FACTORS AFFECTING THE GROWTH OF MICRO FINANCE INSTITUTIONS IN KENYA: A CASE OF SELECTED MICRO FINANCE BANKS IN NAIROBI CITY COUNTY, KENYA

ABRAHAM YAAK DIAR, DR. GLADYS ROTICH PHD, MR. ANDREW NDEGE NDAMBIRI

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

Vol. 4, Iss. 1 (5), pp 115 - 128, Feb 9, 2017, www.strategicjournals.com, ©strategic Journals

FACTORS AFFECTING THE GROWTH OF MICRO FINANCE INSTITUTIONS IN KENYA: A CASE OF SELECTED MICRO FINANCE BANKS IN NAIROBI CITY COUNTY, KENYA

[1]Abraham Yaak Diar, [2]Dr. Gladys Rotich Phd, [3]Mr. Andrew Ndege Ndambiri

[1]Jomo Kenyatta University of Agriculture & Technology (JKUAT), Kenya
[2]Jomo Kenyatta University of Agriculture & Technology (JKUAT), Kenya
[3]Jomo Kenyatta University of Agriculture & Technology (JKUAT), Kenya

Accepted: March 6, 2017

Abstract

Growth of Microfinance in most countries especially Kenya has been a challenge which is contrary to their vision on creation and more so their goals and that of the firm which is profit maximization that only comes true through various aspects of growth. The study basically examined the factors affecting the growth of the Microfinance institutions operating in Kenya, with the main focus on Micro finances within Nairobi County. The main objective of the study was to fill this gap. It was only limited to the two objectives that the study intended to explore. These include leverage and financial literacy. Various theories done by other researchers in regard to this topic have been highlighted here and include; trade-off theory and theory of financial literacy. The study used a descriptive design where data was collected by questionnaires which were distributed to the respondents in return of responses. The study population was the microfinance institutions in Nairobi County. The study used sample size of 20% from 180 target population of the microfinance institutions. The study comprised of 36 staff from top, middle and lower level of microfinance institutions were the representative of the due population of the microfinance institutions in Nairobi County. The study used stratified random sampling technique. The study used both primary and secondary data for easy data collection, analysis, presentations and discussion of the research findings. The primary data and financial and income statements panel data covering five-year period were summarized and ratios calculated and analyzed using SPSS version 21 to produce inferential statistics using multiple regression analysis so as to determine the relationships between dependent and independent variables. The findings of this study showed that there was a positive and significant relationship between leverage, financial literacy and growth of micro financial institutions in Kenya. The study concluded that expansion of these micro finance institutions can positively impact on the welfare of the clients they serve. But this can only happen if they can achieve good financial growth and stability. The study recommended that microfinance institutions should develop a strategy that sets the objectives of ensuring that it has adequate levels of leverage to meet its operational needs and adopt the necessary policies and procedures to achieve this objective.

Key words: leverage, financial literacy, efficiency, liquidity, microfinance institutions

Introduction

According to Reille (2010) a few countries boasted strong and vibrant MF sector as Morocco, where MFIs saw the size of their combined loan portfolio multiply 11 times between 2004 and 2007. But the last two years have shown that this growth came at the cost of asset quality, which combined with clients borrowing from multiple MFIs have spurred write-offs and falling returns. Some well-known MFS have collapsed in the past. E.g. Dubai bank, Imperial bank, Charter house bank, Trade bank, etc. The report by the (Task force on Pyramid Schemes, 2008) was formed to investigate the collapse of pyramid schemes in Kenya (pyramids are forms of MF). The taskforce found that Kenyans lost more than kshs 34 billion to schemes such as Developing Enterprise Community Initiative. MFS in Kenya have the potential of growth. The ratio of gross loans however increased from 5.2 per cent in December 2013 to 5.6 per cent in December 2014, leverage/gearing ratios increased by 32.4 per cent to Kshs. 108.3 billion in December 2014 from Ksh. 81.8 billion in December 2013 which affected growth of microfinance banks in Kenya. Growth of private sector credit in Kenya is impeded among other factors, by efficiency. The costs incurred by micro finance banks to mobilize deposits are spread over a smaller number of borrowers, which contributes to the higher cost of credit.

These ratios decreased from 18 percent and 21 percent in year 2013 to 16 per cent and 20 per cent respectively in year 2014. Liquidity as one of the important financial stability/growth indicator as its shortfall in one MF can causes systemic crisis in the growth of MF sector due to their interconnected operations. Liquidity held by MF banks depicts their ability to fund increases in assets and meet obligations as they fall due. The liquidity ratio stood at 37.7 per cent as at December 2014 compared to 38.6 per cent registered in December 2013. The banking sector expenses rose by 17.4 per cent from Ksh. 236.4 billion in December 2013 to Ksh. 277.6 billion in December 2014 (Kenya, 2014).

Based on studies both done inside and outside the country covering the subject of Growth of MFIs such as (Manyumbu, 2014; Hoque et al 2011; Ganka 2010; Kumar 2007; Kyereboah – Coleman 2007). In Kenya Mutua (2013) factors influencing the growth of microfinance institutions (Winnie 2011), factors influencing the sustainability of microfinance institutions Kimando (2012) factors affecting institutional transformation have been studied. The unique dynamics of the Kenya, the factors, and its effect on MFIs have not been adequately captured hence creating a gap that this study intends to bridge (Ndulu, 2010).

General objective

To assess factors affecting the growth of microfinance institutions in selected microfinance banks in Nairobi County, Kenya. The specific objectives were:

- To analyze the effect of leverage on growth of microfinance institutions in Kenya
- To ascertain the effect of financial literacy on growth of microfinance institutions in Kenya

Empirical Review

Leverage

Hoque et al (2011) noted that leverage reduced the level of outreach to the poor, since it increased the cost of capital resulting in high costs of borrowing. This in turn affected the default rates thus affecting growth of MFIs. Coleman (2007) found that most MFIs used high gearing from long terms sources of finance for their operations. This coupled with the firms lending to more clients reduced risk. However Shankar (2007) in a case study in India found that the drivers of the costs of transactions were mainly field worker remuneration, the number of groups each worker dealt with and the collection activities.

Manyumbu (2014) study revealed that owing to high gearing, MFIs incurred high proportion of costs averaging 36% to service loans limiting growth. One other negative phenomenon was the high bad debt expense at 15% of total costs. He indicated that MFIs were highly geared and susceptible to interest rate risk. The main source of funding was debt capital through loans obtained from banks and other credit institutions. Bank borrowings account for an average of 68% of the injected capital whilst shareholders contribution, savings and equity combined accounted for an average of 32% of pool of capital.

Financial leverage affects the return on equity theoretically and this effect may be positive or negative according to profitability and to productivity in the use of debt financing. This can be realized under the conditions that the used debt be on time, with lower interest, low costs and through effective using them and in addition to positive leverage or debt financing is not limitless. After accessing the feasible debt ration the financial risk, cost of debt and demanded collateral securities increase in case asking for new debts put the firm in financial difficulties and the positive leverage effect of debt financing turns to negative (Oluyol, OLebe & Akbas, 2014)

At an ideal level of financial leverage a company's return on equity increases because the use of leverage increases stock volatility, increasing the level of risk which in turn increases returns, however, if a company is financially over-leveraged a decrease in return on equity could occur. Financial over-leveraging means incurring a huge debt by borrowing at lower rate of interest and using the excess funds in high risk investments. It the risk of the investment outweighs the expected return the value of a company's equity could decrease as stockholders believe it to be too risky Debt to asset ratio (Boundless, 2013).

Financial literacy

Mukama (2005) study showed that educational levels of clients, lack of capital to lend to clients and staff related incentives and skills development as some of the factors that affect the growth of microfinance institutions. According to Mulunga (2010) it has been identified that some microfinance institutions fail to manage their funds adequately enough to meet future cash needs and as result, they confront liquidity problems. Harker (2006) found that the poor can greatly benefit from appropriate education and health-related services. He suggests that in providing such services, MFIs will not only be bettering the lives of their borrowers but will also increase repayment rates overtime. Creating a more educated and healthy population of borrowers also creates a population of individuals with a greater capacity to earn money and in turn repay loans and provide opportunity for growth.

Mukama (2005) found out that the education level management is of utmost importance in that it puts better into perspective the necessary marketing conditions that translate into profitability, financial sustainability, enhanced quality loan book, improved quality service to attract customers, minimal fraud, savings mobilization, regulatory compliance and shareholders accountability and growth. Labie (2001) In a study done in Rwanda, found that the factors that affect loan repayment behavior were the size of the household, age, gender, purpose for which the credit was obtained for, interest charges and the number of official visits to the credit societies. This affected growth of microfinance institutions.

According to Financial literacy theory the behavior of people with high level of financial literacy might depend on the prevalence of the two thinking styles according to Dual-process theories; intuition and cognition, this theory embraces the idea that that decision can be driven by intuition and cognitive processes, (Evans, 2008) financial literacy facilitates decision making process such as payment of bills on time, prober debt management which improves the credit worthiness of potential borrowers, economic growth, sound financial systems and poverty reduction thus promoting overall growth.

The Organization for Economic Cooperation and Development (OCED, 2005) states that the financial literacy comprises the combination of consumers and investors' understanding of financial products and concepts and their ability to make informed choices and decisions in cognizance of the risk and opportunities in order to know where they can seek help and better their financial well-being.

Methodology

The research study used descriptive research design as explained by that the advantage of this design is that the study is able to use various forms of data as well as incorporating them (Njeri 2014). The major emphasis of a descriptive study was to determine frequency of occurrence or the extent to which variables were related. The study used both the qualitative and quantitative method where the relationships of variables were established through descriptions and then express statistically.

According to Kothari (2007) a descriptive case study approach makes a detailed examination of a single subject or a group of phenomena easier. The approach helped to narrow down a very broad field or population into an easily researchable one and seeks to describe a unit in details, in context and holistically (Kombo & Tromp, 2006). Descriptive research portrayed an accurate profiler of a person, event or situations in their current state (Robson, 2002).

The population involved all elements, individuals, or units that meet the selection criteria for a group to be studied (Njeri, 2014). The population under study comprised of the top level, middle level and lower level of management from the 12 licensed and registered microfinance institutions in Kenya (Maobe, 2013). The study was about factors affecting the growth of MFIS in Kenya.

The study intended to use stratified sampling technique as this method deals with the subset of the strata from the total population hence made it appropriate for this study out of which simple random sampling used to select the population of interest. The sample size is the number of items to be selected to make the sample. It is one of the four inter-related features of a study design that can influence the detection of significant differences, relationships or interactions.

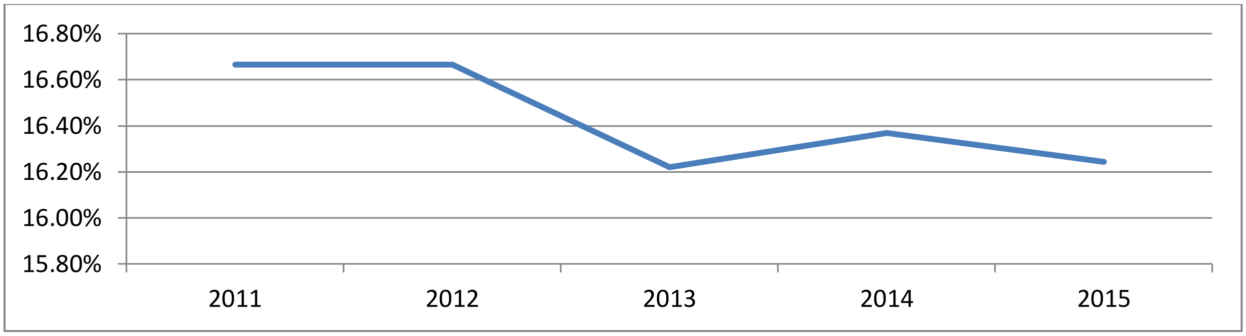
A sample size of the study constituted the top level, middle level and lower level of management of the 12 licensed and registered Microfinance institutions in Kenya (Maobe, 2013) from where a sample of 5 registered and licensed Microfinance institutions from Nairobi county was selected basing on their years of existence and capital outlay was selected, 36 employees which comprises of a 20% sample size of the staff from the selected Microfinance's was drawn (Lewis and Thornhill, 2009) observed that 10% to 20% of the target population (p) could be a representative sample.

Research Findings

Trend Analysis for Market Share

The study measured the growth of micro finance institutions by assessing their market share for the period of five years. The study analysed the trend in market share of the registered micro finance in Kenya to establish the growth in market share for the micro finance institutions in Nairobi County.

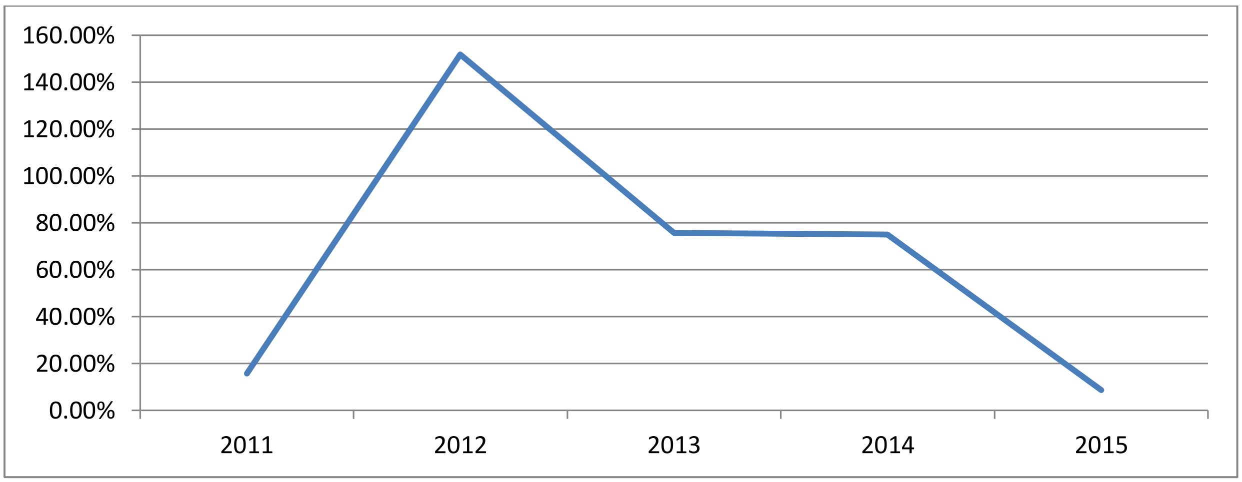
Table 1: Trend Analysis for Average Market Share for MFIs



Trend Analysis for Growth in Customer Deposit

The study further assessed the percentage growth in the customers deposit for the micro finance institutions in Kenya.

Table2: Trend Analysis for Average Growth in Customer Deposit



The findings showed a reducing trend in the average percentage growth in customer deposits. The trend analysis revealed that there was a sharp increase in the growth in customers' deposit in 2011. This growth coincided with the period when most of the Micro finance institutions were launching their operations. From 2012 there was decrease in the growth of customer's deposits. The reduction in customers' deposits growth could have been as a result of increase in the number of Micro finance institutions and also due to the scramble for customers with commercial banks.

Descriptive Results For Leverage

The study sought to establish the extent to which leverage was adopted in the micro finance institutions in Kenya. The study sought to establish the extent to which high degrees of leverage in Microfinance institutions indicated threat to growth. The result showed that 46.9 percent of the respondents rate it as high extent, 18.8 percent rated it as very high extent, 12.5 percent were undecided, and another 12.5 percent rate it as lo extent and finally 9.4 percent rate it to have very low extent. The study further sought to establish the relationship between debt financing and low return on equity. Majority (59.4%) percent indicated that there was high relationship between debt financing and low return on equity. Finally the study sought to establish extent to which low financial risk was an indicator of positive growth in MFIS. The findings also showed that majority of the respondents indicated that low financial indicated positive growth in micro finance institutions.

The findings of this study concurs with Manyumbu (2014) who argued that bank borrowings account for an average of 68% of the injected capital whilst shareholders contribution, savings and equity combined accounted for an average of 32% of pool of capital. Shankar, (2007) in another study found that the drivers of the costs of transactions were mainly field worker remuneration, the number of groups each worker dealt with and the collection activities. Similarly, Boundless (2013) found that financial over-leveraging means incurring a huge debt by borrowing at lower rate of interest and using the excess funds in high risk investments. It the risk of the investment outweighs the expected return the value of a company's equity could decrease as stockholders believe it to be too risky Debt to asset ratio.

Table 3: Descriptive for Leverage

	Very low	Low	Undecided	High	Very High	Mean	Std Dev
To what extent are high degrees of leverage in Microfinance institutions indicators of threat to growth?	9.4%	12.5%	12.5%	46.9%	18.8%	3.53	1.22
To what extent is strong relationship between debt financing and low return on equity	3.1%	0.0%	15.6%	59.4%	21.9%	3.97	0.82
To what extent is low financial risk an indicator of positive growth in MFIS	15.6%	6.2%	15.6%	34.4%	28.1%	3.53	1.39

Descriptive Results For Financial Literacy

The study further sought to establish the extent to which micro finance institutions in Kenya conducted financial literacy and the effects on the growth of MFIs in Kenya. The study sought to establish the borrower understanding of savings in the MFIs in Kenya. The findings showed that 53.1 percent of the respondents indicated that the borrowers highly understood saving in MFIs. The study further intended to establish to what extent to which borrowers in most Microfinance institutions in Kenya efficiently utilized borrowed funds. The findings showed that 57.1 percent of the respondents indicated that there was efficient utilization of borrowed funds by the borrowers. The study also sought to find out the extent to which financial literacy was important factor to consider in promoting growth of MFIS, the findings showed that 40.6 percent and 37.5% indicated that financial literacy was of high and very high importance in promoting growth of MFIs in Kenya. Finally the study sought to establish to what extent is the need to create awareness on financial literacy among borrowers and the Microfinance institutions to boost their growth, majority indicated high extent as shown by the mean of 3.69 which was above the mean of 3.5.

The findings of this study concurred with that of Mukama (2015) who showed that educational levels of clients, lack of capital to lend to clients and staff related incentives and skills development as some of the factors that affect the growth of microfinance institutions. Similarly, Mukama (2005) found out that the education level management is of utmost importance in that it puts better into perspective the necessary marketing conditions that translate into profitability, financial sustainability, enhanced quality loan book, improved quality service to attract customers, minimal fraud, savings mobilization, regulatory compliance and shareholders accountability and growth.

Table 4: Descriptive for Financial Literacy

	Very low	Low	Undecided	High	Very High	Mean	Std Dev
To what extent is borrowers' understanding on savings in Microfinance institutions	6.2%	9.4%	12.5%	53.1%	18.8%	3.69	1.09
To what extent is efficient utilization of borrowed funds by borrowers in most Microfinance institutions in Kenya	9.4%	6.2%	9.4%	57.1%	17.9%	3.72	1.17
To what extent is financial literacy important factor to consider in promoting growth of MFIS	3.1%	6.2%	12.5%	40.6%	37.5%	4.03	1.03
What extent is needed to create awareness on the need of financial literacy among borrowers and the Microfinance institutions to boost their growth	9.4%	3.1%	18.8%	46.9%	21.9%	3.69	1.15

Effects of Leverage on Micro Finance Growth

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.668[a]	0.447	0.428	0.1607

F-test was carried out to test the null hypothesis that there is no significant impact of leverage and micro finance growth of registered MFIs in Kenya. The results of ANOVA test show that the F value is 24.213 with a significance of p value = 0.000 which is less than 0.05, meaning that null hypothesis was rejected and concluded that there was a relationship between of leverage and micro finance growth of registered MFIs in Kenya.

Table6: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	0.625	1	0.625	24.213	0.000
	Residual	0.775	30	0.026		
	Total	1.400	31			

The results showed that coefficient *β* = 0.74 was also significant with a p-value=0.000 which is less than 0.05. The results implied that unit change leverage will result in 0.74 units change in economic growth. This revealed that there is a significant positive linear relationship between leverage and growth of registered MFIs in Kenya. The findings of this study concurs with Manyumbu (2014) who argued that bank borrowings account for an average of 68% of the injected capital whilst shareholders contribution, savings and equity combined accounted for an average of 32% of pool of capital. Shankar, (2007) in another study found that the drivers of the costs of transactions were mainly field worker remuneration, the number of groups each worker dealt with and the collection activities. Similarly, Boundless (2013) found that financial over-leveraging means incurring a huge debt by borrowing at lower rate of interest and using the excess funds in high risk investments. It the risk of the investment outweighs the expected return the value of a company's equity could decrease as stockholders believe it to be too risky Debt to asset ratio.

Table7: Coefficient for Leverage and Micro Finance Growth

	B	Std. Error	Beta	t	Sig.
(Constant)	0.74	0.123		6.036	0.000
leverage Mean	0.16	0.032	0.668	4.921	0.000

Effects of Financial literacy on Micro Finance Growth

To further ascertain the relationship between financial literacy and growth of micro finance in Kenya. The results showed a relationship R= 0.537, indicated a strong positive association financial literacy and micro finance growth. R-squared= 0.288 indicated that 28.8% of variation in the micro finance growth can be explained by leverage.

Table8: Model Summary for Financial literacy on Micro Finance Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.537[a]	0.288	0.264	0.1822

F-test was carried out to test the null hypothesis that there is no significant impact of financial literacy and micro finance growth of registered MFIs in Kenya. The results of ANOVA test show that the F value is 24.213 with a significance of p value = 0.000 which is less than 0.05, meaning that null hypothesis was rejected and concluded that there was a relationship between of financial literacy and micro finance growth of registered MFIs in Kenya

.

Table 9: ANOVA Results for Financial literacy on Micro Finance Growth

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.403	1	0.403	12.145	0.002
	Residual	0.996	30	0.033		
	Total	1.400	31			

The results showed that coefficient β = 0.142 was also significant with a p-value= 0.002 which is less than 0.05. The results implied that unit change financial literacy will result in 0.142 units change in economic growth. This revealed that there is a significant positive linear relationship between financial literacy and growth of registered MFIs in Kenya. The findings of this study concurred with that of Mukama (2015) who showed that educational levels of clients, lack of capital to lend to clients and staff related incentives and skills development as some of the factors that affect the growth of microfinance institutions. Similarly, Mukama (2005) found out that the education level management is of utmost importance in that it puts better into perspective the necessary marketing conditions that translate into profitability, financial sustainability, enhanced quality loan book, improved quality service to attract customers, minimal fraud, savings mobilization, regulatory compliance and shareholders accountability and growth.

Table 10: Coefficient for Financial Literacy and Micro Finance Growth

	B	Std. Error	Beta	t	Sig.
(Constant)	0.383	0.157		2.436	0.021
Financial literacy Mean	0.142	0.041	0.537	3.485	0.002

Summary of Major Findings

On Leverage and Growth of MFIs, the descriptive results showed that majority of the respondents indicated that leverage indicated positive growth in micro finance institutions. The correlation was conducted to test the strength of the association between leverage and growth of micro finance institutions. The findings indicate there exist a strong positive and significant association between leverage and growth of micro finance institutions (r=0.668, p=0.000). The results showed a relationship R= 0.668, indicates a strong positive association leverage and micro finance growth. R-squared= 0.447 indicated that 44.7% of variation in the micro finance growth can be explained by leverage. The results implied that unit change leverage will result in 0.74 units change in economic growth. This revealed that there is a significant positive linear relationship between leverage and growth of registered MFIs in Kenya.

On financial Literacy and Growth of MFIs, the study sought to establish the borrower understanding of savings in the MFIs in Kenya. The correlation was conducted to test the strength of the association between financial literacy and growth of micro finance institutions. The findings indicate there exist a strong positive and significant association between Financial literacy and growth of micro finance institutions (r=0.537, p=0.002). R-squared= 0.288 indicated that 28.8% of variation in the micro finance growth can be explained by financial literacy. The results showed that coefficient β = 0.142 was also significant with a p-value= 0.002 which is less than 0.05. The results implied that unit change financial literacy will result in 0.142 units change in economic growth. This revealed that there is a significant positive linear relationship between financial literacy and growth of registered MFIs in Kenya.

Conclusion

Microfinance institutions in the world are already perceived successful in poverty reduction as viewed by many policy makers in their engagement to microfinance growth and stability. Many shareholders in the microfinance institutions especially the donors and investors have argued that the institutions can be independent on their own and they can provide sufficient loans to their borrowers. The study concluded that micro finance should embrace leverage as a means of promoting continuous growth. This would enable them to continue contributing to economic by ensuring credit accessibility to marginalized groups such as women and the youths.

Financial literacy especially among borrowers was found to have a positive and significant effect on the growth of micro finance in Kenya. The study therefore concluded that micro finance should adopt initiative that will see borrowers and deposits are trained on matters of financial management before they are given loans. Financially literate customers are able to manage their finance in a prudent manner hence reducing instances of non-performing loans.

REFERENCES

Ahmad A. U. F, Ahmad A. B. R. (2009), "Humanomics" Vol. 25, No. 3, 2009 pp. 217-235 # *Emerald Group Publishing Limited.*

Alex A. K. (2014); Causes and Control of Loan Default/Delinquency in Microfinance Institutions inGhana; *American International Journal of Contemporary Research*; Vol. 4, No.12.

Annamaria L. and Mitchell O. S. (2013). The Economic Importance of Financial Literacy: Theory and Evidence DP 04/2013-009.

Anthony Kimathi, R.M. Doreen Njeje, Kennedy Otieno; (2015) Factors Affecting Liquidity Risk Management Practices in Microfinance Institutions in Kenya unpublished

Arko, S. K. (2012). Determining the Causes and Impact of Non Performing Loans on the Operations of Microfinance Institutions: A Case of Sinapi Aba Trust (Doctoral dissertation, Institute of Distance Learning, Kwame Nkrumah University of Science and Technology).

Bayeh A. K. (2012). Financial Sustainability of Microfinance Institutions (MFIs) in Ethiopia; *European Journal of Business and Management*; ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol 4, No.15.

Beatrice N. W. (2012); Factors Affecting Loan Delinquency In Microfinance Institutions In Kenya; *International Journal Of Management Sciences And Business Research*; Vol. 1, Issue 12. (Issn: 2226-8235)

Campello, M., Giambona, E., Graham, J. R., & Harvey, C. R. (2012). Access to liquidity and corporate investment in Europe during the financial crisis. *Review of Finance*, *16*(2), 323-346.

Center for Evaluation and Research Survey (2011).

Charnes, A., Cooper, W.W., Lewin, A.Y., AndSeiford, L.M. (Editors), (1994), *Data Envelopment Analysis: Theory, Methodology And Applications* (Dordrecht, Holland: Kluwer).

Christen, P., Rhyne, E., Vogel, R. and McKean, C. (1995), “Maximizing the outreach of microenterprise finance”, [Online] Available: *http://www.microfinancegateway. org/files/ 150701507/ pdf (October 25, 2011).*

Cooper, W.W., Thompson, R.G., And Thrall, R.M., (1996), Extensions And New Developments *In Dea. Annals Of Operations Research, **66**, 3-45.*

Diamond, W. &Rajan, R.G. (2005). Liquidity shortages and banking crises, *The Journal of Finance*, 60(2):615-47.

Ellis, A., Cutura, J. N., Dione, I. Gillson, C., Manuel and Thongori, J. (2007).*Gender and Economic Growth in Kenya, Unleashing the Power of Women*, The International Bank for Reconstruction and Development/World Bank, Washington DC.

Florence A. Daniel N. W. (2014).Factors Influencing Loan Repayment in Micro-Finance Institutions in Kenya; *IOSR Journal of Business and Management; e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 16, Issue 9.Ver. III (Sep. 2014), PP 66-72.*

Friedman, Milton. 1957. *A Theory of the Consumption Function*. Princeton: Princeton University Press.

Ganka, D. (2010), “Financial sustainability of rural microfinance institutions in Tanzania”, PhD thesis, *University of Greenwich, Australia*.

Gashaw T. A. (2014); Microfinance Institutionsin Ethiopia, Kenya, And Uganda; *The Horn Economic And Social Policy Institute; Policy Paper No. 02/14.*

Gatimu, E. M.; Frederick M. K. (2014);Assessing Institutional Factors Contributing To Loan Defaulting In Microfinance Institutions in Kenya; *IOSR Journal Of Humanities And Social Science; Volume 19, Issue 5, Ver. II (May. 2014), PP 105-123E-ISSN: 2279-0837, p-ISSN: 2279-0845.*

Goddard, J. Molyneux, P. & Wilson, O. (2009).*The financial crisis in Europe: evolution,policy responses and lessons for the future*, *Journal of Financial Regulation andCompliance*, 17(4): 362-80.

Harker, McKenzie.M. (2006), *The Microfinance Movement:* An Analysis of the Reach and Scope of Microfinance Institutions in the Developing WorldEconomics Senior Thesis University of Puget Sound May 10.

Haron O. M. Justo S. M. Nebat G. M. Mary N. S. (2012); Effectiveness of Credit Management System on Loan Performance: EmpiricalEvidence from Micro Finance Sector in Kenya; *International Journal of Business, Humanities and Technology; Vol. 2 No. 6.*

Hoque et al (2011), “Managerial Finance”, Vol. 37 No. 5, 2011 pp. 414-425 q Emerald Group Publishing Limited 0307-4358,. *Institute of Open Learning.*

Ishmail & Sira (2012) *Social Accounting practices among Kenyan Firms:* An empirical study of Companies quoted at Nairobi Securities Exchange

James N. Rosyln G. Anthony W. Paul K. (2013); Effects of financial risk management on the growth ofmicrofinance sector in Kenya; *Prime Journal of Business Administration and Management; ISSN: 2251-1261. Vol. 3(6), pp. 1064-1069*

John K.N. (2010); Factors Affecting Institutional Transformation: A case for a microfinance regulatory framework in Kenya.

Kenya Annual Report (2013)

Kenya, C.B. (2014), Bank supervision annual report

Kimando, L. (2012). Factors Influencing the Sustainability of Microfinance Institutions in Murang'a Municipality; *International Journal of Business Statistics, 21-45*

Kimathi, R.M.(2015), Factors Affecting Risk Management Practices in M microfinance Institutions in Kenya; *Journal of Economics and Sustainabable Development, 1.*

Kumar T. S. A., (2007), Newport J.K.,"Disaster Prevention and Management" *Emerald Group Publishing Limited.* Vol. 16 No. 1, 2007 pp. 21-32 q

Kyereboah – Coleman A. (2007), *"The Journal of Risk Finance",* Vol. 8 No. 1, 2007 pp. 56-71 q Emerald Group Publishing Limited

Labie M., (2001) "Management Decision" 39/4 [2001] 296±301 # MCB University Press,

Lilian A. (2013); Causes of Loan Default within Micro Finance Institutions In Kenya;*Interdisciplinary Journal Of Contemporary Research In Business; Vol 4, No 12*

Lukwago J. (2012); Corporate Governance and Financial Performance/Growth Of microfinance Institutions In The Case Of Microfinance institutions. *The Association Of Microfinance Institutions uganda (Amfiu).*

Lusardi, A., & Mitchell, O. S. (2011). Financial literacy around the world: an overview (No. w17107). National Bureau of Economic Research.

Manyumbu P. (2014), Factors Affecting the Sustainability of Growth of Micro-Finance Institutions in ZimbaweISSN : 2230-9519 (Online) | ISSN : 2231-2463 (Print) IJMBS Vol. 4, Issue 4, Oct - Dec 2014.

Mbwesa, K J (2006).Introduction to management research, a student hand book.Jomo Kenyatta Foundation, Nairobi, Kenya.

Mercy A. Wanjiru M. (2013); Effect Of Competition On The Loan Performance Of Deposit taking Microfinance Institutions In Kenya: A Case Of Nairobi region; *International Journal Of Economics And Finance; Vol.1, Issue 2.*

Miles M. B., &Huberman, M. A. (1994)."Qualitative Data Analysis: An Expanded Sourcebook" (2nd edition).Beverley Hills, Sage.

Modigliani F.,& Miller M.H. (1963). Corporate income taxes and the cost of capital: A correction. *American Economic Review, 53*(2):433-443.

Modigliani, Franco, and Richard Brumberg. 1954. Utility Analysis and the Consumption Function: An Interpretation of Cross-section Data. In *Post-Keynesian Economics*. Ed. K. Kurihara. New Brunswick, NJ: Rutgers University Press: 388–436.

Mombo, C. A. (2013). The Effects of Nonperforming Loans on the Financial Performance of Deposit Taking Microfinance Institutions in Kenya

Mugenda, M. and Mugenda, G. (1999).Research Methods.Quantitative and Qualitative Approaches.Nairobi, Kenya.

Mukama, J. 2005. Problems affecting the growth of microfinance institutions in Tanzania. Thesis: South Africa, University of Stellenbosch.

Mulunga, A. M. (2010); Factors affecting the growth of microfinance institutions in Namibia Maina, W. W. (2011); Factors influencing the growth of micro finance institutions in Nyeri Central Disstrict, Nyeri County Kenya , *unpublished*.

Munene, H. N. Guyo, S. H. (2013). Factors Influencing Loan Repayment Default in Micro- Finance Institutions: *The Experience of Imenti North District, Kenya; International Journal of Applied Science and Technology; Vol. 3 No. 3; 1*

Myers, S. C. (2001). Capital Structure. *Journal of Economic Perspectives, 15*(2), 81-102.

Njeri, M. M. (2014). The Effects of Liquidity on Financial Performance of Deposit Taking Microfinance Institutions in Kenya

Njeri, Mwangi Mary (2013) ; The effects of liquidity on financial performance of deposit taking microfinance institutions in Kenya.

Olaleken, A. (2013). Capital Adequacy and Banks' Profitability. American International Journal of Contemporary Research, 1

Omino G. (2005). *Regulation and supervision of Microfinance Institutions in Kenya*. Central bank of Kenya.

Orodho, (2003).*Essentials of educational and Social Sciences Research Methods*. Nairobi.

Orodho, A.J and Kombo, D.K. (2002*).Research Methods. Nairobi: Kenyatta University*

Pass, C. L., Lowes, B., & Davies, L. (2005). *Collins dictionary of economics*. HarperCollins.

Paul M. M. (2014); the Role of Micro-Finance Institutions to the Growth of Micro andSmallEnterprises (MSE) in Thika, Kenya (Empirical Review of Non-Financial Factors); *International Journal of Academic Research in Accounting, Finance and Management Sciences;* ol. 4, No.4, pp. 249–262E-ISSN: 2225-8329, P-ISSN: 2308-0337

Reille S. (2010) *Growth and Vulnerabilities in microfinance*. CGAP Focus Note No. 61.February.

Rosaly W.N. Fred M.M. Nicholas M.M. (2013). Determinants of Growth of Microfinance Organization in Kenya; *European Journal of Accounting, Auditing and Finance Research, Vol. 1, PP. 43-65*

SBP (2010).The State of Pakistan's Economy, Central Board of State Bank of Pakistan. State Bank of Pakistan, Islamabad

Seed, M.S.(2014). Microfinance Activities and Factors Affecting the Growth of Microfinance Institutions in the Developed and Developing Countries; *International Finance and Banking*, 1.

Sengupta, J.K., (1995), Dynamics of Data Envelopment Analysis: Theory of Systems Efficiency (Dordrecht, Holland: Kluwer).

Sengupta, J.K., (2012), *New efficiency theory*: extensions and new applications of data envelopment analysis Department of Economics, University of California, Santa Barbara, CA 93106 USA,

Shankar S.,“ (2007), Management Decision”,Vol. 45 No. 8, 2007 pp. 1331-1342 q *Emerald Group Publishing Limited.*

Shankar, S. (2007). Transaction costs in group microcredit in India. Management decision, 45(8), 1331-1342.

Stewart, T.J., (1996), Relationships Between Data Envelopment Analysis And Multicriteria Decision Analysis. *Journal Of The Operational Research Society*, **47**, 654-665.

Tianwei, Z. & Paul, E. (2006). Credit Risk and Financial Performance Assessment of Agricultural firms, *Published PhD Thesis*, University of Illinois, US.

Veronica W. N. Dr F. K. (2014); Effects of Micro-Financing on Growth of Small and Micro Enterprises in Mombasa County; *International Journal of Scientific Engineering and Research; ISSN (Online):* 2347-3878 Volume 2 Issue 4.

Welch, I. (2011). Two common problems in capital structure research: The financial-debt-to-asset ratio and issuing activity versus leverage changes. *International Review of Finance*, *11*(1), 1-17.

Woller, G. (2000), “Reassessing the financial viability of village banking: Past performance and future prospects”, Micro Banking Bulletin, Microfinance Information Exchange (MIX).

Woller, G. and Schreiner, M. (2002), “Poverty lending, financial self-sufficiency, and the six aspects of outreach”, working paper, Washington, DC, USA.

Ya Wu (2011). A Comparative Analysis of the Operating and Economic Efficiency of China’s Microfinance Institutions, Traditional Chinese Agricultural Lenders, and Counterpart Indian Microfinance Institutions.