International Journal of Advanced Research in Management and Social Sciences ISSN: 2278-6236

STAKEHOLDER MANAGEMENT CHALLENGES FACED BY MICROFINANCE INSTITUTIONS IN TRANSFORMING INTO REGULATED DEPOSIT TAKING FINANCIAL INSTITUTIONS IN KENYA

George Koome Rukaria*

Elegwa Mukulu*

Maurice Sakwa*

Abstract: *The Microfinance Act of 2006 provided Microfinance Institutions (MFIs) in Kenya with a legal framework within which to transform into regulated deposit taking microfinance institutions (DTMs). Whereas evidence from other countries indicates stakeholder management as one of the challenges faced by transforming MFIs, the information is not conclusive on the specific challenges and significance of stakeholder management in successful transformation. This study thus sought to determine the stakeholder management challenges faced in the transformation of microfinance institutions in Kenya. The specific objectives were to establish the extent to which stakeholder management is a challenge in the transformation of microfinance institutions into regulated DTMs and to make recommendations for successful transformation. The target population was 48 member institutions of the Association of Microfinance Institutions. Using purposive sampling, the study selected 25 MFIs from which 100 respondents were selected using simple random sampling. Data was first explored for the underlying factor structure through factor analysis before descriptive and inferential statistical analyses. The study established that MFIs faced managing staff and clients, creating appropriate governance structures and attracting private shareholders stakeholder management challenges. The study found no significant association between stakeholder management and successful MFI transformation in Kenya and concluded that stakeholder management was not a significant challenge. The study recommends that MFIs in Kenya wishing to transform should have the confidence that managing their stakeholders will not be difficult. It also recommends further research to determine the impact of MFI transformation on financial inclusion.*

Key words: *Microfinance institution, Transformation, Stakeholder Management, Deposit-taking microfinance, Financial inclusion, Regulation and supervision.*

*School of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya

1.0 INTRODUCTION

1.1 Background to the Study

The existence of a strong correlation between access to financial services and economic development is widely acknowledged (Christen, Rosenberg, & Jayadeva, 2004). This is because increasing access to financial services results in employment generation and economic growth as well as contributing to human development. Despite this, it is estimated that about three billion working-age people in the world still lack access to a broad range of financial products and services on a sustainable basis (Christen, Rosenberg, & Jayadeva, 2004).

The formal banking sector serves less than 20% of the population in developing countries (Robinson, 2001). The rest of the population has historically not had access to formal financial services (Chiumya, 2006). These are typically low-income households. In Kenya, the limited access to financial services has over the years been cited as one of the major constraints inhibiting the growth of the Micro and Small Enterprises (MSEs) sector (Central Bureau of Statistics, International Centre for Economic Growth, & K-Rep Holdings, 1999; Republic of Kenya, 2005). Yet, the MSE sector makes a significant contribution to the economic development of the country, amounting to up to 18.4% of the country's Gross Domestic Product (Republic of Kenya, 1992; 2005; Gichira, 2005).

The problem of limited access to credit has further been shown to be more as a result of supply-side constraints (Atieno, 2001). To address the problem, Microfinance Institutions (MFIs) emerged and have been testing and developing a practical approach since the 1970s to serve those historically excluded from accessing financial services from the formal banking sector. One popular view has been that major increases in microfinance outreach needs to come from banks (Vogel, Gomez, Fitzgerald & IMCC, 1999). This is based on the comparison of size of the typical bank and the typical microfinance institution and the fact that most of the largest microlenders are banks (e.g. Grameen, BRI, and Bancosol). Just like has happened globally, Kenya has experienced a rapid growth of the microfinance sector since the 1980s. However, the MFIs operated without a proper legal and regulatory framework (Atieno, 2001; Republic of Kenya, 2005), which greatly hampered their capacity grow (KIPPRA, 2001).

The enactment of the Microfinance Act 2006 (Republic of Kenya, 2006; 2008; CBK, 2008) provided the environment for the second round of transformations. From 2006, MFIs that wished to do so started seeking to transform with a regulatory framework specific for MFIs in place. This statute provided for the regulation and supervision of deposit-taking microfinance institutions (DTMs) in Kenya. Its passage provided transforming MFIs with a second option of becoming regulated deposit-taking institutions in addition to the one already tried by K-Rep that is, converting into a commercial bank. This was expected to spur rapid growth in the microfinance sector as DTMs would be allowed, lawfully, to mobilize deposits from the public and use the same funds for on-lending.

1.2 Statement of the Problem

According to a study on financial access (called FinAccess), 19% of the Kenyan adult population uses financial services from the formal financial institutions which are regulated by the monetary authority like banks and building societies and post office savings bank (Arora & Ferrand, 2007). Alternative formal financial institutions which are not regulated by the central bank, like Savings and Credit Cooperatives (SACCOs) and microfinance institutions (MFIs), reach 8% of the adult population. This means that only 27% of the adult population access financial services from banks and other formal regulated non-bank financial institutions. Another 35% of the adult population uses financial services from informal sources like Rotating Savings and Credit Associations (ROSCAs) and Accumulated Savings and Credit Associations (ASCAs). The other 38% of adult Kenyans do not use financial services from any source.

Overall, those who access financial services from informal sources and those who are not served by any source total to 73% of the adult population. These are excluded from the formal sources and are said to be "unbanked". According to Arora and Ferrand (2007), this implies that Kenya faces a great challenge in her efforts at developing an inclusive financial system. They further observe that those levels of access compare favourably to Kenya's regional neighbours, yet, in the context of the Vision 2030, Kenya seeks to benchmark its economic performance either with rapidly growing countries (such as Vietnam) or middle-income countries (like South Africa, Namibia or Thailand) which have considerably higher levels of access. They conclude that Kenya would have to raise the formal access to 50% in order to achieve those benchmarks by 2030.

In addressing the problem of access to finance by reaching large numbers of people, the global trend is to move microfinance into institutions that are licensed and supervised by a country's financial authorities (Hishigsuren, 2006). For instance, by March 2006, about 43 non-governmental organization (NGO) microfinance institutions (MFIs) were transformed worldwide (Hishigsuren, 2006). One of the models being used to achieve that significant outreach is the transformation of microfinance organizations into regulated deposit-taking microfinance institutions (DTMs).

Transformation experience from other countries like Bolivia, Cambodia, India, Mongolia, Nepal, Pakistan, Philippines, Uganda, and Peru indicates that the process is not easy. This is because transforming microfinance institutions in those countries faced financial, management, infrastructure, legal, institutional change management and other challenges (Campion & White, 1999, Hishigsuren, 2006). While the small number of successful transformations in Kenya from 2006 to 2010 may be attributed to the existence of challenges in the transformation process, the available information is not conclusive on whether or not the transformation challenges faced in Kenya were the same as those faced in other countries. Specifically, this study sought to determine the stakeholder management challenges faced in the transformation of microfinance institutions into regulated deposit taking financial institutions in Kenya.

1.3 Objectives of the Study

This study addressed the following specific objectives:

1) To establish the extent to which stakeholder management is a significant challenge in the transformation of microfinance institutions into regulated deposit taking institutions in Kenya.
2) To make recommendations for successful transformation of microfinance institutions into regulated deposit taking institutions in Kenya.

1.4 Hypothesis

H_0: There is no significant association between stakeholder management and successful transformation of microfinance institutions into regulated deposit taking institutions in Kenya.

2.0 LITERATURE REVIEW

2.1 Managing Stakeholders as a Challenge

The management of a transforming MFI is faced with the difficult task of responding to the concerns of various stakeholders. One of the concerns is the apprehension by stakeholders that the MFI's original vision and mission of targeting the poor might change in due course. This change of vision and mission is referred to as mission drift. This concern arises because of the dual nature of the goal of transformation, namely, large outreach and sustainability (Christen, Rhyne, Vogel & McKean, 1995; Wright, 2001). To reach large numbers of the poor, a transformed MFI must also seek to become sustainable (CGAP, 1996; Rhyne, 1998). As a transformed MFI grows, it is expected to start lending out larger loan amounts to meet the demands for commercial viability (Campion & White, 1999; Rosengard, Rai, Dondo & Oketch, 2000). The NGO stakeholders may, therefore, have a legitimate concern about the possibility of a mission drift once the transformation, which entails a change in ownership structure and status, is complete (Lauer, 2008).

To deal with this issue, the management of a transforming MFI has to determine how best to ensure that there will be someone to ensure that the original mission is pursued once the NGO no longer has control over the new MFI and whether there will be shareholders with an equally strong interest in pursuing the original mission (Lauer, 2008). The transforming NGO MFI may also get into an agreement based on a consensus among shareholders that includes a statement on the mission of the company. However, this might not solve the matter fully because shareholder agreements may not be enforceable in all countries. How successfully the management responds to these issues depends on the composition of the shareholders and how that composition is permitted or not permitted to change.

Closely related to the above is the issue of corporate governance (Ledgerwood, 1999; Lauer, 2008). This is because, unlike an NGO, a company is controlled by owners out to protect their private financial interests. On the other hand, an NGO has no owners and depends on the social motivation of its governing body. A Board of Directors is necessary for the regulated financial institution (RFI) and has the important role of determining how the new for-profit institution will grow, be profitable, and manage its risk while guarding against mission drift.

Donors are likely to raise concerns regarding the use of funds (Campion & White, 1999, Hishigsuren, 2006). Since grant funding for NGO MFIs is generally meant to benefit poor and low income people by supporting the development of institutions that offer formal financial services to such people, donors might be against the transfer of an NGO's assets to a private company. The existing policies and agreements might even be against such an eventuality. Thus, the management has the task of convincing such donors that using the funds to create a sustainable institution that is able to serve more of the beneficiaries is just another strategy to accomplish the primary purpose of increasing access to financial services by the poor. The NGO should be compensated, for example with shares or other value in exchange for its transfer of assets to the new institution, for the transfer as has happened in most donor approved transformations (Lauer, 2008). However, the pricing of the shares should be done in such a way as to ensure a fair transfer of the NGO's assets, including grant funds, to private parties.

Another concern regards the transfer of liabilities by an NGO to the transformed institution (Lauer, 2008). It is necessary to consider the implications of transferring to the transformed institution by the NGO MFI an asset that might be having debt or other contractual encumbrances. It is also necessary to decide whether any existing external liabilities will be assigned to and assumed by the new company or will remain with the NGO. Lauer (2008) argues that while the debt liabilities may stay with the NGO if the lenders agree, few lenders will want to be left in a situation where they can only recover from the NGO, yet the latter will have transferred its loan portfolio - the principal source and guarantee of repayment - to another entity.

A transforming institution may also face the challenge of preparing its clients for the transition (Campion & White, 1999). The transforming organization must consider how best to communicate the expected institutional changes and what implications they are likely to have on clients. It must consider how the existing clients will be transitioned without interrupting the current activities. In addition, it must consider the criteria for transferring the existing clients to the new entity. These decisions can come with varied levels of challenges. For example, Mibanco decided to take over 80% of the portfolio, considering the rest to be non-creditworthy due to default histories of the concerned clients.

One of the objectives of transforming into a regulated microfinance institution is to increase outreach, that is, for the institution to reach more low income people. This gives rise to the challenge of financing the expansion of operations (Campion & White, 1999). These include new banking infrastructure, staff, monitoring systems and communication. These are exacerbated by downscaling by existing commercial banks.

Another category of stakeholders whose interests the management needs to address is the employees. With transformation, the new MFI may be required by operational and legal demands to incorporate experienced bankers, human resource managers, experts in asset and liability management, and management information systems specialists (Campion & White, 1999; Rosengard, Rai, Dondo & Oketch, 2000). This prospect is likely to cause a lot of anxiety amongst the existing staff, especially regarding job security. MFIs like K-Rep and Mibanco responded to this by engaging the existing staff in dialogue, capacity building and ultimately retaining most of them.

2.2 Successful Transformation

Transformation has been defined as the establishment of a regulated financial institution (RFI) by a nongovernmental organization (NGO), or a group of NGOs, by transferring all or part of its loan portfolio to the RFI (Fernando, 2004). It is also defined as the process by which an NGO MFI converts into a "formalized" or regulated financial institution (RFI) (Frank, 2008).

A study by Hishigsuren (2006) shows that the process of MFI transformation has taken varying forms depending on the legal framework in a given country. For instance, it may take the form of an existing MFI converting into a RFI. It may also be in the form an existing MFI, alone or in collaboration with other organizations, establishing an RFI. Whatever the form it takes, it culminates in the application for registration as an RFI and finally being granted a license by the regulating authority to operate as such.

It is apparent from the above that several activities have to be undertaken during the process. One can also reasonably expect transforming institutions to undertake some activities even prior to, rather than concurrently with the application for a licence. Indeed, as Campion and White (1999) point out, the transformation of MFIs entails raising equity, institutional transition, and licensing. However, institutional transition, continues even after the institution is licensed. It is for this reason that Hishigsuren (2006) asserts that an MFI may experience challenges before, during and after the transformation.

An institution is considered to have transformed successfully if it manages to overcome the challenges faced before and during the process of transformation. Successful transformation, therefore, is indicated by an MFI ultimately gaining the RFI status by getting issued with a license to operate as a DTM in Kenya (CBK, 2008).

3.0 RESEARCH METHODOLOGY

3.1 Research Design

This study used the mixed methods approach, the modern approach to designing and conducting research. According to Creswell and Clark (2006), the mixed methods approach is a procedure for collecting, analyzing, and mixing both quantitative and qualitative data in a single case study or a series of studies. The approach is becoming quite common in studies across various disciplines like social, behavioural, health sciences and education.

This study used qualitative (interviewing) and quantitative methods (descriptive and regression). Qualitative research sought to describe and analyze the culture and behaviour of humans and their groups from the point of view of those being studied (Orodho & Kombo, 2002; Kombo & Tromp, 2006). In qualitative research, feelings and insights are considered important. The designs here rely on a research strategy that is flexible and interactive, such as interviewing and focus group discussions. This study thus used interviewing in order to capture the feelings and insights of the microfinance institutions. According to Kombo and Tromp (2006), the qualitative approach is applicable when the subject matter is unfamiliar and the study seeks to relate particular aspects of behaviour to the wider context. It is also applicable when meanings rather than frequencies are sought and when flexibility of approach is needed to allow for discovery of the unexpected and in-depth investigation of particular topics.

At the same time, the study used quantitative designs so as to benefit from the advantages inherent in such methods. According to Kombo and Tromp (2006), the quantitative approach relies on the principle of verifiability, that is, confirmation, proof, corroboration or substantiation. It is applicable where the researcher incorporates the statistical element designed to quantify the extent to which the target group is (or thought or believed to be) aware of, or is inclined to behave in a certain way. It is also applicable when frequencies are required to explain meanings, thus necessitating the collection of numerical data in order to explain certain phenomenon. Finally, it is useful when data analysis is mainly statistical.

3.2 Target Population, Sample and Sampling Procedures

The sampling frame was the AMFI on-line register of members as at 1st January 2013. The register had 48 member institutions (AMFI, 2013). The target population of this study, therefore, comprised of 48 MFIs.

This study used both purposive and simple random sampling to select the sample. Purposive sampling is a sampling technique that allows a researcher to use cases that have the required information in relation to the study objectives (Mugenda & Mugenda, 1999; Mutai, 2000; Kothari, 2004; Chandran, 2004; Oso & Onen, 2009). From the sampling frame, wholesale MFIs as well as non-microfinance institutions were eliminated. In this way, a total of twenty five institutions were selected. Simple random sampling was then used to select 4 respondents from each selected institution. A simple random sampling is a technique that allows the researcher to select a sample without bias from the target or accessible population (Mugenda & Mugenda, 1999; Mutai, 2000; Kothari, 2004; Chandran, 2004; Oso & Onen, 2009). In this way, a total of one hundred respondents were selected from the selected institutions.

3.3 Research Instruments and Data Collection and Analysis

This study used a questionnaire and an interview schedule. The questionnaire was used to collect quantitative data and an interview schedule to collect qualitative data (Mugenda & Mugenda, 1999; Kombo & Tromp 2006). Data entry, storage and analysis were done with the aid of Scientific Package for Social Sciences (SPSS). After data collection, all the questionnaires were coded as part of the data cleaning. A coding scheme was developed to facilitate the development of an appropriate data structure to enable its entry and storage in the computer. After all the data was entered into the computer, it was checked and corrected for any errors.

The data was first explored for the underlying factor structure among the study variables through factor analysis. Factor analysis was done using Principal Component Analysis (PCA) which helped in reducing the number of variables into fewer factors of similar characteristics. The extracted variables were then explored in terms of descriptive statistics and logistic regression.

This study undertook both descriptive and inferential statistical data analysis. Descriptive data analysis was done first and it consisted of measuring numerical values from which descriptions (such as the mean and mode) were worked out for various data items. Inferential statistical analysis was then used to test for the existence of relationships between the variables. The study used Pearson Chi-square to establish the degree of association between categorical variables (Kombo & Tromp, 2006) and direct logistic regression to assess the impact of a number of factors (continuous independent variables) on the likelihood that they would report successful transformation (dichotomous dependent variable) Pallant (2007).

4.0 RESULTS AND DISCUSSION

The objectives of this study were to establish the extent to which stakeholder management is a challenge in the transformation of microfinance institutions into regulated deposit taking institutions in Kenya and to make recommendations for successful transformation. The issues of managing stakeholders that have been reported to have presented challenges to transforming MFIs in other countries are guarding against mission drift, attracting private owners, creating an appropriate governance structure (BOD), transfer of assets to the new RFI, transfer of liabilities to the new RFI, handling staff concerns, and handling client concerns.

The respondents were asked to indicate the level of difficulty with managing stakeholders. The responses were measured on a four point likert scale of 1 to 4 with 1 as 'very low', 2 as 'low', 3 as 'high' and 4 as 'very high' level of difficulty. Descriptive statistics were calculated and the results are shown in Table 1.

Table 1: Descriptive Statistics for Level of Difficulty with Managing Stakeholders

	N	Mean
Guarding Against Mission Drift	53	2.26
Attracting Private Owners	53	2.25
Creating Governance Structure (BOD)	50	2.10
Transfer of Assets to new RFI	47	2.38
Transfer of Liabilities to new RFI	47	2.53
Handling Staff Concerns	50	2.20
Handling Client Concerns	50	2.18

Key:

Mean of 1.00 - 2.44: Low level of difficulty

Mean of 2.45 – 4.00: High level of difficulty

The findings show that only one factor (transfer of liabilities to the new RFI) had a high level of difficulty (2.53). All the other factors had a low level of difficulty with creating governance structure having lowest level of difficulty (2.10). This suggests transfer of liabilities to the new RFI to be a key challenge with regard to the management of stakeholders. The difficulty might arise from the resistance of lenders to being transferred to the new RFE. As Lauer (2008) argues, few creditors will want to be left in a situation where they can only recover from the NGO, yet the latter will have transferred its loan portfolio - the principal source and guarantee of repayment - to another entity.

The findings were further subjected to factor and regression analysis. Factor analysis was used so as to decomposee the information contained in a set of variables into information about an inherent set of latent components or factors. This assisted in reducing a number of variables into fewer factors which are of similar characteristics and isolate factors with main effects to the characteristics of the dependent variable (successful transformation of MFIs).

The correlation matrix of the factors making up the management of stakeholders variable revealed that there were five (5) factors at 95% and 99% confidence interval with correlation coefficients of 0.3 and above. Thus the data for these variables was considered suitable for factor analysis. In the resulting Total Variance Explained table, a total of three factors, each with eigenvalues of 1 and above were extracted. Together, these three factors accounted for 66.89% of the variance.

Consequently, through Principal Component Analysis (PCA) method, three factors were extracted. The structure matrix of the three factors and their loadings is presented in Table 2.

Table 2: Structure Matrix and Means for Managing Stakeholders Components

	Component		
	1	**2**	**3**
Handling Client Concerns	.891		
Handling Staff Concerns	.859		.386
Guarding Against Mission Drift		.843	
Transfer of Liabilities to New RFI		.688	
Creating Governance Structure(BOD)		.512	
Transfer of Assets to new RFI		-.351	.846
Attracting Private Owners	.388		.795
Means	2.19	2.33	2.28

Key:

- Variable Extraction Method: Principal Component Analysis; Rotation Method: Oblimin with Kaiser Normalization.
- Criteria for factor analysis: loading of 0.5 and above on a component was accepted.
- Mean of 1.00 - 2.44: Low level of difficulty; Mean of 2.45 – 4.00: High level of difficulty.

The resultant three components were renamed as: component 1 (managing staff and clients), component 2 (creating appropriate governance structures), and component 3 (attracting private shareholders). Component 1 comprised of two variables. These were handling client concerns and handling staff concerns. Component 2 comprised of three variables. These were guarding against mission drift, transfer of liabilities to new RFI, and creating governance structure (BOD). Component 3 comprised of two variables. These were transfer of assets to new RFI and attracting private owners.

The average scores for each re-named factor were first calculated. Descriptive statistics for the re-named factors were then calculated using the average scores for each re-named factor and the results are presented in Table 2. The results show that all the factors presented a low level of difficulty. Managing staff and clients presented the lowest level of difficulty (2.19). This may be explained by the fact that all the factors are involve processes that are internal to the transforming MFI and its internal stakeholders and do not involve the CBK.

Direct logistic regression was then performed to assess the impact of a number of factors on the likelihood that respondents would report that they had successfully transformed. The model contained three independent variables (managing staff and clients, creating appropriate governance structures, and attracting private shareholders). The following null hypothesis was tested and the results are presented in Table 3:

There is no significant association between stakeholder management and successful transformation of microfinance institutions into regulated deposit taking institutions in Kenya.

Table 3: Logistic Regression Predicting Likelihood of Reporting Successful Transformation from Managing Stakeholders Factors

Component	df	Sig.	Exp(B) (Odds Ratio)
Managing staff and clients	1	0.30	0.60
Creating appropriate governance structures	1	0.87	1.10
Attracting private shareholders	1	0.18	1.95
Constant	1	0.73	0.49

n = 47

χ^2 = 2.466; df = 3; Sig. = 0.481.

Cox and Snell R square (0.051); Nagelkerke R square (0.068)

Overall percentage correct prediction (66)

The full model containing all predictors was not statistically significant, χ^2 (3, N=47) = 2.466, P=0.48 indicating that the model was not able to distinguish between respondents who reported and those who did not report successful transformation. The model as whole explained only between 5.1% (Cox and Snell R square) and 6.8% (Nagelkerke R square) of the variance in transformation status, but correctly classified 66% of cases. None of the independent variables made a unique statistically significant contribution to the model. Therefore, the null hypothesis that *there is no significant association between stakeholder management and successful transformation of microfinance institutions into regulated deposit taking institutions in Kenya* was accepted. It was concluded that managing stakeholders is not a significant challenge in the transformation of microfinance institutions in Kenya. This supports results of the descriptive statistics presented in Table 2.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This study sought to determine the stakeholder management challenges faced in the transformation of microfinance institutions into regulated deposit taking financial institutions in Kenya. The specific objectives of the study were to establish the extent to which stakeholder management is a challenge in the transformation of microfinance institutions into regulated deposit taking institutions in Kenya and to make recommendations for successful transformation.

Based on the findings, this study concluded that there were 3 stakeholder management challenges faced by MFIs transforming into regulated deposit taking financial institutions in Kenya. These are managing staff and clients, creating appropriate governance structures and attracting private shareholders. However, the logistic regression model developed to test the association of the challenges and successful transformation was not statistically significant, indicating that the model was not able to distinguish between respondents who reported and those who did not report successful transformation. The study thus concluded that managing stakeholders was not a significant challenge in the transformation of microfinance institutions into regulated deposit taking institutions in Kenya.

5.2 Recommendations

5.2.1 General recommendations

This study makes the following recommendations:

(a) MFIs in Kenya that wish to transform into regulated deposit taking financial institutions should approach the process with confidence that managing their various stakeholders will not present serious challenges.

(b) MFIs in Kenya that wish to transform should be aware of the likely sources of stakeholder management challenges, even though the challenges are likely to be mild. The sources of the challenges are managing staff and clients, creating appropriate governance structures and attracting private shareholders.

(c) Transforming MFIs need to appreciate that management of stakeholders is a continuous process which could go on long after legal transformation has been accomplished. Each MFI should thus be prepared to manage its stakeholder issues as and when they arise during the transformation as well as after getting licensed as deposit taking institutions.

5.2.2 Suggestions for further research

This study recommends further research:-

(a) To determine the impact of MFI transformation on overall financial inclusion in Kenya.

(b) To determine the impact of Microfinance regulation and supervision in Kenya on various stakeholders.

REFERENCES

1. AMFI (2013). *AMFI members.* Accessed from: http://www.amfikenya.com/pages.php?p=3 *on 1 January 2013, at 01:29:20*
2. Arora, S., & Ferrand, D. (2007). *Kenya: Meeting the challenge of creating an inclusive financial sector.* Background paper for the DFID and HM Treasury Financial Inclusion Conference, London (19 June 2007).
3. Atieno, R. (2001). *Formal and informal institutions' lending policies and access to credit by small-scale enterprises in Kenya: An empirical assessment.* Nairobi: The African Economic Research Consortium.
4. Campion, A., & White, V. (1999). *Institutional metamorphosis: Transformation of microfinance ngos into regulated financial institutions*. Occasional Paper No. 4. Microfinance Network.
5. CBK (2008). *Guidelines on the licensing procedures/steps for a deposit-taking microfinance business in Kenya*. Unpublished paper presented to the Microfinance industry players on 12 May 2008 at the Kenya School of Monetary Studies, Nairobi.
6. Central Bureau of Statistics, International Centre for Economic Growth, & K-Rep Holdings. (1999). *National micro and small enterprise baseline survey 1999: Survey results.* Nairobi: Central Bureau of Statistics, International Centre for Economic Growth, & K-Rep Holdings.
7. Chandran, E. (2004). *Research methods: A quantitative approach with illustrations from Christian Ministries.* Nairobi: Daystar University.

8. Chiumya, C. (2006). *The regulation of microfinance institutions: A Zambian case study.* Ph.D Thesis: The Manchester University.
9. Christen, R. P., Rhyne, E., Vogel, R., & McKean, C. (1995). *Maximizing the outreach of microenterprise finance: An analysis of successful microfinance programs.* Washington, D.C.: USAID Program and Operations Report No. 10, 1995.
10. Christen, R. P., Rosenberg, R., & Jayadeva, V. (2004). *Financial institutions with a "double bottom line": Implications for the future of microfinance.* Occasional Paper 12. Washington, D.C.: CGAP, July.
11. CGAP. (1996). *Financial sustainability, targeting the poorest, and income impact: Are there trade-offs for micro-finance institutions?* Focus Note No. 5. Washington, D.C.: CGAP, December.
12. Creswell, J. W., & Clark, V. L. P. (2006). *Designing and conducting mixed methods research.* (1st ed). Sage Publications. Retrieved April, 10 2014, from http://search.barnesandnoble.com/Designing-and-Conducting-Mixed-Methods-Research/Joh...
13. Gichira, R. (2005). *Guidelines on policy analysis and formulation: Module 1 volume 1*: *Course book.* Nairobi: Kenya Institute for Public Policy Research and Analysis.
14. Hishigsuren, G. (2006). *Transformation of microfinance operations from ngo to regulated mfi*. Microcredit Summit. Retrieved April, 10 2014, from http://microcreditsummit.org/papers/workshops/3_Hishigsuren.pdf_
15. KIPPRA (2001). *Legal and other constraints on access to financial services in Kenya: Survey results: Special report.* Nairobi: Kenya Institute for Public Policy Research and Analysis (KIPPRA).
16. Kombo, D. K., & Tromp, D. L. A. (2006). *Proposal and thesis writing: An introduction.* Nairobi: Paulines Publications Africa.
17. Kothari, C. R. (2004). *Research methodology: Methods and techniques.* (2nd ed). New Delhi: New Age International Publishers.
18. Lauer, K. (2008). *Transforming NGO MFIs: Critical Ownership Issues to Consider.* Occasional Paper 13. Washington, D.C.: CGAP, May.
19. Ledgerwood, J. (1999). *Microfinance handbook: An institutional and financial perspective.* Washington, DC: World Bank.

20. Mugenda, O. M., & Mugenda, A. G. (1999). *Research methods: Quantitative & qualitative approaches*. Nairobi: Acts Press.
21. Mutai, B. K. (2000). *How to write quality research proposal: A complete and simplified recipe.* Edinburgh: Thelley Publications.
22. Orodho, J. A., & Kombo, D. K. (2002). *Research methods.* Nairobi: Kenyatta University, Institute of Open Learning.
23. Oso, W. K., & Onen, D. (2009). *A general guide to writing research proposal and report: A handbook for beginning researchers.* Nairobi: Jomo Kenyatta Foundation.
24. Pallant, J. (2007). *SPSS survival manual*. (3rd ed). Berkshire: McGraw Hill.
25. Republic of Kenya (1992). *Sessional paper no 2 of 1992 on small enterprise and jua kali development in Kenya*. Nairobi: Government Printer.
26. Republic of Kenya (2005). *Sessional paper no 2 of 2005 on development of micro and small enterprises in Kenya for wealth creation, employment generation and poverty reduction*. Nairobi: Government Printer.
27. Republic of Kenya (2006). *The microfinance act, 2006*. Nairobi: Government Printer.
28. Republic of Kenya (2008). *Legal notice no. 58: The microfinance (deposit-taking microfinance institutions) regulations, 2008*. Nairobi: Government Printer.
29. Rhyne, E. (1998). The ying and yang of microfinance: Reaching the poor and sustainability. *MicroBanking Bulletin,* No. 2, 6-9, July.
30. Robinson, M. S. (2001). *The microfinance revolution: Sustainable finance for the poor.* Washington, D.C.: The World Bank.
31. Wright, G. A. N. (2001). How poor must you be? Client selection by microfinance institutions. *Journal of Small Enterprise Development, 11:4.*