

**THE IMPACTS OF MICROFINANCE LOANS ON POVERTY REDUCTION; (A CASE  
STUDY OF KAWANGWARE, NAIROBI COUNTY).**

**BY**

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## CHAPTER ONE

### 1.0 INTRODUCTION

#### 1.1 Background to the study

Equity Building Society (EBS) in Kenya has emerged as one of Kenya's leading microfinance institutions, with over 155,000 savings clients and 41,000 borrowers. Once insolvent, EBS transformed itself into a profitable financial-service provider by rigorously focusing on the needs of its clients - in particular, by developing a wide range of market-based financial products and services, including a mobile banking service.

Faulu was founded by Food for the Hungry International (FHI), a Christian relief organization, Loan scheme program that targeted the economically active poor in Mathare and now is all over the in informal settlements in Nairobi. From its humble roots as a loan scheme in 1991, Faulu is currently one of the top Deposit Taking MFIs in Kenya have successfully developed a platform aimed at banking the previously unbanked though a variety of savings, credit, micro insurance and mobile banking solutions.

The concept of microfinance is not new. Savings and credit groups that have operated for centuries.

Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions. One of the earlier and longer-lived micro credit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift.

#### 1.2 HISTORY OF KAWANGWARE

Kawangware estate is one of the largest slums in Nairobi, so by default among the largest in sub-Saharan Africa. Densely populated, it's home to more than half a million people. Kawangware is a slum that is situated approximately 12 km in the western outcasts of Nairobi Central Business District. It spans approximately 3 square kilometers and has a population of approximately 800,000 people. Kawangware holds many diverse ethnic backgrounds. The slum is characterized by scarcity of safe drinking water, water borne diseases, respiratory pneumonia, aspiratory pneumonia, malaria as well as an increase in cases of airborne diseases due