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EFFECT OF MICROFINANCE SERVICES ON FINANCIAL INCLUSION IN ARID AND SEMI-ARID LANDS IN KENYA: A CASE STUDY OF BARINGO COUNTY, KENYA.

Financial inclusion has been identified as an important factor that accelerates the growth of any economy and alleviates poverty. MFIs offer various financial services to their clients. However, little has been documented on how microfinance services affect financial inclusion in Arid and Semi-Arid lands in Kenya. Thus, this study sought to establish the effect of microfinance services on financial inclusion in Arid and Semi-arid lands in Kenya. The objectives of this study were to determine the effect of: Lending services, Savings products, Payment services and Financial education by microfinance institutions on financial inclusion in Arid and Semi-Arid Lands in Kenya. Financial Intermediation theory, Social capital theory, Finance-Growth Nexus Theory and Modern Development theory, were reviewed to guide this research. The study adopted a descriptive research study method. The target population for this study was 476; comprising 56 microfinance institutions officials (the manager and credit officers) from all the 14 microfinance institutions operating in Baringo County and 420 clients from all the microfinance institutions in the county. A total sample size of 254 respondents was used to provide the data for this research. Data was collected using structured questionnaires containing both open and closed-ended questions. The data was analyzed using SPSS. Quantitative data from the questionnaires were coded and entered into the computer for computation of descriptive statistics including frequency counts, percentages, modes and means. The analytical technique used in this study was a multiple regression model. A significance level of 95% ($\alpha=0.05$) was used in the analysis of the effect of microfinance institutions services on financial inclusion. The p-values for the variables; lending services, savings products, payment services and financial education were 0.037, 0.000, 0.016 and 0.024 respectively. The probability values of the independent variable were less than $\alpha=0.05$ thus implying that the predictor variables influenced financial inclusion significantly.

Key Words

Microfinance, Financial inclusion, Financial Education, Lending, Savings.

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