Summit. (1996). Declaration and plan of action. *Journal of Developmental Entrepreneurship*, 1(2), 131–176.
- Muhammad Yunus (2003) *Banker to the Poor: Micro-Lending and the Battle against World Poverty*. Ed edition.
- Mosley, P., & Hulme D. (1998). Microenterprise finance: Is there a conflict between growth and poverty alleviation? *World Development*, 26(5), 783–790.
- Ortiz, J. (2001). Rethinking the approach to the microenterprise sector in Latin America: An integrating framework. *Journal of Microfinance*, 3(2), 87–106.
- Otero, M. (1999). Bringing development back, into microfinance. *Journal of Microfinance*, 1(1), 8–19.
- Otero, M., Elisabeth R. (1994) *The New World of Microenterprise Finance: Building Healthy Financial Institutions for the Poor*. Kumarian Press Library of Management for Development.
- Pisani, M. J. (2000). *Sectoral labour choice in post-revolutionary Nicaragua: The evolution of the informal labour sector in the 1990s*. Ph.D. thesis (International business). University of Texas, Pan American.
- Pisani, M.J. (2002). Radical political regimes in the Americas and MNC responses: A conceptual model. *Latin American Business Review*, 3(2), 17–42.
- Pisani, M. J. (2003). The negative impact of structural adjustment on sectoral earnings in Nicaragua. *Review of Radical Political Economics*, 35(2), 107–125.
- Pisani, M. J., & Pagán, J.A. (2004, July). Self-employment in the era of the new economic model in Latin America: A case study from Nicaragua. *Entrepreneurship & Regional Development*, 16(4), 335–350.
- Pisani, M. J., & Patrick, J.M, (2002). A conceptual model and propositions for bolstering entrepreneurship in the informal sector: The case of Central America. *Journal of Developmental Entrepreneurship*, 7(1), 95–111.
- Pisani, M. J., & Yoskowitz, D. W. (2004). Microcredit and micro and small enterprise development in Belize, Central America: A qualitative study of the Small Farmers and Business Bank, Ltd. *Latin American Business Review*, 5(1), 45–69.
- Portes, A., & Schauffler, R. (1993, March). Competing perspectives on the Latin American informal sector. *Population and Development Review*, 19, 33–60.
- Sarah McGregor, “*The Bank of Last Resort Embassy*”, March 29th, 2006, Article; Nairobi, Kenya.
- Shaw, J. (2004). Microenterprise occupation and poverty reduction in microfinance programs: Evidence from Sri Lanka. *World Development*, 32(7), 1247–1264.
- Székely, M. (2001). *The 1990s in Latin America: Another decade of persistent inequality, but with somewhat lower poverty*. Inter-American Development Bank working paper no.454. Inter-American Development Bank: Washington D.C.
- Tokman, V. E. (Ed.) (1992). *Beyond regulation: The informal economy in Latin America*. Boulder, CO: Lynne Rienner.
- Wajibu:** A Journal of Social and Religious Concern, Volume 16 No. 2 (2001). A Credit Scheme with a Difference: The Jamii Bora Trust. Historical Factors.