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RESEARCH ARTICLE

Contribution of Microfinance credit on affordability of education of children of the rural women in Keiyo North District, Elgeyo-Marakwet County, Kenya.

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Abstract

This paper examines the contribution of microfinance credit on affordability of education of the children of the rural women, based on study findings from a survey done in Keiyo North district in Elgeyo Marakwet County, Kenya. A descriptive survey design was used and data was collected using questionnaire. The data generated was analyzed qualitatively by way of frequencies and percentages. Data was analyzed using chi-square α=0.05 significance level. The study involved 130 rural women participating in KWFT microfinance credit programme in Keiyo North district. Simple random sampling was used to select 130 respondents from a population of 220 rural women. The study found out that microfinance credit programme had contributed to the rural women being able to afford the education of their children. All the rural women indicated that microfinance credit programme had generated money used by the rural women to educate their children. Although the contribution varied among individual members of the group, the contribution ranges between Kshs. 15,000 to above 90,000. In addition, none of the rural women reported that their children did not go to school because of lack of school fees. On the basis of the findings, the researcher recommends that KWFT should encourage more women to participate in the microfinance credit programme within the district in order to improve the education standards of their children

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Introduction

Microfinance credit programme provides low-interest loans to people living in poverty, in order to encourage entrepreneurship and promote economic growth. Microfinance institutions (MFIs) operate in villages, slums, and neighborhoods that lack typical financial resources, and offer people a reliable and convenient way to borrow money (Pronyk *et al.*, 2007). By the end of 2005, more than 3,000 Microfinance institutions were reported to have been providing services to 113 million clients, 84% of whom were women (Daley-Harris, 2006). Microfinance institutions recognize that financial instability creates barriers to education, preventing children from attending school; these barriers include the costs of transportation, schoolbooks, uniforms and fees (Rosati and Rossi, 2003). As it stands now, more than 100 million children of primary school age have never stepped inside a classroom worldwide (UNECA, 2010).

According to Education For All Decades Assessment Report presented by the then Minister of Education Hon. Mutula Kilonzo on 25th July, 2012 at Hilton Hotel in Nairobi; high poverty levels in Kenya have kept 800,000 school-going children out of the free learning programme, a decade since the government introduced the free

education programme in 2003. The children, mainly from rural areas, have been forced into child labour by the families to help earn a living (Mwendwa, 2012). Poverty levels in Keiyo North district stands at 48% with 2 percent of school going age children not attending school due to poverty (Keiyo North Strategic Plan, 2010). The Kenya Women Finance Trust (KWFT) provides loans to rural women in Keiyo North district with the hope of reducing poverty and boosting education in the area (KWFT report, 2011). Microfinance initiatives can indirectly support education by providing families with income stability, enabling them to afford schooling (Barnes *et al.*, 2007). Financially secure households are better equipped to keep children in school than are their financially unstable counterparts. Theoretically, increased economic income as a result of microfinance credit initiatives should result in higher expenditures on schooling (Brownstein, 2007). Although few studies have analyzed the effect of microfinance credit on affordability of education, several reports from Bangladesh supports positive associations (Khandker, 2009). Research from Uganda also suggests that participation in microfinance progammes correlates with increased investment in children's education (Barnes *et al.*, 2007). However, there is also evidence suggesting that microfinance projects may actually exacerbate educational inequities; while one household may experience an increased demand for schooling, another family whose farm size has increased due to newly-acquired loans may have a greater need for child labour, preventing children from attending school (Maldonado and Gonzalez-Vega, 2008). Likewise, a systematic review of contribution of microfinance credit on poverty reduction in sub-Saharan Africa reported negative impact on education arising from parents not able to afford school fees (Steward *et al.*, 2010).

Participants of microfinance credit programme worldwide are predominantly female and it has been reported that women are more likely to utilize finances for household-level benefits (Aghion, 2005). Women tend to place more importance on educating their children than do men (Maldonado and Gonzalez-Vega, 2008). Many microfinance institutions such as KWFT loan specifically to women in the hope of increasing household expenditure on education as in the case of KWFT in Keiyo North district who serve 210 rural women within the district (KWFT, 2011).

Contribution of microfinance credit on affordability of Education

Access to microfinance credit widens opportunities for many poor people which may result in increased income. This extra income allows rural women to invest in their children's education for a better future (Pronyk *et al.*, 2007). Khandker (2009) finds significant impact of microfinance credit on children schooling, especially for boys. Khandker (2009) suggests that a one percent increase in microfinance credit provided to rural women at the mean level increases the probability of the children joining school by 1.9% for girls and 2.4% for boys.

According to Halder (2004), microfinance credit contributes to an increase in household income and better financial stability, enabling rural women to bear the costs of sending children to school. Likewise, microfinance institutions are known for encouraging families to keep children in school and in some cases school attendance is mandatory in order to participate in microfinance credit programme. Wright (2000) conducted a study focusing on the Grameen Bank, the largest microfinance institution on contribution of microfinance credit to education, and concludes that all the girls in Grameen Bank have had at least some schooling compared to 60% of the girls, in the control group. Mostly of the Grameen boys (81%) have had some schooling, compared to just half (54%) of the control group boys. The save the children foundation of London authorized a research project in 2009 on microfinance credit and levels of education in children of participants and the studies reveal that improvements in school attendance was widely reported as a result of increased income. In Honduras, participants stated that participation in the microfinance credit and saving programme had enabled them to send several children to school and reduced drop-out in schools (Vadgama, 2007).

Likewise, Littlefield (2005) reported that the opportunities created by microfinance credit help a lot of poor rural women invest in their own business, educate their children and improve their health care. Brownstein (2007) in his research on microfinance credit and the realization of the second millennium goal to achieve universal primary education found out that microfinance credit reduced child labour and improved school attendance for the children of microfinance participants. It further stated that education is critical to the achievement of the 2015 target of reducing the incidences of extreme poverty by half. Educational status is one of the strongest influences on income and poverty. The lower the level of education attained by the rural women, the greater the vulnerability to poverty (Knight and Farhad, 2008).

Why microfinance institutions target women

Seventy percent of the world's poor are women and majorities are found in the rural areas. Traditional women have been disadvantaged in accessing credit and other finance services. Commercial banks often focus on men and formal business, neglecting the women, especially the rural women who make up a large and growing segment of the informal economy (UN, 2005). Children of women microfinance credit borrowers also reap the benefits as there is an increased likelihood of full-time school enrollment and lower drop-out rates, studies show that new income generated from microenterprises are often first invested in children's education, particularly benefiting girls (ILO, 2007).

Similarly, Sharma and Zeller (2007) argued that women are more conservative in their investment and business strategies which make them choose projects that are less risky. Another explanation for the rising proportion of female borrower is that the socio economic impact of microfinance credit on women is bigger compared to men. A number of previous studies suggest that women care more about improving their families' welfare and nutrition, and thus deliver stronger development impact. Soufias and Mclafferty (2011) argue that bigger social and economic impacts of microfinance credit by lending to women can be explained by men's habits to misuse the resources, probably through tobacco, alcohol and gambling. According to Grasmuck and Espinal (2000), when a woman's business succeeds and she makes a profit, all the profit goes to her family, while men typically give only 50-70 percent of their income to their families. Studies also show that children are better educated and cared for when women contribute income to the family (Grasmuck and Espinal, 2000). Khandker (2005) reported that the budget share spend on households health and education in Brazil increases when the bargaining power of women is increased.

Materials and Methods

This study used a descriptive survey design. The design was chosen because it looks at phenomena, events and issues the way things are (Mugenda and Mugenda, 2003). The study covered Keiyo North District because of the presence of Kenya Women Finance Trust (KWFT) in every location within the district. The study examined the rural women participating in KWFT within the district. Geographically, Keiyo North district is bordered by Marakwet East district to the North, Uasin Gishu district to the West, Baringo north district to the East, and Keiyo South District to the South-East. It occupies an area of 557.40 Km^2 with a population density range from 54 to 179 people per Sq. Km. The district has a population growth rate of 2.8% per year, far above the national growth rate of 2.4% per year with 48% of the population living in poverty (Revenue allocation commission, 2011). The age structure exhibits a youthful population. About 58% of the population is aged below 20 years while about 75% are aged below 30 years (Keiyo North, Districts Statistics Plan, 2010). The study targeted rural women participating in KWFT microfinance credit programme in groups. The rural women had been in the programme for over one year. The District has a population of approximately 20,700 rural women. The number of rural women participating in KWFT microfinance credit programme is 220 in 17 groups (KWFT, 2011).

A list of all the rural women participating in microfinance credit programme was obtained from KWFT offices in Keiyo North District. In total there were 220 rural women participating in the microfinance credit programme, this constituted the sampling frame. A sample size of 130 rural women was arrived at using the table for determining sample size (Krejcie and Morgan, 1970). Simple random sampling was used to obtain participants from each group to arrive at 130 sample population. The 130 rural women were appropriate for the study because the minimum recommended sample size in a survey is 100 (Borg and Gall, 1983). The extra 30 rural women were used to compensate for attrition or respondents refusal to participate.

Data from the rural women in Keiyo North district was collected using a self- administered structured questionnaire. Questionnaires are commonly used to obtain important information about a population (Mugenda and Mugenda, 2003). A structured questionnaire was developed by the researcher, containing both open and closed ended items for rural women. The items were related to the objectives of the study. The questionnaire contained information on the personal characteristics of the rural women and indicators measuring poverty reduction. The responses from the questionnaire were analyzed to show the contribution of microfinance credit on affordability of education of the children of the rural women. The data collected were both quantitative and qualitative; however, descriptive statistics were used to analyze the data with the help of Statistical Package for the Social Sciences (SPSS)

programme. The specific descriptive statistics used to present data were frequencies and percentages, where the data were compiled first in frequencies, and then converted into percentages. This information was presented into tabular form where appropriate in order to facilitate interpretation. Inferences were made from the tabulated data and were used as a basis for establishing the contribution of microfinance credit on affordability of education of the children of the rural women.

Results and Discussion

Profile of the Respondents

The respondents were asked to provide information about their personal characteristics which included age, marital status, level of education and when they joined the microfinance institution and the findings were as follows.

Respondents' Marital Status

Majority of the rural women (73.8%) were married, 10.8% were widowed, 10% were single and 5.4% were either divorced or separated as indicated in Table 2.

Table 2

Marital Status of the Respondents

Marital status	Frequency	Percentage
Single	13	10
Married	96	73.8
Widowed	14	10.8
Divorced or separated	7	5.4
Total	**130**	**100**

The results suggest that the married rural women had many obligations to fulfill such as educating their children, providing healthcare for their family members. This makes it necessary for them to engage in income-generating activities to meet these needs. MFI's came to their rescue by providing them with capital (loans) to begin these businesses.

Age Distribution of the Respondents

The minimum age bracket for the rural women in the study area was 18-24 years and the maximum age was 70 years with a mean of 42 years. Majority of the rural women (30%) were in the 35-39 year age category followed by the 30-34 years category (28.5%), 40-49 years with 18.5%, then 18-24 years with 4.6% and finally 50-70 years with 1.5%,(Table 3). The results indicate that most of the women were in the productive age; making it possible to make the most of the loans they take from MFIs.

Table 3

Age Distribution of the Respondents

Age categories	Frequency	Percentage
18-24 years	6	4.6
25-29 years	22	16.9
30-34 years	37	28.5
35-39 years	39	30.0
40-49 years	24	18.5
50-70 years	2	1.5
Total	**130**	**100.0**

Mean 42.6 years, median 45.5, mode 43, standard deviation 12.6, minimum 18 and maximum 70.

Respondents' Level of Education

The respondents who had attained primary level education were 45%, 16% had no formal education, 40% had attained secondary education, 8.5% had attained college education as indicated in Table 4.

Table 4

Respondents' Level of Education

Level of education	Frequency	Percentage
No formal education	8	6.2
Primary	59	45.4
Secondary	52	40.0
College	11	8.5
Total	**130**	**100**

The results indicate that majority of the rural women had at least basic education which would enable them identity profitable enterprises using the loans received from MFIs.

Respondents' Membership to MFI

The respondents were asked to indicate when they joined the microfinance institution (MFI). This was to establish the duration of the rural women membership to MFI. Majority of the rural women (50%) joined the MFI below 5 years, followed by 39% who joined between 5- 10 years and those who joined the MFI over 10 years were 12%. This was an indication that more rural women are currently joining the MFI because of the successes realized by the rural women who had joined the microfinance institution early than them as shown in Figure 3.

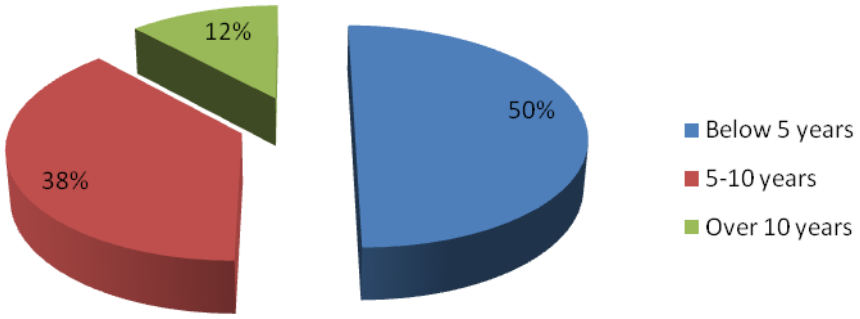

Figure 3: Respondents' Membership to MFI

Amount of Loan Borrowed by each Respondents

The total amount of loan borrowed by each rural woman since joining the microfinance credit programme is summarized in the Table 5 below.

Table 5

Amount of Loan Borrowed by each Respondent

Total amount of loan	Frequency	Percentage
Below Kshs. 20000	23	17.7
Kshs. 20001-40000	48	36.9
Kshs. 40001-60000	39	30
Kshs. 600001-80000	11	8.5
Above Kshs. 80000	9	6.9
Total	**130**	**100**

Table 5 indicates that majority of the rural women had borrowed an amount ranging from Kshs. 20001-40000 (48%) since joining the microfinance credit programme, followed by those who had borrowed Kshs. 40001-60000 (39%). This indicated that the rural women had made significant progress towards escaping poverty. The initial amount of loan that a member could borrow was less than Kshs. 5000/=, therefore, it showed that the rural women were able to repay their initial loan for them to borrow more loan (Ghatak, 2004).

Contribution of microfinance credit on affordability of education for the children of the rural women in Keiyo North District

Once the income problem is solved, people will look for mechanisms of fulfilling other needs such as education. The assumption is that households with higher income levels have more choices and broader opportunities to meet their needs. One of these needs is affordability of education for their children. The respondents were asked how many of their children of school going age did not attend school. They all (100%) indicated that their children attended school. This indicated that the rural women were able to pay school fees for their children, especially those in college.

The rural women were further asked how much money they spent in educating their children per year. Majority (27.7%) indicated that they spent Kshs. 30001-60000, 20.8% indicated they spent between Kshs. 15001-30000, 19.2% responded that they spent Kshs. 60001-90000, with a few (11.5%) responding that they spent below Kshs. 15000 as illustrated in Table 21.

Table 21

Amount spent by Respondents on Educating their Children per year

Amount spend on education	Frequency	Percentage
Below Kshs. 15000	15	11.5
Kshs. 15001-30000	27	20.8
Kshs. 30001-60000	36	27.7
Kshs. 60001-90000	25	19.2
Above Kshs. 90001	27	20.8
Total	**130**	**100**

The rural women were further asked to indicate how much of the amount spent per year on educating their children were sourced from microfinance related enterprises. Majority of the rural women (48.5%) responded that they spent between Kshs.15001-30000, 25.4% indicated that they spend Kshs.30001-60 000, followed by 16.2% who indicated that they spend below Kshs.15000. A small number of 6.2% and 3.8% indicated that they spent Kshs. 60001-90000 and above Kshs. 90001, respectively, as shown in Table 22.

Table 22

Amount of Money Contributed by Respondents' Microfinance enterprises on Education per year

Amount of money	Frequency	Percentage
Below Kshs. 15000	21	16.2
Kshs. 15001-30000	63	48.5
Kshs. 30001-60000	33	25.4
Kshs. 60001-90000	8	6.2
Kshs. 90001	5	3.8
Total	**130**	**100**

The results above indicated that involvement in microfinance credit programme enabled the rural women to pay for their children's' education. The results also agreed with Brownstein *et al.* (2007) study which found out that microfinance credit reduces child labour and improved school attendance for the children of microfinance participants. The same argument was supported by Khandker (2008) who found a significant impact of microfinance credit on children schooling. Khandker (2009) suggested that a one percent increase in microfinance credit provided to rural women increased the probability of the children joining school by one percent for girls and 2.4% for boys.

Test of hypothesis

There is no statistically significant contribution of microfinance credit on affordability of education for the children of the rural women in Keiyo North District.

This hypothesis was tested to investigate if a relationship existed between the contribution of microfinance credit and affordability of education for the children of the rural women in Keiyo North District. The tests indicated in Table 29 below shows chi-square value of 42.059 and the probability of the computed chi-square value (p value) as 0.001. Since the probability of the computed chi-square is less than 0.05, therefore, we reject the null hypothesis and conclude that there was a statistically significant relationship between the contribution of microfinance credit and affordability of education for the children of the rural women in Keiyo North District.

Table 29

Cross-Tabulation of Total Loan Borrowed per year by the Rural Women and Amount of Money Contributed towards educating their Children.

	Total loan borrowed per year					
	Below Kshs.20,000	**Kshs. 20,001-40,000**	**Kshs. 40,001-60,000**	**Kshs. 60,001-80,000**	**Above Kshs. 80,001**	**Total**
Amount money contributed to education						
Below kshs. 15,000	23.8%	42.9%	19.0%	14.3%	0.00%	100%
Kshs. 15,001-30,000	22.2%	34.9%	31.7%	6.3%	4.8%	100%
Kshs. 30,001-60,000	6.1%	36.4%	42.4%	12.1%	3.0%	100%
Kshs. 60,001-90,000	12.5%	62.5%	0.00%	0.00%	25.0%	100%
Above Kshs. 90,000	20.0%	0.00%	20.0%	0.00%	60.0%	100%
Total	**17.7%**	**36.9%**	**30.0%**	**8.5%**	**6.9%**	**100%**

Chi-square 42.059 df 16 p= 0.001

This implies that rural women who participated in microfinance credit programme could send their children to school; Pronyk *et al.,* (2007) found out that extra income earned from microfinance related enterprise allowed the rural women to invest in the education of their children for a better future. Likewise Kandker (2009) found a significant relationship between contribution of microfinance credit and children schooling. Kandker (2009) suggested that one percent increase in microfinance credit provided to rural women increased the probability of children joining school by 1.9% for girls and 2.4% for boys.

Conclusion and Recommendations

From the study findings, it was concluded that microfinance credit had contributed to the rural women being able to pay fees for their education. All the rural women indicated that microfinance credit programme had generated money used to educate their children. Although the contribution varied among individual members of the group, the contribution ranges between Kshs. 15,000 to above 90,000. In addition, none of the rural women reported that their children did not go to school because of lack of school fees.

It was recommended that the KWFT should encourage more women to participate in their microfinance credit within the district in order to improve the education standards of their children.

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