

**IMPACT OF SELF HELP GROUPS ON POVERTY ALLEVIATION:  
A CASE STUDY OF CARITAS NAIROBI RUARAKA ZONE**

**BY**

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**DECLARATION**

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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I do hereby confirm that I have examined the master’s dissertation of

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# **IMPACT OF SELF HELP GROUPS ON POVERTY ALLEVIATION: A CASE STUDY OF CARITAS NAIROBI RUARAKA ZONE**

## **ABSTRACT**

The Self Help Group (SHG) approach help in poverty alleviation at the grass root level as there is economic empowerment whereby members are able to acquire skills to start small businesses, own some assets, acquire skills in risk management and marketing. The purpose of this study was to establish the impact of Caritas Self-Help Programme on poverty alleviation in Ruaraka Zone. The study adopted a descriptive cross-sectional survey methodology, because it cuts across several Self Help Groups in Ruaraka Zone. The study used questionnaires in order to collect data. The questionnaire had both open and close ended questions. The study population was 4995 members of the Caritas SHG in Ruaraka zone. This study used simple random sampling to sample 357 respondents or 7.1 percent which was established after using the Krejcie and Morgan formula to determine the sample size. Quantitative data collected was coded and analysed using descriptive statistics such as percentages, mean and standard deviation. Measures of central tendency were applied (mean, median, mode and percentages). Pearson's correlations analysis was conducted at 95% confidence interval and 5% confidence level 2-tailed to determine the relationship between the variables and the poverty alleviation in Ruaraka zone. Tables were used to present the data collected for ease of understanding and analysis. The research findings revealed that members' savings in the SHGs had big impact on poverty alleviation. It was also established that the provision of long term loans and also unsecured loans based on payment history had a big role in alleviating poverty. The study further established that financial training of the members helped in attempts to alleviate poverty by improving on their financial literacy. It therefore had a positive impact on their financial well-being and individual financial performance. The researcher concluded that member savings as advocated by SHGs had a great bearing on financial well-being of members and consequently affected poverty alleviation to a considerable extent. The provision of loans to members both long term and short term was imperative towards poverty reduction since these loans could be easily accessed by the members. The study concluded that financial training conducted in SHGs was imperative in poverty alleviation since the members were readily enlightened on how to best use what they can reasonably get. Local Authorities at the County level should readily promote SHGs by way of offering better training in terms of financial literacy and financial management. The study recommends that SHGs ought to encourage financial saving and diligent spending of its members. The groups should also provide emergency loans to cater for emergencies that cannot be reasonably expected to happen. Future assessment can be done across different kinds of SHGs in other areas of the country so as to provide research findings that are comparable to the above made deductions. The study suggested that further studies be done to investigate the various factors that are considered by people before joining and forming SHGs.

**Keywords:** Self Help Groups (SHGs), Poverty Alleviation, Economic Empowerment, Simple Random Sampling, Krejcie and Morgan formula, Quantitative Data, Pearson's Correlation Analysis, Members' Savings, Loans and Financial Training.

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## **DEDICATION**

This research proposal is dedicated to my family and parents for their support, wisdom and inspiration which has been my pillar in search for knowledge.

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## **ACRONYMS AND ABBREVIATIONS**

<b>SHGs</b>	Self Help Groups
<b>BOD</b>	Board of Directors
<b>ED</b>	Executive Director
<b>MFI</b>	Micro Finance Institutions
<b>SHP</b>	Self Help Programme

## **TERMS AND DEFINITIONS**

- Poverty Alleviation** Successfully lessening deprivation of well-being related to lack of material income or consumption, low levels of education and health, vulnerability and exposure to risk, no opportunity to be heard and powerlessness (World Bank, 2001).
- Self Help Groups** Self-help groups (SHGs), are small voluntary groups that are formed by people related by an affinity for a specific purpose who provide support for each other and/or are created with the underlying assumption that when individuals join together to take action towards overcoming obstacles and attaining social change, the result can be individual, and/or collective empowerment (Swamy and Tulasimala, 2013).
- Loans** Loans are credits extended to business concerns (Sharma, 2012).
- Savings** Savings is the portion of income not spent on current expenditures in anticipation of what will happen in the future, money should be saved to pay for unexpected events or emergencies (Prina, 2013).

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Self-Help Group (SHG) is a method used in organizing poor and the marginalized individuals in society to come together so that they can solve their individual problem (Swamy and Tulasimala, 2013). It is one of the approaches of micro financing which is a unique innovation of credit delivery technique to enhance income-generating activities (Das and Bhowal, 2013). Self Help Groups are formed on voluntary basis with membership drawn from people with similar socio-economic characteristics, who come together to promote savings among themselves (Sundaram, 2012). They offer their members several benefits ranging from savings, access to credit, employment, and training among others (Rathinamand Akudugu, 2014). The Self Help Group (SHG) approach help in poverty alleviation at the grass root level. There is economic empowerment as members are able to acquire skills to start small businesses, own some assets, acquire skills in risk management and marketing (Sarmah, Nath and Das 2012). As one of the many grassroots organizations; they are becoming important social economic empowerment channel for marginalized populations in developing countries.

These grassroots groups represent the vulnerable groups who are severely affected in terms of the resources available to them, their vulnerability to global and national policies and economic fluctuations (Bhatliwala, 2002). The formation of Self Help Groups started after the World War II in Kenya. The aim was to improve the welfare of the people due to negative effects of the war as social services had declined. The Self Help Group approach was a new concept whose objectives was to increase the well-being of the poor people by providing avenue to access resources and credit, boost self-confidence, self-esteem and other social aspects of their lives (Sarmah et al., 2012).

The Self Help Group brings together community members who have volunteered to organize themselves in to a group to free themselves from poverty. As a start, they usually mobilize their financial resources in form of individual savings in order to eradicate poverty. These savings are then loaned to members as capital (Vetrivel & Mohanasundari, 2011).

Self Help Groups instils the culture of savings to the members which form the basis of securing credit or loans which are paid back with a reasonable interest, this make members work extra hard to repay them on time with the interest and avoid possible fines (Moon, 2011). Trainings for members are organized in order to equip members with skills such as book keeping, entrepreneurship and skill development (Das, 2012). These groups organize regular meetings and trainings which equip members with leadership skills. The leaders are appointed from the general membership who forms management committees. This promotes sense of shared leadership and teamwork which strengthen these skills (Tesoriero, 2006).

Members especially women who join Self Help Groups without any business due to lack of capital were able to start their own business after joining the group (Sharma, Roy & Chakravorty, 2012). The study further noted that women who initially had no entrepreneurial skills upon joining self-help groups were able to improve their entrepreneurial qualities such as confidence, innovation, energetic, risk taking, financial independence and active participation during group meetings (Sharma, 2012). The concept of pooling resources together in a group at the rural areas for social events such as weddings, funerals and dowry have been in practice for a long time. Recently, this concept has been married with entrepreneurial activities (Naituli, Wegulo, & Kaimenyi, 2006).

### ***1.1.1 Caritas Movement at Global Level***

Caritas was founded in Germany in 1897. This was after the suffering experienced from effects of two world wars that led to the need for national catholic humanitarian organizations. Caritas began to grow in North America and Europe; and in 1951, the International Caritas conference was held where 13 Caritas members met in Rome for the first time inspired by the vision of the future Pope Paul VI. More national Caritas organizations were established and joined together as Caritas Internationalis. The church describes Caritas as its official voice in relation to its teachings in the area of charity work. In 1954, the new name “Caritas Internationalis” was adopted.

In 1962, Caritas Internationalis welcomed 14 new members; nine (9) are from newly independent African countries. As the Second Vatican council began, the confederation had grown to 74 members. However, Caritas itself exists in involvement and solidarity. The central task of Caritas organizations is enhancing and strengthening commitment, and the opportunities for people to be and to become connected to and involved in the lives of others. In other words, hunger and disease should be a shared concern, not a problem for one party to which the other party knows and owns the solution (Caritas Romania, 2013).

### ***1.1.2 Caritas in Africa and Poverty Alleviation***

The Caritas network spreads all over sub-Saharan Africa. Caritas Africa brings together 46 (fourty six) national Caritas organizations. They are part of the local communities they serve. Together, Caritas Africa members focus on human development, peace building and economic justice, while practically responding to some of the world’s largest and most complex humanitarian emergencies. These include Darfur, the Democratic Republic of Congo and food crises in the Sahel in the west and the Horn of Africa in the east.

Caritas Kenya was launched in 2000 hence development and Social Services Commission/ Caritas Kenya. Caritas Nairobi is governed by a Board of Directors (BOD) appointed for a three years term of office. It is run on-day-to-day basis by an Executive Director (ED) who is duly appointed by the Archbishop of Nairobi, who is also the Chairman of the Board. Caritas Nairobi have a support department of Administration and Management, and five other broad based programs. These are: Self Help (Microfinance), Agriculture, Water and Environment. The role of Caritas Nairobi is to ensure the fulfilment of the mission of Christ. This is done through designed programmes and projects to alleviate human suffering enhance social justice and call people to self-consciously reflect on the challenges of the Gospel and social teachings of the Church.

The Archdiocese of Nairobi under the Catholic Church has run a Microfinance programme for thirty (30) years with an emphasis on savings and credit. The Self Help Programme (SHP) exists to empower people economically while ensuring that those who live in poverty, particularly vulnerable women and children, are served in body, mind and spirit. Training builds the capacity of local group officials and members to manage their groups and also income. The capacity building programme also develops guidelines for the groups and initiates new groups where there is need. Capacity building programmes are conducted through- out the year. Members are required to save monthly to remain in the programme or access credit. A minimum membership period of six months is required prior to being accepted as a full member eligible for loans. This sensitizes them to the importance and benefits of savings and instils a savings' culture in the community. When partners save, they mitigate risk and create a more secure future.

## **1.2 Statement of the Problem**

Self Help Groups are expected to enhance standards of living. Despite the presence of such associations, poverty remains a real issue among certain groups of people in Kenya. Poverty leads

to deprivation of human dignity due to vulnerability to economic, social, and cultural shocks which result in a low quality of life. Empowerment of the poor encompasses three basic dimensions; reduction of poverty, creation of employment, and erasing inequality. Since the magnitude of poverty challenges the very basis of State as an independent economic and political unit, it has been realized by the policy planners that development, needs to be people centred and participation oriented across various interfaces (Bhatliwala, 2002). Poverty Alleviation has therefore assumed a new thinking and new practices have emerged through integrated community participation of the poor. The basis of the concept of micro finance is self-organization of the poor at the community level, driven by a desire and an inherent capacity to improve their living conditions by themselves.

It is notable that most of the studies on SHGs have been done in India where a vast majority of the population are of low income status. For instance, Sowjanya (2007) carried out a study on SHGs for poverty alleviation in Titabor Sub-division of Jorhat District of Assam in India and found out that SHGs has provided a significant impact towards the upliftment of members enrolled from grief of poverty. Jivetti and Edwards (2009) did a study to examine SHGs in Western Kenya regarding members' perceptions on improving their livelihoods. The study found out that SHGs were involved in income generating activities and some form of business ventures in their quest to mitigate poverty and other social and welfare challenges. LaFerrara (2002) did a study to examine the incomes of individuals who had joined Self Help groups in poor neighbourhoods of Nairobi informal settlements in Dandora, Kayole, and Mathare Valley and found out that SHGs are important source of income for certain categories of people and that group composition affects both the extent to which borrowing can be carried out within a group, and the organization of production in terms of division of labour, compensation schemes and sanctioning technology.

The fact that the Ruaraka zone has a significant population of low income earners who would like to have their status uplifted out of poverty by getting involved through the SHGs and that there is no study which has focussed in this area to inform them on how the SHG approach would elevate their standards of living, this study aims to bridge this gap in knowledge. By addressing the research questions below the study will be able to respond to the concerns of how the SHGs would be vehicles to transport a population out of poverty. Thus, the need to undertake a study on impact of SHGs on poverty alleviation a case study of Caritas Nairobi, Ruaraka zone.

### **1.3 Objectives of the Study**

To establish the impact of Caritas Self-Help Programme on poverty alleviation in Ruaraka Zone.

This study was led by the following specific objectives:

- i. To determine the impact of group savings on poverty alleviation among Caritas SHGs in Ruaraka Zone
- ii. To establish the role of loan uptake by members from Ruaraka Zone Caritas SHGs on poverty alleviation
- iii. To determine the extent to which financial training influences poverty alleviation among Caritas SHGs in Ruaraka Zone.

### **1.4 Research Questions**

- i. What is the impact of group savings on poverty alleviation among Caritas SHGs in Ruaraka Zone?
- ii. How does loan uptake by members from Ruaraka Zone Caritas SHGs help in poverty alleviation?

- iii. To what extent does financial training affect poverty alleviation among Caritas SHGs in Ruaraka Zone?

### **1.5 Significance of the study**

Self Help Group (SHG) has proved to be a reliable mechanism to meet the urgent credit needs of the economically vulnerable. It has also empowered members to venture in to entrepreneurial activities (Sharma et al., 2012). The study is expected to provide alternatives suggestions and/or appropriate policy measures that are viable to enhance members' economic empowerment.

The study would also act as a reference material for future researchers; the study is of much significance to research institutions, students and other researchers who would get the findings useful in their investigation in the area of study. It would assist them to find out a research gap to create a basis for further studies.

This study would particularly be of great importance to the Caritas organization since it would help them during policy making as far as Self Help Groups are concerned, it would also give them information that would assist them in knowing what areas it has not exploited, the gaps that it has left in performing its duties and what areas of its activities need to be improved.

### **1.6 Scope of the Study**

This study mainly emphasized on the impact of Caritas Self-Help Programme on poverty alleviation in Ruaraka Zone .The study examined selected members of Ruaraka Zone Self Help Groups, currently established and registered under Caritas Nairobi Self Help Programme.

### **1.7 Limitation of the Study**

This study only assessed factors unique to Ruaraka Zone which enhances poverty alleviation. The study was therefore limited to only one zone; any generalizations to other zones should be done with caution.

### **1.8 Assumptions**

The study assumed that the respondents were knowledgeable on the management strategies on the performance of their respective groups and that they were objective.

The study assumed that the researcher was to receive all necessary cooperation from all members of SHGs in Ruaraka zone and the respondents in the survey were to be truthful and willing to provide accurate and valid information freely.

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.1 Introduction**

This chapter presents a review of the various works done by various researchers and authors regarding impact of SHGs on poverty alleviation. It also presents various theories related to this topic.

#### **2.2 Theoretical Framework**

This study was based on the social comparison theory which explains the importance and need to be identified with a group of which this study examines the impact of Self Help Groups on poverty alleviation.

##### ***2.2.1 The Social Comparison Theory***

Festinger's (1954) social comparison theory postulates that humans have a drive to evaluate their opinions and abilities. To function effectively, they need to understand their own capacities and limitations, and they must be accurate in their opinions of objects and of other people (Jones & Gerard, 1967). Festinger's established that people best serve this need for self-evaluation by measuring their attributes against direct, physical standards. When objective standards are unavailable, individuals compare themselves with other people. The central proposition of the social comparison theory is the "similarity hypothesis," which predicts that individuals prefer to compare themselves with similar others. When individuals attempt to evaluate ability and their performance is very different from that of other people, all that they can be certain of is that their own performance is not as equal to the other person's performance.

Social comparison theory emphasized the individual as the causal agent standing out against a rather non-problematic environment (Guiot, 1978). This largely implied that the social environment is fairly passive toward and cooperative with the individual's aims. Festinger's (1954) emphasized the individual's comparison interests and choices although researchers find it difficult to avoid confounding self-evaluation and self-enhancement concerns, many agree that individuals are interested in accurate self-evaluation (Raynor & Mcfarlane, 1986). In Trope's (1986) research, subjects are presented with a choice among tasks that vary in their capacity to diagnose levels of ability. Subjects tend to select tasks that will diagnose their abilities, and the other studies indicate that people are interested specifically in social comparison for self-evaluation (Seheier & carver, 1983).

If an individual has goals other than accurate self-evaluation, and if the environment imposes comparisons on them, it creates several implications; active social environment is that the comparison process is not one way, emanating from the individual toward the environment, but two way, and hence individuals' reactions to comparisons are a critical component of comparison processes; The individual's goals also have considerable influence on the comparison process. Festinger's (1954) emphasis on self-evaluation leads to a single prediction regarding whom people will select for comparison.

### **2.3 Empirical Review**

This section looks at the various empirical studies and how they discuss the key concepts as per the study objectives.

### ***2.3.1 Self Help Groups and Poverty Alleviation***

The growth in Self Help Groups can be seen as a result of industrialization, the breakdown of the kinship system, and the decline of the community (Humm,1997), although in some cases this is seen as a reflection of an ineffective, inefficient and dehumanizing formal system of care (Gartner & Riessman,1977). Self Help Groups have been on tremendous growth path worldwide as noted in countries like Canada whereby about two percent of the population belonged to Self-Help Groups in 1987 (Gottlieb & Peters, 1991), while approximately 10 percent of Israel's population was in one way or another involved in a Self Help Group (Ben-Ari & Azaiza,1995).

The experiences of Self Help Groups (SHG) in many countries have been proving great success as an effective strategy and approach in recent years. Group-oriented efforts in the form of Micro-credit groups in different countries of Latin America, Africa and Asia are examples of current Self Help efforts. The Grameen groups in Bangladesh, irrigation groups in Indonesia and other Self Help Groups (SHGs) in countries like Thailand, Nepal, and Sri Lanka and India have recorded positive results. Through the Self Help Group movement a lot of efforts and strategies have been employed which have contributed in empowering vulnerable groups. This has been through relevant advice on how to balance family and business responsibilities, leadership, priorities in decision making and how to handle social issues. This has led to growth in the number of Self Help Groups.

In Kenya, The Self Help Groups faced numerous challenges in their evolution. Government administrative and community development staff impeded their growth during the 1960s to 1990s. In an effort to retain strict control of the country the government ensured that only a very small number of Self Helps were registered in the 1980s (Wallis 1990). This situation worsened after a failed attempt at a coup d'état in 1982 (Chessman, 2007) after which it became a mandate of the

administration to either approve or disapprove projects for registration and government funding. These bureaucracies lead to establishment of many groups informally which existed without formal approval (Wallis 1976). In the 1970's it was felt that the Harambee projects which existed had been politicized and that the autonomy of the Self Help Groups was becoming detrimental to the establishment (Ngau 1987). Stringent requirements for project approval were therefore introduced and bureaucracy was strengthened. Harambee activities were hence placed under the direct control of the community development division of the Ministry of Cooperatives and Social Services. This heavy regulatory regime created difficulties for local and grassroots development initiatives (Transparency International 2001).

The poor face barriers in gaining access to formal mainstream financial service institutions. Micro-Finance Institutions (MFIs) provide this opportunity for poor people in rural area to have access to Micro-credit mainly through SHGs. SHGs are now being viewed as trustworthy vehicles for rural credit delivery and Poverty is multi-dimensional. By providing access to financial services, Self Help Groups play an important role in the fight against the many aspects of poverty. For instance, income generation from a business helps not only the business activity expand but also contributes to household income and its attendant benefits on food security and children's education among many others.

### ***2.3.2 Impact of Savings on Poverty Alleviation***

Savings is the portion of income not spent on current expenditures. Because a person does not know what will happen in the future, money should be saved to pay for unexpected events or emergencies (Prina, 2013). Without savings, unexpected events can become large financial burdens. According to Karlan and Yin (2012), savings helps an individual or family become financially secure. Although savings is becoming a priority in the development agenda, it is not

clear a priority that under-saving is also is a widespread problem and that everyone should save more, at least in the form of additional financial assets or investment.

Policymakers and practitioners often overlook the possibility that the best route to saving more is to pay down existing debt. In other cases the utility benefits of current consumption are high (Poterba, Venti, and Wise, 2013). On balance, several studies in more-developed countries have found that people get their savings and consumption decisions about right over the life-cycle (Scholz, Seshadri & Khitatrakun, 2006). In the Grameen Bank in Bangladesh, savings are considered an integral part of lending as each member of the group is required to deposit some minimum amount each week at the weekly group meeting. This fund is used to provide life accident insurance to all group members, repay bad debts, and undertake activities that improve the health, skills, education, and investment opportunities of group members.

Most people and saving groups use the saving accounts offered by many commercial banks to enhance their saving habits. Women in Self Help Groups and saving groups use this accounts quite actively, and increase their total savings on average. However, this comes along with a lot of challenges leading to depreciation of the saving culture (Bartels & Urminsky 2011). Carroll (2009) established that commitment devices such as defaults and direct deposits from wages into savings accounts have been found to be highly effective to increase savings which shows an improvement from where previously, a study was done in Bumala by the World bank (2004) showing that many self-employed Kenyans do not have a savings account especially the low income earners. Self Help Groups however have greatly enhanced the culture of saving among various women in most third world countries. Peer Self Help Groups often save money then use the savings to establish income earning activities.

Majority of the Self Help Groups in Kenya require that group members have to save in order to qualify for a loan. Regular saving is well inculcated by offering voluntary time deposit accounts, commitment savings accounts, where each member commits to depositing a fixed sum at regular intervals (K-REP Bank, 2013). In other organisations, the size of the loan is linked to the amount saved at the institution. Armendariz and Morduch (2005) in their study identified that saving was important for SHG since savings may act as credit, collateral, smooth consumption, finance large investments and self- insure against shocks leading to poverty alleviation.

Low income earners can only save low amounts individually which are not usually enough to amount to productive investments. However they can alternatively save as a group, by saving as a group these low income earners can accumulate a larger amount of money more quickly by pooling their savings in a common fund which can be used by the group or a member of the group for productive investment.

### ***2.3.3 Loan Uptake and Poverty Alleviation***

Loans are credits extended to business concerns Mayer (1990). However loans can also be defined as a written or oral agreement for a temporary transfer of cash from the lender to a borrower who promises to return it according to the terms of the agreement, usually with interest for its use. Loans fall under four main categories; secured loans, unsecured loans, long-term and shorter loan (Tomak, 2013).

Short term loans are designed for shorter repaying duration and therefore are not bound by long term obligation. Short term loans are obtained for a smaller amount as you need to repay it quickly and may be provided for any purpose including educational expenses, home improvements, auto repairs, clearing smaller debts (Ali & Iva, 2013) .The history of the short term

loan industry began in the 1980's in rural southern American cities supported by large factory businesses and a blue-collar customer base. By the early nineties the businesses developed into an industry with over 3000 locations and an economically diverse customer base. According to the U.S. Treasury Department (2010), the number of short term loan lenders has since doubled with over 6000 locations throughout the United States. The short term loans however have various advantages since they do not usually require collateral; they have little paperwork and can easily provide a borrower with money whenever a sudden and expected need arises (Ahmed & Taqadus, 2013).

Loans are considered as long term loans if they are for more than three years in many of the financial institutions. However, most long term loans are for more than ten years, and can be as long as twenty years (Stewart, van Rooyen & de Wet, 2011). A long term loan will generally be put up against collateral or security. Whether it is property, equipment, or some other asset, there is usually has to be something securing a long term loan. The rate of interest for long term loans is never fixed arbitrarily. The magnitude of the loan amount, length of the payment period, records of the regular source of income of the person taking loan and his collateral status are seriously counted prior to fix the rate of interest (Zewdu, 2010).

Rawlin, Shwetha and Pradeep (2012) describes that secured loans are loans that are backed by collateral. In case the borrower defaults, the creditor takes possession of the asset used as collateral and may sell it to satisfy the debt; it is always easy for a lender to get their money back if the borrower defaults on the loan. Secured loans relieve creditors of most of the financial risks involved because it allows the creditor to take the property in the event that the debt is not properly repaid. On the other hand, debtors may receive loans on more favourable terms than that available for unsecured loan. They can also be extended credit under circumstances when credit under terms

of unsecured loan would not be extended at all. They can also be offered loan with attractive interest rates and repayment periods (Theodros, 2011).

In the case of unsecured loans, the loans are based solely upon the borrower's credit rating. As a result, they are often much more difficult to get than a secured loan, which also factors in the borrower's income. An unsecured loan carries less risk to the borrower. However, when an unsecured loan is granted, it does not necessarily have to be based on a credit score. It may be based on history payment of prior debt, reflecting in your credit score (Swamy, 2012).

Loans play a great role in improving the living standards of the group members of Self Help Groups. Micro loans help the disadvantaged establish a cash economy by providing basic financial understanding and building credit standing for individuals. This strategy helps to achieve the institutional building effect and the long term goal of creating economic opportunities. Microcredit and deposit services can also strengthen social and labour resources for the poor, thus improving the infrastructure on a local level.

### ***2.3.4 Financial Training and Poverty Alleviation***

Training is the systematic development of knowledge, skills and attitudes required to work effectively and it mainly aims to change behaviour. Training refers to a systematic approach to learning and development to improve individual, team, and organisational effectiveness (Goldstein & Ford, 2002). Training can have a considerable influence on company finances or an individual finances or even finances of a group. Hill and Lent (2006) acknowledges that the importance of ensuring employee retention following training may lie in the strategic approach that is utilized. Companies can seek to achieve organisational goals through a variety of human resource strategies

and approaches. One such approach, a commitment strategy, attempts to develop psychological connections between the company and employee as a means of achieving goals (Scholl, 2003).

Training not only may affect declarative knowledge or procedural knowledge, but also may enhance strategic knowledge, defined as knowing when to apply a specific knowledge or skill (Kozlowski, 2001). Ford and Schmidt (2000) refer to this as training for adaptive expertise. In addition; training may enable consistency in performance across conditions. Driskell (2001) conducted a study including 79 U.S. Navy technical school trainees who performed a computer-based task. Trainees participated in a stress-exposure training session. This training exposes trainees to information regarding stressors, and how these stressors are likely to affect performance. Results showed that training was beneficial in that trainees performed well under a novel stressor and when performing a novel task. Thus, stress training helps maintain performance consistency.

Training-related changes should result in improved performance and other positive changes (Satterfield & Hughes, 2007). Reassuringly, Arthur et al (2003) conducted a meta-analysis of 1152 effect sizes from 165 sources and ascertained that in comparison with no-training or retraining states, training had an overall positive effect on job-related behaviours or performance. However, although differences in terms of effect sizes were not large, the effectiveness of training varied depending on the training delivery method and the skill or task being trained. For example, the most effective training programs were those including both cognitive and interpersonal skills, followed by those including psychomotor skills or tasks.

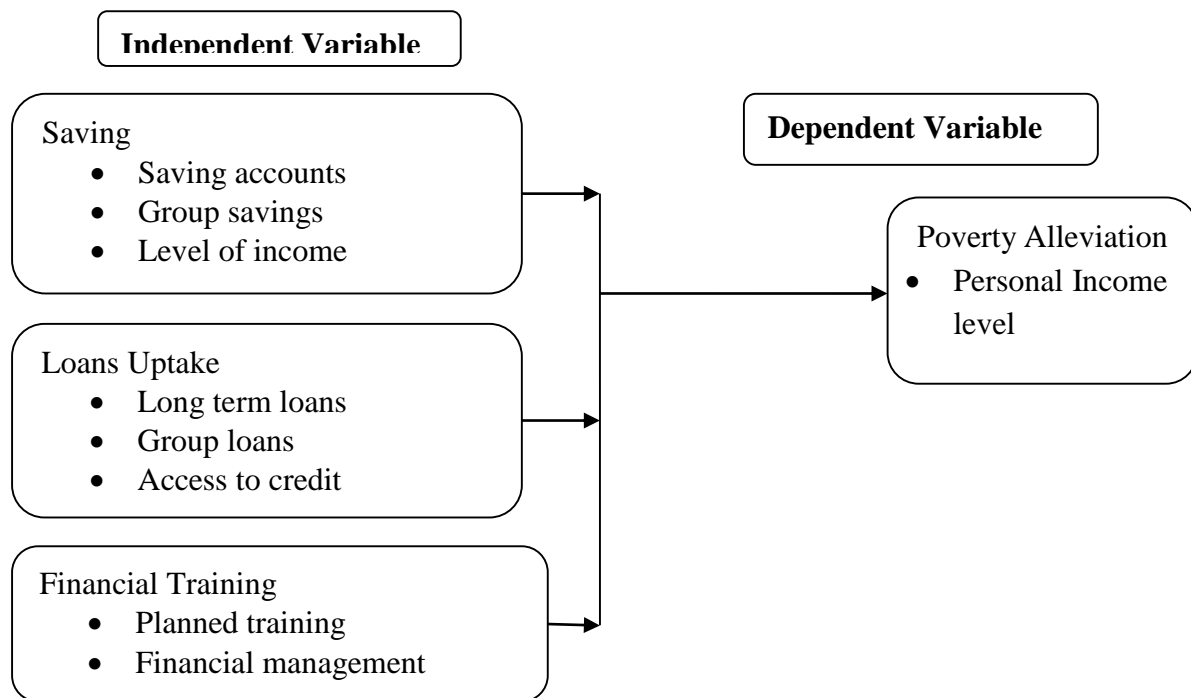
Performance consistency can also lead to enhancing trainees' self-efficacy or self-management skills. Frayne and Geringer (2000) conducted a field experiment in which they

administered self-management training to 30 salespeople in the life insurance industry. The findings showed that salespeople who participated in the training program demonstrated higher self-efficacy, outcome expectancy and objective outcomes as well as subjective job performance. There are also documented benefits of training for managers and leaders.

## 2.4 Conceptual Framework

The study proposes that Self Help Groups impacts on poverty alleviation indicators being; Savings, Loans uptake and financial training as captured below.

**FIGURE 1**  
**Conceptual Framework**



Source: *Researcher (2015)*

## 2.5 Operationalization

**TABLE 1**  
**Operationalization of Variables**

<b>Objective</b>	<b>Variable Type</b>	<b>Indicators</b>	<b>Type of data analysis</b>
To determine the impact of group savings on poverty alleviation among Caritas SHGs in Ruaraka Zone	<b>Independent</b> Savings	Saving accounts Amount saved Group savings Level of income	Descriptive Correlation
To establish the role of loan uptake by members from Ruaraka Zone Caritas SHGs on poverty alleviation.	<b>Independent</b> Loans Uptake	Long term loans Group loans Access to credit Total Loans issued	Descriptive Correlation
To determine the extent to which financial training influences poverty alleviation among Caritas SHGs in Ruaraka Zone	<b>Independent</b> Financial Training	Planned training Financial management Business management trainings	Descriptive Correlation

**Source:** *Researcher (2015)*

## 2.6 Conclusion and Research Gap

Various studies have been carried out regarding SHGs both in the past end and in recent times. However a critical analysis of these studies indicates a gap in research since most of the studies have been done in India. There has not been enough exploration of this context in Africa and mainly Kenya; this therefore creates a need for a research to be carried out to fill this knowledge

gap. This study therefore seeks to fill this gap by investigating the impact of SHGs on poverty alleviation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology that was used to carry out the study. In this chapter, the researcher discusses the research design, population size and sample that was used. The researcher also discussed how the data collected was analysed giving details of any models or programmes that was used in analysis.

#### **3.2 Research Design**

This research problem was studied through a descriptive cross-sectional survey because it cuts across several Caritas Self Help Groups in Ruaraka Zone. This enabled the analysis of Impact of Self Help Groups on Poverty Alleviation a Case Study of Caritas Nairobi Ruaraka Zone. A cross-sectional survey reports on the situation as it is without changing in any way. Cross-sectional research design was chosen because it allows for generalization of findings within a particular parameter. The data obtained was standardized to allow easy comparison. This design was meant to enhance a systematic description that is accurate, valid and reliable as possible regarding the impact of Self Help Groups on poverty alleviation: a case study of Caritas Nairobi Ruaraka zone.

According to Ngugi (2012) a survey research refers to a body of techniques for collecting data on human characteristics, attitudes, thoughts, and behaviour by obtaining responses from individuals to a set of prepared questions. Kothari (2004) defines a survey as a measurement process used to collect information during a highly structured interview. The capacity for wide application and broad coverage gives the survey technique its great usefulness.

### 3.3 Target Population

Target population refers to a well-defined or set of people, services, elements, events, group of things or households that are being investigated (Ngechu, 2004). Target population is the specific population about which information is desired. The target population of this study comprised all the 4995 members of the 15 Caritas Self Help Groups in Ruaraka zone as at August, 2015 (Caritas, 2015).

### 3.4 Sampling Design

The study adopted a simple random sampling design to obtain a reasonable sample size. This gave the researcher assurance of representativeness. Gall and Borg (1996) reported that a sample refers to a subset of those entities that decisions relate to. Mugenda (2008) posited that, the sample must be carefully selected to be representative of the population and the researcher also needs to ensure that the subdivisions entailed in the analysis are accurately catered for. Sample size for finite population (known target population) can be determined with the help of Krejcie and Morgan Table of determining sample size for finite population. Since the target population was 4995, this study used the Krejcie and Morgan (1970) formula to determine the sample size. This was given by the formula;

$$S = \frac{X^2 N P (1-P)}{d^2 (N-1) + X^2 P (1-P)} \dots \dots \dots (i)$$

S= required sample size

$X^2$ = the table value of chi-squared for 1 degree of freedom at the desired confidence level  
(3.841)

N= the target population size

P= the population proportion (assumed to be 0.05 since this would provide the maximum sample size.

d= the degree of accuracy expressed as a proportion of 0.05

The sample size was 357 as indicated on Krejcie and Morgan (1970) table computed from the above formula on Appendix III.

### **3.5 Sampling Procedure**

This study used simple random sampling procedure in collection of the data. Simple random sampling was used in collecting data from members. This was to ensure that each and every employee had an equal and independent chance of being selected into the sample (Mugenda and Mugenda, 2003). Mugenda and Mugenda (2003) indicate that a sample of 10-30% of the target population is considered adequate provided it is scientifically determined. However due to the homoscedasticity of the target population the study will adopt a sample size of 357 members from 15 Caritas Self Help Groups in Ruaraka zone.

### **3.6 Instrumentation and Data Collection**

The study collected both primary and secondary data. Primary data was collected using questionnaires. The questionnaire are the most commonly used methods when respondents can be reached and are willing to co-operate. This method can reach a large number of subjects who are able to read and write independently. The questionnaire contained both open and closed ended questions. Closed ended questions made use of a five point Likert scale to standardize the responses. The unstructured questions were used to encourage the respondents to give an in-depth response where close ended questions are limiting.

The questionnaire were divided into four sections; A, B, C and D. Section A addressed the general information about the respondents, section B addressed the impact of saving, section C addressed the impact of loans uptake by members on poverty alleviation while section D the impact of training among members of the Self Help Groups on poverty alleviation. Secondary data was obtained from literature including: Annual financial statements of accounts, Annual General meeting minutes and quarterly magazine publications for the different Self Help Groups under study.

### **3.7 Validity and Reliability of Research**

This section presents a discussion on the validity and reliability tests that were carried out by the researcher in order to achieve the study's objective which was to establish the impact of Caritas Self-Help Programme on poverty alleviation in Ruaraka Zone, Nairobi.

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Joppe, 2000). Validity is high if the study contains what one wants to study and nothing else. Validity takes three forms: construct, internal and external. Construct validity refers to data collection, internal validity is a link between theory and empirical research and external validity refers to the domain to which the findings can be generalized. Construct validity was addressed by administering the questionnaires to the SHG which was to be studied. Internal validity was addressed by considering existing theories and external validity was addressed by studying all the SHG in the research area.

Reliability demonstrates that the study can be repeated with the same outcome. Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study. If the results of a study can be reproduced under

a similar methodology, then the research instrument is considered to be reliable. The researcher used clear and well defined questionnaire as a method of data collection. Questions by the respondents were also clarified. This could easily be applicable to another sample to test the reliability of the results. However, subjectivity that may distort responses could not be over ruled.

A pilot study was conducted to test the reliability and validity of the research. According to Orodho (2003), a pilot test helps to test the reliability and validity of data collection instruments. If a measurement is valid, it is also reliable (Joppe, 2000). The pilot test comprised 10 SHG in Ruaraka zone. However, to ensure that the study findings were not compromised, the respondents who took part in the pilot study were not included in the final study. According to Mugenda and Mugenda (2003) a pilot study can comprise of between 4-10 members of the target population.

### **3.8 Data Analysis and Presentation**

The questionnaire was checked for completion and reliability of the data. The quantitative data was coded in Statistical Package for Social Sciences (Version 21.0) and analysed using descriptive statistics such as percentages and mean and standard deviation. Descriptive statistics were used mainly to summarize the data. This included percentages and frequencies. Measures of central tendency was applied (mean, median, mode and percentages) for quantitative variables. Pearson's correlations analysis was conducted at 95% confidence interval and 5% confidence level 2-tailed to determine the relationship between the variables and the poverty alleviation in Ruaraka zone. If the relationship established was found to be positive, then this would indicate that there is a correlation between the factors and poverty alleviation in Ruaraka zone.

In addition, the study also conducted a correlation analysis to determine the strength of association between the study variables. The analysed data was presented using frequency tables whereby explanations were presented in prose form.

## CHAPTER FOUR

### FINDINGS, DATA ANALYSIS AND DISCUSSIONS

#### 4.1 Introduction

In this chapter the researcher presents the research findings, and data analysis based on the data collected from the field. The objective of the study was to establish the impact of Caritas Self-Help Programme on poverty alleviation in Ruaraka Zone. Specifically, to determine the impact of group savings on poverty alleviation among Caritas SHGs in Ruaraka zone; to establish the role of loan uptake by members from Ruaraka Zone Caritas SHGs on poverty alleviation and to determine the extent to which financial training influences poverty alleviation among Caritas SHGs in Ruaraka Zone. The data was analyzed using descriptive statistics such as percentages, mean and standard deviation and the results of analysis are presented in form of frequency tables; and other tables reflecting the mean, standard deviation and correlation analysis. Computed means on the various statements were categorized as follows; a mean of below 1.4 indicated that respondents strongly disagreed; 1.5 – 2.4 meant they disagreed; 2.5 – 3.4 were neutral; 3.5 – 4.4 agreed with the statement while 4.5 – 5.0 strongly agreed with the given statement.

The researcher also conducted a correlation analysis so as to establish the strength of relationship between the independent and dependent variables. To do this, the study used average score of item under each variable using Statistical Package of Social Sciences (SPSS). A positive correlation coefficient approaching 1 showed a strong positive association between the independent and dependent variable and a correlation coefficient close to zero suggests no linear association between the independent and dependent variable.

## **4.2 Target Population and Samples**

The study targeted 15 registered Caritas Self-Help Groups in Ruaraka Zone with a total population of 4995 members as at end of August 2015 (Caritas, 2015). The study used Krejcie and Morgan (1970) formula to determine a sample size of 357. A total of 357 questionnaires were administered or distributed to the SHGs. A total of 265 questionnaires were completely completed and returned to the researcher by the respondents'. This translated to a response rate of 74.22%. According to Mugenda and Mugenda (1999), 50% is considered adequate for analysis; a response rate of 60% is good and a rate above 70% is considered excellent for analysis and reporting. The response rate of this study at 74.22% was considered excellent representation of the target population and thus can be used to draw conclusions about the overall population of the SHGs.

## **4.3 Background Information**

This section presents the general information of respondents pertaining to age, gender, education and years involved in the Self Help Groups. This information will inform the study on the relationship between the saving habits, loan uptake and financial training by the respondents and poverty alleviation. The findings are as presented in the subsequent sections.

### ***4.3.1 Gender of the Respondents***

The study sought to establish the gender of the respondents who participated in the study, so that it would inform the researcher on level of involvement of each gender in relation to savings and loans uptake in Caritas SHGs. The research findings are presented in Table 2.

**TABLE 2**

### Gender of the Respondents

Gender	Frequency	Percentage
Male	120	45.3%
Female	145	54.7%
<b>Total</b>	<b>265</b>	<b>100%</b>

Source: *Researcher (2015)*

The findings in Table 4.1 revealed that the females formed the slight majority of the respondents since they comprised 54.7% of the total respondents. The males however followed closely with 45.3% of the total respondents involved in the study. This therefore implies that females were actively involved in group activities like savings and loan uptake compared to male respondents in Caritas SHGs.

#### 4.3.2 Age Bracket of the Respondents

The researcher sought to establish the age bracket of the respondents who participated in the study. The age bracket will inform the study on which age category is actively involved in group savings or even loan uptake in Caritas SHGs. The study findings are as presented in Table 3.

**TABLE 3**  
**Age Bracket of the Respondents**

Age	Frequency	Percent
18-25 years	13	4.9
26-34 years	123	46.4
35-42 years	54	20.4
43-50 years	38	14.3
above 50 years	37	14.0
<b>Total</b>	<b>265</b>	<b>100.0</b>

Source: *Researcher (2015)*

The researcher established that a majority of the respondents were in the 26-34 age bracket since 46.4% of the respondents were in this age category. A significant portion of the respondents were also observed to be present in the 35-42 age bracket at 20.4%. A paltry 4.9% of the respondents were between 18 to 25 years old. The respondents above 50 years age comprised 14% of the total

respondents. Based on the above findings, the researcher established that respondents` in the age bracket of 26-42 formed a portion of 66.8%. This indicates that these category of respondents are in their active age whereby they are either starting to earn income or are engaged in starting or supporting their families. This therefore, means that their savings levels are high compared to other age groups in order to cushion themselves against any unexpected financial commitments.

### **4.3.3 Highest Level of Education**

The highest level of education attained by the respondents was also assessed by the researcher. This was to inform the researcher on the literacy levels of the respondents in relation to the importance of participating in Caritas SHGs. The education level is key in appreciating the importance of saving and loan uptake in these groups. The findings are presented in Table 4.

**TABLE 4**  
**Highest Level of Education Attained by the Respondents**

<b>Education Level</b>	<b>Frequency</b>	<b>Percent</b>
Certificate	27	10.2
Diploma	70	26.4
Bachelors' degree	131	49.4
Postgraduate degree	37	14.0
<b>Total</b>	<b>265</b>	<b>100.0</b>

**Source: Researcher (2015)**

The research findings revealed that a majority of the members of the Caritas Self Help Groups had attained a University Degree as their highest level of education at 49.4%. Diploma holders were also significant since they comprised 26.4% of the total respondents in the study. The study further revealed that a minority comprising of 10.2% of the respondents had attained a Certificate. This therefore indicated that, those who had attained a University Degree and Diploma

holders totaled 75.8% did appreciate the importance of participating in Caritas SHGs through savings and loans uptake as a way of improving their living standards.

#### **4.3.4 Years Involved in the Self Help Group**

The study also sought to determine the number of years that the respondents had been involved in the Self Help Groups. This study was to inform on whether the respondents appreciated the benefits of participating in Caritas SHGs through savings, loans uptake and financial trainings organized by these groups. Research findings are as shown in Table 5.

**TABLE 5**  
**Years Involved in the Self Help Group**

<b>Years</b>	<b>Frequency</b>	<b>Percent</b>
less than 5 years	110	41.5
6-20 years	142	53.6
more than 20 years	13	4.9
<b>Total</b>	<b>265</b>	<b>100.0</b>

**Source: Researcher (2015)**

Table 5 showed that a majority of the respondents had been involved in the Caritas Self Help Group's activities in a period of 6 to 20 years. However, those with involvements that had lasted for more than 20 years were only 4.9% of the respondents. This therefore meant that the respondents had indeed benefited from the groups owing to their long period of involvement and consequently were well informed of their operations and benefits through savings, loans uptake and financial trainings. Some members had cultivated a culture of saving in their children by operating saving accounts on their behalf when they were still in college. This formed the basis for continuity in saving habits by these children when they joined employment life or upon engaging in income generating activities.

#### 4.4 Impact of Member Savings on Poverty Alleviation

The researcher also sought to determine the impact that member savings had on poverty alleviation. The respondents were required to fill the extent with which they agreed on statements on the impact of member savings on poverty alleviation; a 5 point Likert scale where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree. From this study, mean and standard deviation were computed as measures of central tendency as shown in the table below. A computed mean of less than 1.4 indicated strongly disagree; 1.5 – 2.4 disagree; 2.5 – 3.4 neutral; 3.5 – 4.4 agree and 4.5 – 5.0 strongly agree. The results are as shown in Table 6.

**TABLE 6**  
**Impact of Member Savings on Poverty Alleviation**

	Mean	Std. Deviation
Self Help Groups savings has helped me and my family to become financially secure	2.5019	1.01923
The saving accounts offered by Self Help Group has enhanced my saving habits	4.0528	1.19858
Self Help Groups have enhanced the culture of saving among the members of the group.	2.8113	1.10537
Through regular savings, a common fund is created from which a member can borrow any type of loan.	3.6415	.89811
Self Help Groups save money for establishing income earning activities	2.4453	1.30189
Direct deposits from wages into savings accounts have effectively increased your savings	3.7358	.78216
Some self-employed members do not have savings account	2.8189	1.12024
The savings from the group are used to start up group investment where the earnings are shared among group members	3.7509	.90362
Your savings acts as credit, collateral and insurance against unexpected events	4.9660	.29320
They usually create a common fund by contributing their small savings on a regular basis.	2.5811	1.49305
The savings collected are used to initiate various projects	2.8340	1.18497
The groups have partnered with commercial banks to educate members of opening and maintaining savings accounts.	3.5849	.92183

**Source: Researcher (2015)**

According to Table 6, the respondents strongly agreed that savings acted as credit, collateral and insurance against unexpected events as shown by a mean score of 4.9660. The research findings revealed that the respondents agreed that saving accounts offered by Self Help Group had enhanced their saving habits as shown by mean of 4.0528. It was further established that the respondents agreed that savings had created a common fund via contributions of their small savings on a regular basis as indicated by a mean of 3.6415.

The respondents were neutral that savings collected from the Self Help Groups were used to initiate various projects as indicated by a mean of 2.8340. They further disagreed that their Self Help Groups saved money for establishing income earning activities as shown by a mean of 2.4453.

The respondents were required to indicate the extent of member savings influence on poverty alleviation by either of the following statement; very great extent; great extent; moderate extent; small extent and no extent at all. The results are as shown on table 7.

**TABLE 7**  
**Extent that Members' Saving Influenced Poverty Alleviation**

<b>Extent</b>	<b>Frequency</b>	<b>Percentage</b>
Very Great Extent	108	40.8%
Great Extent	72	22.2%
Moderate Extent	42	15.8%
Small Extent	30	11.3%
No Extent at all	13	4.9%
<b>Total</b>	<b>265</b>	<b>100%</b>

**Source: Researcher (2015)**

The research established that a majority of the respondents 40.8% in particular concluded that members' savings in the Self Help Groups had big impact on poverty alleviation. An additional 22.2% of the respondents also supported the same statement. The research findings concur with Armendariz and Morduch (2005) that saving are important for SHG since they act as credit,

collateral and self-insure against shocks thus leading to poverty alleviation of its members. The research findings established that savings was important to members since it helped members in times of unexpected difficulties. These findings concur with Karlan and Yin (2012), that without savings, unexpected events can become large financial burdens, therefore, they help an individual to become more financially stable and secure. However, 4.9% of the respondents were of the opinion that members' savings in the Self Help Groups did not influence poverty alleviation of its members.

#### **4.5 Role of Loan Uptake by Members on Poverty Alleviation**

The researcher also sought to determine the role played by loans taken by members on poverty alleviation among Self Help Groups whereby respondents filled in their extent of satisfaction with the given statements.

**TABLE 8****Role of Loan Uptake by Members on Poverty Alleviation**

	<b>Mean</b>	<b>Std. Deviation</b>
The Self Help Group members are required to complete the probation period before qualifying for a loan facility.	3.6830	.91984
The Self Help Groups provide short term loans towards educational expenses, home and business improvements	3.9057	1.02366
Group members are given long term loans depending on the collateral status and source of income	4.6264	.73344
The Self Help Group members have established income generating activities from loans borrowed from their respective groups.	2.7208	1.47111
Some group members default their loans and the asset used as collateral is sold to settle the debt	2.5396	1.04053
Group members receive secured loans on more favorable terms than unsecured loans	4.0943	1.01996
Self Help Groups gives members unsecured loans based on payment history of previous debt	3.7245	.68780
Groups consider loan requests in periodical meetings, with competing claims on limited resources being settled by consensus regarding greater needs.	2.6302	1.38684
Loaning is mainly on the basis of mutual need and trust with minimum documentation and without any tangible security.	2.2151	.88064
Members with good credit rating are easily given unsecured loans	2.9321	1.18829
The Self Help Group members are able to meet their basic needs like medical, housing and food due to their income generating activities.	2.6717	1.18135

**Source: Researcher (2015)**

The research findings in Table 8 showed that the respondents agreed on the statement that SHG members were required to complete the probation period before they qualified for a loan facility with their respective group as shown by a mean score of 3.6830. The findings also revealed that the respondents agreed that group members were given long term loans depending on their collateral status and source of income as indicated by a mean of 4.6264. Group members received secured loans on more favorable terms than unsecured loans as shown by a mean score of 4.0943. It was also established that the respondents agreed that SHG gave members unsecured loans based on payment history of previous debt as shown by a mean score of 3.7245.

The respondents were neutral on the following statements; that the Self Help Group members have established income generating activities from loans borrowed from their respective groups as shown by a mean of 2.7208 and that the Self Help Group members are able to meet their basic needs like medical, housing and food due to their income generating activities as shown by a mean score of 2.6717.

The respondents were however quick to disagree that loaning was mainly on the basis of mutual need and trust with minimum documentation and without any tangible security as shown by a mean of 2.2151.

The respondents were required to indicate the extent that loans uptake affected poverty alleviation among the various Caritas SHGs within Ruaraka zone. The respondents were required to respond by agreeing or disagreeing by use of either of the following statements; very great extent; great extent; moderate extent; small extent and no extent at all. The results are as shown on table 9.

**TABLE 9**  
**Extent that Loans Uptake Affect Poverty Alleviation among SHG**

<b>Extent</b>	<b>Frequency</b>	<b>Percentage</b>
Very Great Extent	122	46%
Great Extent	85	32.1%
Moderate Extent	35	13.2%
Small Extent	19	7.2%
No Extent at all	4	1.5%
<b>Total</b>	<b>265</b>	<b>100%</b>

**Source: Researcher (2015)**

Table 9 showed that 46% of the respondents concurred to a very great extent that loan taken affected poverty alleviation among SHG groups in the study area. The study established that loans including unsecured ones were being provided by the SHGs to their members and this helped to alleviate poverty since the loans were readily affordable. The study established that loans were

being advanced to members based on their history and not necessarily collateral and this inspired members to take loans thus improving on their financial well-being. Short term loans were also been provided that really came in handy to the aid of members thus solving their short term financial needs. These findings concur with Ali & Iva (2013) who deduced that short term loans are designed for shorter repaying duration and therefore are not bound by long term obligation. Hence they are obtained for smaller amount as one need to repay the loan quickly. They are provided for several purposes including educational expenses, home improvements, auto repairs and even clearing smaller debts.

This research finding concurs with Swamy (2012) that unsecured loans are based solely upon the borrower's credit rating and not their ability to provide collateral. These loans carry less risk to the borrower and when they are granted, they are not necessarily based on a credit score. In essence, they are based on history payment of prior debt, reflecting in customer credit score. A paltry 2% of the respondents however concluded that loans taken by members affected poverty alleviation to no extent at all.

#### **4.6 Financial Training Influence on Poverty Alleviation**

The study sought to determine the extent that financial training influenced poverty alleviation among SHGs. The respondents' filled in the extent with which they agreed that financial training affected poverty alleviation as reflected in table 10.

**TABLE 10**  
**Financial Training Influence on Poverty Alleviation**

	<b>Mean</b>	<b>Std. Deviation</b>
The Self Help Group members are able to make family and business decisions after training.	4.0453	1.20833
Effectiveness of training varies depending on the training delivery method and the skill or task being trained	4.4830	.72867
Financial training provides you with insights on basic management of cash and money accountability	4.2226	.97675
Self Help Group training exposes members to major financial skills that are vital in managing their businesses	3.2679	1.40073
Caritas utilize the group training sessions to further train the members on other non-financial services.	2.9547	1.29606
The training has enabled you to grow and demonstrate your abilities to make financial decision	4.3774	1.15185
The training is specific to the financial needs and objectives of the members	3.5094	1.45413
The Self Help Group members are able to manage their business in a more prudent manner after training on financial and risk management.	4.1358	1.42104

**Source:** *Researcher (2015)*

The study established that the respondents agreed that financial training services provided them with insights on basic management of cash and money accountability leading to financial literacy that in turn helps to alleviate poverty as shown by a mean score of 4.2226. It was also noted that the respondent agreed that training has enabled them grow and demonstrate their abilities in making financial decisions as shown by a mean score of 4.3774. The respondents were however neutral towards the statement that Self Help Group training had exposed them to major financial skills that were vital in the management of their businesses as indicated by a mean of 3.2679. It was further agreed across the respondents that training was specific to their financial needs and objectives as shown by a mean score of 3.5094.

The respondents were required to indicate the extent that financial training affected poverty alleviation among the various Caritas SHGs within Ruaraka zone. The respondents were required to respond by agreeing or disagreeing by use of either of the following statements; very great extent; great extent; moderate extent; small extent and no extent at all. The results are as shown on table 11.

**TABLE 11**  
**Extent that Financial Training Affects Poverty Alleviation**

<b>Extent</b>	<b>Frequency</b>	<b>Percentage</b>
Very Great Extent	103	38.9%
Great Extent	90	34%
Moderate Extent	40	15.1%
Small Extent	21	7.9%
No Extent at all	11	4.1%
<b>Total</b>	<b>265</b>	<b>100%</b>

**Source: Researcher (2015)**

Table 11 revealed that 38.9% of the respondents agreed to a very great extent that financial training affected poverty alleviation. This is because such training is aimed at improving the financial literacy of the members. An additional 34% also concurred to a great extent on the same statement. These findings revealed that financial training of the members helped in attempts to alleviate poverty by improving on their financial literacy. It therefore had a positive impact on their financial well-being and individual financial performance. These research findings are in agreement with Satterfield and Hughes (2007) remarks that training-related changes results in improved individual financial performance and other positive changes. Goldstein and Ford (2002) further deduced that training has a considerable influence on individual finances and even finances of a group. The training therefore provides members with important insights on how to properly utilize their money. Nevertheless, 4.1% of the respondents were of the opinion that financial training affected poverty alleviation to no extent at all.

#### 4.7 Correlation Analysis

The researcher also conducted a correlation analysis so as to establish the strength of relationship between the independent and dependent variables. To do this, the study used average score of item under each variable using Statistical Package of Social Sciences (SPSS). A positive correlation coefficient approaching 1 showed a strong positive association between the independent and dependent variables and a correlation coefficient close to zero suggests no linear association between the independent and dependent variable. The results are as shown in Table 12.

**TABLE 12**  
**Correlation Analysis**

		Alleviation	Savings	Loans	Training
Alleviation	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	357			
Savings	Pearson Correlation	.995	1		
	Sig. (2-tailed)	.001			
	N	357	357		
Loans	Pearson Correlation	.973	.001	1	
	Sig. (2-tailed)	.009	.836		
	N	357	357	357	
Training	Pearson Correlation	.865	.002	.646	1
	Sig. (2-tailed)	.005	.005	.004	
	N	357	357	357	357

**Source: Researcher (2015)**

Table 12 showed the existence of a significant strong positive relationship between independent variables (saving, loan and training) and poverty alleviation with P-values of 0.001, 0.009 and 0.005 while r-values being 0.995, 0.973 and 0.865 respectively. These findings therefore revealed that a strong and positive relationship existed between the independent variables (savings, loans and financial training) and the dependent variable poverty alleviation. These findings concur with Satterfield and Hughes (2007) that training-related changes result into improved individual

financial performance and other positive changes. Goldstein and Ford (2002) further deduced that training has a considerable influence on individual finances.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter gives the summary findings, discussions, conclusions and recommendations drawn from the research findings. The study limitations and the laid down suggestions for further studies by future researchers are also outlined in this chapter.

#### 5.2 Summary Findings and Discussions

This section presents discussion of the findings as per the research objectives and the research questions of the study.

##### *5.2.1 Impact of Group Savings on Poverty Alleviation among Caritas SHGs in Ruaraka Zone*

The research findings revealed that members' savings in the Self Help Groups had big impact on poverty alleviation. These findings concurred with Armendariz and Morduch (2005) that member savings are important for SHG since they act as credit, collateral and self-insure against shocks thus leading to poverty alleviation of its members.

##### *5.2.2 Role of Loan Uptake by Members from Ruaraka Zone Caritas SHGs on Poverty Alleviation.*

From the study findings it was also established that the provision of short term loans and also unsecured loans based on payment history had a big role in alleviating poverty. These study findings concurred with Ali and Iva (2013) who deduced that short term loans are designed for shorter repaying duration and therefore are not bound by long term obligation. Hence they are obtained for smaller amount as one needs to repay the loan quickly. They are provided for several purposes including educational expenses, home improvements, auto repairs and even clearing smaller debts. Swamy (2012) further deduced that unsecured loans are based solely upon the

borrower's credit rating and not their ability to provide collateral. These loans carry less risk to the borrower and when they are granted, they are not necessarily based on a credit score.

### ***5.2.3 Extent to which Financial Training Influences Poverty Alleviation among Caritas SHGs in Ruaraka Zone.***

The study further established that financial training of the members helped in attempts to alleviate poverty by improving on their financial literacy. It therefore had a positive impact on their financial well-being and individual financial performance. The findings were in agreement with Satterfield and Hughes (2007) remarks that training-related changes result in improved individual performance and other positive changes. Goldstein and Ford (2002) further deduced that training has a considerable influence on individual finances and even finances of a group. In conclusion member savings, uptake of loans and financial training positively impacts poverty alleviation as shown by the research findings.

## **5.3 Conclusions**

Based on the research findings, the researcher concluded that member savings as advocated by Self Help Groups had a great bearing on financial well-being of members and consequently affected poverty alleviation to a considerable extent. Savings no matter how meager they may be are important since they act as security in case the unexpected happens and money is not readily available. They eliminate the need to borrow since the savings are readily available.

The provision of loans to members both long term and short term was imperative towards poverty reduction since these loans could be easily accessed by the members. The procedure for attaining such loans is also not cumbersome as those of banks hence they can readily be taken by members without much bureaucracy. The loans came in handy since by them, members were able to meet sudden and even long term financial needs without much of a hustle.

Financial training is aimed at disbursing financial literacy to desired parties. Important financial management practices for instance cash management are promoted in such trainings thus leading to better handling of resources by members. The study concluded that financial training conducted in Self Help Groups was imperative in poverty alleviation since the members were readily enlightened on how to best use what they can reasonably get.

#### **5.4 Recommendations**

The study established that Self Help Groups are imperative in poverty alleviation and thus they should be promoted so that they can be adopted by even a greater majority of low income earners. Middle income earners can also benefit immensely if they engaged in such activities since they would be able to pool resources and invest together.

Local Authorities at the County level should readily promote Self Help Groups by way of offering better training in terms of financial literacy and financial management. They can also give professional advice on how to best manage such groups so that they can fully attain their set targets. The government at large can promote these groups by way of incentives for instance low registration costs.

Caritas Nairobi under which these SHGs are registered, should review its policy framework in order to promote these groups. The positive aspects noted under this study from Ruaraka Zone; loans uptake, savings and financial training should be replicated in other zones in order to ensure wider benefits to other members of SHGs outside Ruaraka zone.

The study recommends that Self Help Groups ought to encourage financial saving and diligent spending of its members. The groups should also provide emergency loans to cater for

emergencies that cannot be reasonably expected to happen. In addition, they should institute financial training so that group members are better placed to better manage their resources.

### **5.5 Limitations for the Study**

The respondents were a bit reluctant to give information with regards to operations of their Self Help Groups. The researcher therefore readily informed them of the necessity to provide the needed information and also assured them that the information was only going to be used for academic purposes.

The researcher entirely relied on the respondents' disclosures on the nature of operations of the Self Help Groups. Therefore, it was tricky to verify the authenticity of such operations since members are not involved in daily management of the groups.

The research study was limited in scope since Self Help Groups were the only ones covered in assessing their benefits towards poverty alleviation. The study therefore did not address the effects of other variables that affect poverty alleviation for instance the adoption and implementation of community projects.

### **5.6 Suggestions for Further Studies**

Further studies ought to be carried out on community projects to assess their impacts on poverty alleviation. Future assessment can be done across different kinds of Self Help Groups in other areas of the country so as to provide research findings that are comparable to the above made deductions. The study also suggests that further studies be done to investigate the various factors that are considered by people before joining and forming Self Help Groups. These will help in determining how their set goals are geared towards poverty alleviation.

Future assessment on the various attributes by such Self Help Groups towards poverty alleviation can help to understand the nature of activities that such groups engage in. This would also help to understand the extent with which such groups invest towards eliminating poverty among its members.

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## **APPENDICES**

### **Appendix I: Introduction Letter**

Dear Respondent,

#### **RE: REQUEST FOR RESEARCH DATA**

My name is **Samuel Kamindu Ichura**, a postgraduate student Kenya College of Accounting (KCA) University, Nairobi, Kenya. I am carrying out a study on the “IMPACT OF SELF HELP GROUPS ON POVERTY ALLEVIATION: A CASE STUDY OF CARITAS NAIROBI RUARAKA ZONE”.

I wish to kindly request you to participate in providing information requested below. I appreciate your voluntary participation and your responses will be treated with utmost confidentiality and will be used for academic purposes only.

Yours faithfully,

**Samuel Kamindu Ichura**

## Appendix II: Research Study Questionnaire

Date.....

Please take a few minutes to complete this questionnaire. Your honest option will be completely anonymous, but your views, in combination with those of others are extremely important in this research. This questionnaire will last approximately 20 minutes. All the information provided will be kept strictly confidential and will only be used for the purpose of this study. Your participation will be highly appreciated.

Kindly tick the appropriate response. In case of open-ended questions, write in the space provided.

### SECTION A: Demographic Information

*(Please tick one box for each of the questions)*

1. Kindly indicate your gender

Male  Female

2. What is your age bracket

18-25 years  26-34 years

35-42 years  43-50 years

Above 50 years

3. What is your highest level of education

Certificate  Diploma

Bachelor degree  Postgraduate degree

4. How many years have you been in the Self Help Group?

Less than 5 years  6-20 years

More than 20 years

### SECTION B: IMPACT OF MEMBER SAVINGS ON POVERTY ALLEVIATION AMONG SELF HELP GROUPS IN RUARAKA ZONE

5. The table below has statements on the impact of member savings on poverty alleviation among Self Help Groups (SHG) in Ruaraka Zone. Rate the Extent to which you agree with the

following statements on a scale of 1-5 where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree.

	1	2	3	4	5
Self Help Groups savings has helped me and my family to become financially secure					
The saving accounts offered by Self Help Group has enhanced saving habits					
Self Help Groups have enhanced the culture of saving among the members of the group.					
Through regular savings, a common fund is created from which a member can borrow any type of loan.					
Self Help Groups save money for establishing income earning activities					
Direct deposits from wages into savings accounts have effectively increased your savings					
Some self-employed members do not have savings account					
The savings from the group are used to start up group investment where the earnings are shared among group members					
Your savings acts as credit, collateral and insurance against unexpected events					
They usually create a common fund by contributing their small savings on a regular basis.					
The savings collected are used to initiate various projects					
The groups have partnered with commercial banks to educate members of opening and maintaining savings accounts.					

6. To what extent does members' saving influence poverty alleviation among Self Help Groups (SHG) in Ruaraka Zone?

Very great extent [ ]                      Great Extent [ ]

Moderate Extent [ ]                      Small Extent [ ]

No Extent at all [ ]

**SECTION C: THE ROLE OF LOAN TAKEN BY MEMBERS ON POVERTY ALLEVIATION AMONGSELF HELP GROUPS IN RUARAKA ZONE**

7. The table below has statements on the role of loan taken by members on poverty alleviation among Self Help Groups in Ruaraka zone. Rate the Extent to which you agree with the following statements on a scale of 1-5 where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree.

	1	2	3	4	5
The Self Help Group members are required to complete the probation period before qualifying for a loan facility.					
The Self Help Groups provide short term loans towards educational expenses, home and business improvements					
Group members are given long term loans depending on the collateral status and source of income					
The Self Help Group members have established income generating activities from loans borrowed from their respective groups.					
Some group members default their loans and the asset used as collateral is sold to settle the debt					
Group members receive secured loans on more favourable terms than unsecured loans					
Self Help Groups gives members unsecured loans based on payment history of previous debt					
Groups consider loan requests in periodical meetings, with competing claims on limited resources being settled by consensus regarding greater needs.					
Loaning is mainly on the basis of mutual need and trust with minimum documentation and without any tangible security.					
Members with good credit rating are easily given unsecured loans					
The Self Help Group members are able to meet their basic needs like medical, housing and food due to their income generating activities.					

8. To what extent does loan taken by members affect poverty alleviation among Self Help Groups in Ruaraka Zone?

Very Great Extent [ ]                      Great Extent [ ]  
 Moderate Extent [ ]                      Small Extent [ ]  
 Not at all [ ]

**SECTION D: THE EXTENT FINANCIAL TRAINING INFLUENCES POVERTY ALLEVIATION AMONG SELF HELP GROUPS IN RUARAKA ZONE**

9. The table below has statements on the extent financial training influences poverty alleviation among Self Help Groups in Ruaraka zone. Rate the Extent to which you agree with the following statements on a scale of 1-5 where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree.

	1	2	3	4	5
The Self Help Group members are able to make family and business decisions after training.					
Effectiveness of training varies depending on the training delivery method and the skill or task being trained					
Financial training provides you with insights on basic management of cash and money accountability					
Self Help Group training exposes members to major financial skills that are vital in managing their businesses					
Caritas utilize the group training sessions to further train the members on other non-financial services.					
The training has enabled you to grow and demonstrate your abilities to make financial decision					
The training is specific to the financial needs and objectives of the members					
The Self Help Group members are able to manage their business in a more prudent manner after training on financial and risk management.					

10. To what extent does financial training affect poverty alleviation among Self Help Groups in Ruaraka Zone?

Very Great Extent [ ]                      Great Extent [ ]

Moderate Extent [ ]                      Small Extent [ ]

Not at all [ ]

### Appendix III: Krejcie and Morgan Table

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970