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**Sustainability of Financial Services Provision for the Poor:  
The Case of Kenya**

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# **Sustainability of Financial Services Provision for the Poor: the case of Kenya**

M.Phil. Thesis, Anne Martin (née Kesterton), 1997

## **Abstract**

Against a background of significant failure of credit programmes to achieve their objectives, programmes in several countries have proved able to operate viably on commercial principles whilst lending to the poor. The central focus of this research is on the prognosis for sustainability of the new approach to credit embarked on by six separate NGOs in Kenya during the past four years. The research evaluates several factors judged to impact on sustainability, of which the ethos and management of the NGO implementors are critical elements. Consideration of the suitability of Grameen methodology to Kenyan culture and to microenterprise lending is a further issue, along with impact of loans on borrowers.

The research examines conditions which affect the programmes' performance, including the background of implementing NGOs, the characteristics of microenterprise in Kenya and level of donor involvement. Aspirations to self-reliance and sustainability affect performance, whilst the availability of financial alternatives and the maturity of microenterprise affects borrowers' response to credit.

The analysis differentiates between specialist and non-specialist agencies and between a poverty-alleviation and a microenterprise-lending approach, arguing that the target client and methodology is subtly different in each case. The six independent agencies demonstrated diverse objectives, clientele and methods with some ambivalence between the objective, the loan sizes given and the clients selected. PRIDE'S microenterprise lending is tending to deviate from KREP Juhudi poverty-alleviation methodology but both demonstrated organizational flexibility and financial discipline.

While short term donor dependency necessarily exists across all implementors, the ability to attain branch level sustainability differed markedly between agencies. KREP Juhudi may raise sufficient income from loans to achieve independence from donor or concessional loans for medium term sustainability, while PRIDE has attracted donor, commercial and government support for its continuity, with a weaker strategy for controlling costs and raising income from borrowers.