Factors affecting equitable access to financial services in developing countries: a case of Kamukunji constituency, Kenya.

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FACTORS AFFECTING EQUITABLE ACCESS TO FINANCIAL SERVICES IN DEVELOPING COUNTRIES

(A CASE STUDY OF KAMKUNJI CONSTITUENCY, KENYA)

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ABSTRACT
Availability and usage are measured by the extent of utilisation as well as the size of bank
credit and bank deposits, relative to the Gross Domestic Products (GDP) of a country. An
inclusive financial system should have as many users as possible which gives an indication of
how much the financial system has penetrated among its users (Sarma, 2007). In many
developing countries, economic development is skewed towards a few rich people and
regions while the larger population and regions are left out. The challenge for financial
institutions is how to address the concerns of unbanked and under banked customers as well
as provide them with products that meet their needs within the context of the structure of each
financial institution and the regulatory environment (Jacob & Tescher, 2005). New
approaches are needed to capture the market including new ways of thinking about product
and service offerings. Formal financial institutions can turn this market into a profitable
venture in the long term (Prahalad & Hart, 2002). Financial inclusion is key to realization of
economic goal not only in Kenya but also globally. Given that little study has been done on
factors affecting equitable access to financial services in Kenya and in particular Kamukunji
Constituency the study seeks to bridge the gap by undertaking a study on the same. The
proposed study will adopt a descriptive design. A random sample within the constituency was
targeted and a semi-structured questionnaire administered. Quantitative data collected was
analyzed by the use of descriptive statistics using Statistical Package For Social Science
software (SPSS) and presented through percentages, means, standard deviations and
frequencies. The information will be displayed by use of bar charts, graphs & pie charts and
in prose-form. The study found out that interest rates have a significant negative effect on
equitable access to financial services, the study also indicated that costs of finance have a
significant negative effect on equitable financial access. This study concludes that interest
rates and financial costs have a crucial role in the quest for equitable financial access and the
financial sector regulators can help greatly in intervening on these variables.