

**EXPLORATION OF RELATIONSHIP BETWEEN LOAN
PRACTICES AND CLIENT EXIT IN MICROFINANCE
INSTITUTIONS: A CASE OF KENYA WOMEN FINANCE TRUST
NORTH RIFT REGION, KENYA**

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ABSTRACT

The study took place in North Rift Region of Kenya where the problem was identified for exploration of relationship between loan practices and client exit from microfinance institutions. In recent times many people have been attracted in the first borrowing but are declining to take a repeat financial product. Repeat borrowing is critical for the long-term financial viability of Microfinance Institutions (MFIs). High client exits may hamper organizational and financial sustainability, The study sought to; determine the relationship between loan conditions and client exit, establish the relationship between group dynamics and client exit, find out the association between external communication and client exit and to find out the relationship between retention programs and client exit. The study adopted the Diffusion of Financial Mechanisms Theory by Di Maggio and Powell. The study also adopted a conceptual framework to guide the process of loan client in transit. The beneficiaries of Kenya Women Finance Trust in North Rift Region of Kenya include a total of 37,520 clients. To obtain a sample, the researcher used stratified sampling technique to categorize clients into eight towns, according to where they received their loans. Proportionate random and snowball sampling were used to select a total of 300 clients from the towns in the North Rift Region of Kenya. Questionnaires were used to collect data from the sample. The study was quantitative in nature and survey methodology was adopted. A pilot was administered to adjust the items for the study. It was appropriate to conduct a pilot and find out the Cronbach Alpha. Tests were done by identifying a pilot sample, collecting necessary data and by use of the test-retest technique and the Spearman's correlation coefficient, the level of reliability was determined. Data were analyzed by descriptive and inferential statistics. There was evidence that loan conditions, group dynamics and external competition had a significant negative correlation with client exit. However, there was no significant correlation between retention programmes and client exit. High priority factors that contribute to client exit were identified which would guide KWFT in curbing client exits. Overall findings from this study suggest that loan practices have an influence on client exits and profiling priority factors are adequate in addressing the escalation of client exits. This research therefore adds a new dimension to the body of literature that will help future researchers' efforts to understand the relationship between loan practices and client exits. As this research takes place in the Kenyan context, it contributes to the bank of findings relating to the curbing of client exit. The implications of the findings are discussed.