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Impact of Communication Strategies on Loan Repayment among Microfinance-Supported Women Groups in Alego Usonga Sub-county, Siaya, Kenya

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Abstract:

Access to microcredit is a vital tool for microentrepreneurs seeking to expand their economic activities, generate employment, and alleviate poverty in developing nations. In Kenya, microfinance institutions (MFIs) have expanded access to credit for underserved populations. However, despite the communication strategies implemented by these institutions to promote financial literacy, value addition, budgeting, record-keeping, and loan management among borrowers, there has been a significant rise in loan defaults, particularly among informal sector borrowers. This study aimed to evaluate the effectiveness of the communication strategies implemented by MFIs for microfinance-supported women's groups in Alego-Usonga Sub-county, Siaya, Kenya. The objectives of the study were to examine the communication strategies employed by MFIs to communicate with their borrowers in Alego-Usonga sub-county, assess the effect of these strategies on loan borrowers' repayment behavior and to establish perceptions of borrowers and MFIs regarding the effect of the quality of communication between them. The study was grounded in Systems Theory, Transactional Communication Theory, and the Resource-Based Theory. The study employed mixed-methods research, utilizing purposive sampling and stratified sampling, and applied Yamane's formula (1967) to determine a sample size of 110 respondents. Structured questionnaires and Key Informant Interviews were used to collect data from women group clients and MFI staff, respectively. SPSS was used to analyze descriptive statistics, correlation tests and regression analysis, whereas qualitative data was analyzed thematically. A key finding was that repayment improves when communication improves. Borrowers who receive timely, understandable, and respectful information are significantly more likely to repay on time. Transactional and participatory communication models are more effective than top-down or one-way models. Channels that allow borrower input, such as face-to-face meetings, build trust and accountability. Communication strategies that do not adapt to local language, education levels and social norms tend to isolate borrowers and increase default risk. While SMS and mobile apps are efficient, they exclude some borrowers in rural areas, such as Alego Usonga Sub-County, unless digital literacy, device access, and language are considered. Further, there is limited rapport between borrowers and microfinance agents when digital communication is applied in loan recovery.

Keywords: Communication strategies, loan repayment, sustainability, microfinance-supported women groups

1. Background

Communication serves numerous purposes: to facilitate action, express intent, and achieve specific purposes. These functions are particularly crucial within organizational environments, such as microfinance institutions (MFIs). It occurs through verbal and non-verbal channels, both visual and non-visual, written and unwritten. According to Losif (2014), human interaction can be structured differently within organizations, and the success of any institution depends directly on the quality of communication within it. For effective communication to occur, an organization needs a clear strategy that provides detailed descriptions of its goals and functions for outreach activities. It entails setting the message,

target audience, and coordination of the practices of communication in organizational goals. An effective strategy describes media channels, priority messages, timing, segmentation of audiences, and resource allocation.

Effective communication methods are vital in microfinance to ensure that the terms of a loan, the repayment period, and the consequences of default are clearly communicated to customers. Miscommunication or failure to communicate clearly can lead to misunderstandings, defaults on loans, and damaged relations between MFIs and customers. The situation is particularly important in rural communities where literacy levels may be low and conventional communication methods are still prevalent.

1.1. Problem Statement

In Kenya, microfinance institutions have expanded credit access to underserved populations. Communication strategies have been put in place by the MFIs for the borrowers on financial literacy, value addition depending on their business, budgeting, record keeping and loan management in general. However, there is still a significant rise in loan defaults, particularly among informal sector borrowers, a matter that threatens the sustainability of microfinance institutions, in particular, and the concept of microentrepreneurship in general. This has occurred despite regular communication from microfinance institutions to their borrowers. This undermines the primary objective of microfinance institutions, which is to provide loans that uplift the living standards of underserved populations. While past studies have highlighted the importance of effective communication in improving loan recovery, many microfinance institutions and borrowers in Kenya have not identified a specific communication strategy to achieve a turnaround in loan recovery. This study seeks to investigate the effects of communication strategies used by MFIs on loan repayment in microfinance institutions in Kenya, with a view to identifying effective communication approaches that can improve loan recovery and promote the sustainability of microfinance institutions.

1.2. Research Objectives

The specific objectives were as follows:

- To examine the communication strategies employed by MFIs for communication between them and the supported women groups in Alego-Usonga.
- To assess how communication strategies adopted by MFIs affect loan recovery rates among supported women group clients in Alego-Usonga, and
- To establish perceptions of borrowers and microfinance institutions (MFIs) regarding the effect of the quality of communication between them.

1.3. Scope of the Study

This study was geographically limited to Alego Usonga Sub-County in Siaya, Kenya. It focused on women development groups that are clients of selected MFIs — Kenya Women Micro Finance Trust and Uwezo Fund — operating within this region. Thematically, the study is confined to analyzing communication strategies, models of communication and loan repayment performance. The respondents include MFI personnel and members of MFI-supported women groups. The research was confined to women groups that are already receiving support or credit services from MFIs. The study narrowed its focus to the role of communication strategies in influencing loan repayment. Only formal MFIs operating within Alego Usonga Sub-County were considered in the study.

1.4. Justification of the Study

The justification for this study was that access to microfinance has played a significant role in promoting women's economic empowerment, particularly in rural areas of Kenya. In Alego Usonga Sub-County, numerous women's groups have benefited from MFIs through credit facilities intended to support income-generating activities and improve livelihoods. However, despite the increased availability of loans, loan default rates remain high, thereby threatening both the sustainability of microfinance institutions and the economic progress of the beneficiaries (Central Bank of Kenya, 2022). Previous studies have extensively documented factors influencing loan repayment, including interest rates, loan sizes, group dynamics, and borrower characteristics. There is a limited scholarly focus on how communication strategies employed by MFIs influence repayment behavior. This study is both timely and necessary, as it not only fills an important academic gap but also contributes to the broader discourse on financial inclusion, rural development, and women's empowerment in Kenya.

1.5. Empirical Literature Review

Internationally, the microfinance sector has been heralded as a catalyst for poverty alleviation, especially among underserved populations. However, loan defaults continue to plague the sector, leading researchers to explore the role of communication in enhancing loan recovery. The concept of modern microfinance emanated from Bangladesh and India. Studies in Bangladesh and India have demonstrated that effective borrower-lender communication has a significant impact on loan repayment. Examining MFIs in Bangladesh, Dahir (2015) found that frequent and transparent communication between MFIs and clients not only improved loan repayment but also enhanced clients' financial literacy and trust. The study established that information asymmetry (resulting from poor communication) was a primary factor in defaults, as borrowers often misunderstood loan terms or failed to anticipate repayment schedules. Amin et al. (2020) observed that face-to-face interactions during group meetings created a sense of collective responsibility, hence a reinforcement of loan repayment norms. This was particularly the case in developed economies, where microfinance

services targeted marginalized communities, including immigrants. The scholars, however, are of the view that communication, as necessary as it is, must be complemented by a sound financial management ecosystem.

In Africa, microfinance has emerged as a crucial tool for promoting financial inclusion and socioeconomic development; however, persistent challenges in loan repayment, exacerbated by ineffective communication, have prompted empirical inquiries. In Ghana, Asiama and Osei (2007) found that borrowers' lack of understanding of loan conditions due to ineffective communication was a major contributor to default. The finding was echoed by Mersland and Strom (2014), who argued that MFIs that adopted participatory and relational communication strategies, such as regular check-ins and borrower feedback mechanisms, achieved better loan recovery outcomes.

In Uganda, rural borrowers suffered higher default rates due to infrequent communication, language barriers and illiteracy. The study recommended the use of visual aids, vernacular language and community-based communication agents to enhance understanding and promote repayment (Dahir, 2015).

Another study that focused on women-led groups in Tanzania noted that the effectiveness of communication directly influenced group cohesion and repayment behavior (Nanziri & Kararach, 2023). The duo established that regular feedback from MFIs, responsive customer service and culturally sensitive loan education programmes significantly improved repayment efforts. However, they also warned that over-formalization of communication, such as bureaucratic loan documentation, alienated some clients. Adewale and Akambi (2020) observed that the transactional model of communication (characterized by interactive, real-time information flow between lender and borrower) was more effective in reducing defaults in the Nigerian context than traditional top-down communication approaches. The study linked improved recovery to clients' perceived agency in the borrowing relationship.

In the Kenyan context, a study in Meru and Embu Counties found that most MFIs relied heavily on one-way communication strategies such as the use of printed repayment schedules, which often failed to reach or engage the borrower meaningfully (Kiiru & Ndegwa, 2022). The study recommended adopting two-way and participatory communication channels to promote dialogue, ownership and accountability. Otieno and Wanjiru (2021) assessed the communication dynamics between MFIs and motorcycle taxi (otherwise popularly known as Boda-Boda) borrowers in Kisumu County. The study established that loan defaults increased when borrowers perceived MFIs as unapproachable or dismissive of their concerns. At the same time, MFIs that held routine client follow-ups, used local languages and deployed field officers to conduct personalized follow-ups reported improved recovery rates.

Locally in Siaya County, studies that have emanated from Alego Usonga Sub-County on this subject are limited. However, existing related studies provide contextual insights. Odhaimbo and Atieno (2021) studied the impact of microfinance on rural women in Siaya and reported that many borrowers struggled with repayment due to a limited understanding of loan conditions. The study observed that group leaders often act as intermediaries; however, inconsistent information flow frequently caused misunderstandings and disputes. Data from the Siaya County Integrated Development Plan (CIDP 2023-2027) shows that women's economic empowerment through microfinance remains a key strategic priority. However, the report also noted a rise in loan delinquency linked to weak client satisfaction. While anecdotal evidence from local microfinance agents suggests that SMS reminders and field officer visits are commonly used, there has been no rigorous empirical assessment of the specific communication strategies in use, their effectiveness or their impact on loan recovery outcomes.

1.6. Theories of the Study

Three theories — Systems Theory, Transactional Communication Theory, and the Resource Advantage Theory (R-A Theory) — were selected to anchor this study due to their explanatory power and applicability to both communication and organizational performance. Each offers insight into different aspects of the research problem, including the role of organizational structure, the dynamics of interpersonal communication, the strategic deployment of communication resources, and the participatory engagement of borrowers.

The Systems Theory states that all systems — biological, mechanical or social — must work in coordination in order for the entire system to function effectively, and that information flow is the conduit through which feedback, adjustments and decisions circulate within a system. MFIs operate as open systems, continuously interacting with both internal units and external clients. In this configuration, communication serves as the central mechanism that connects all parts of the institution, from loan administrators to field officers to borrowers. When communication is effective, the system maintains its balance and adapts to both internal and external changes. Conversely, when communication fails, the system risks dysfunction.

The R-A Theory posits that firms can achieve superior financial performance by developing, acquiring, and deploying resources, including intangible ones such as knowledge, communication capabilities, and client relationships. The theory is rooted in the idea that differences in firm performance are largely due to their ability to leverage these resources efficiently. In the context of MFIs, communication is not just an administrative tool but a strategic resource. The R-A Theory empowered the researcher to interrogate not only whether communication exists but also whether it is being optimized as a strategic asset.

The transactional model of communication, as advanced by Wilbur Schramm (1954) and Dean Barlund (1970), views communication as a dynamic, continuous, and reciprocal process involving mutual encoding, decoding, feedback, and noise. Unlike linear models that conceptualize communication as a one-way transfer, the transactional model acknowledges the simultaneity of message exchange and the influence of context (cultural, social and psychological) on communication effectiveness. In the relationship between MFIs and development women groups, communication is seldom unidirectional. Loan officers may explain repayment schedules, but borrowers also express concerns, request

clarifications or negotiate terms. These interactions are shaped by literacy levels, language barriers, cultural norms and economic realities. Misunderstandings can disrupt loan agreements and adherence to loan repayment.

1.7. Conceptual Framework

For this study, a framework was developed to reflect the hypothesized interaction between communication strategies and loan repayment behaviors among MFI-supported women's groups in Alego Usonga Sub-County, Siaya County, Kenya. This framework integrates the variables as shown in figure 1.

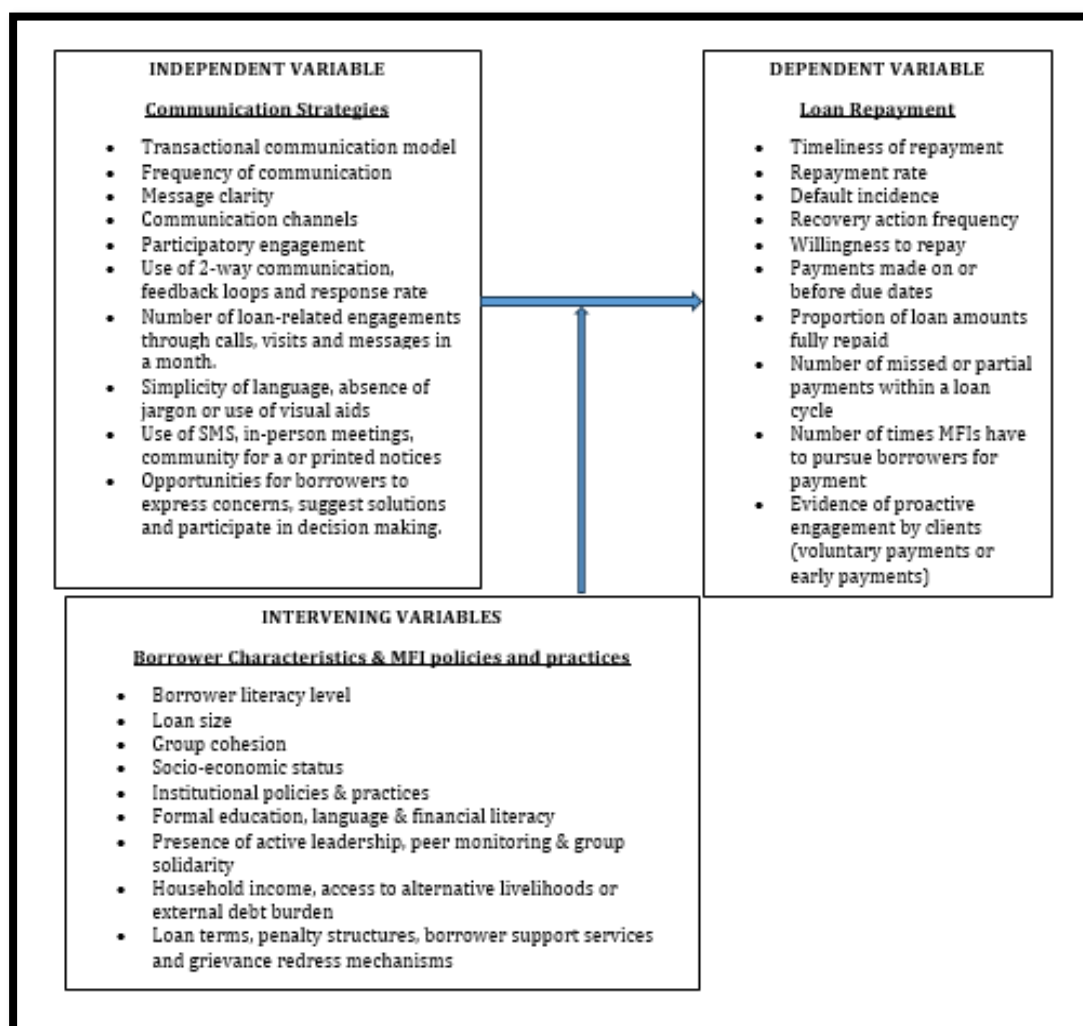


Figure 1: Conceptual Framework

2. Research Methodology

A mixed-methods approach (both qualitative and quantitative) was used in this study. The quantitative component enables statistical analysis and the generalization of findings, while the qualitative component provides an in-depth understanding of the contextual and behavioral dimensions. A mixed-methods approach enhances the credibility and completeness of the findings, as it captures the breadth and depth of a phenomenon (Creswell & Plano Clark, 2018).

2.1. Study Site

The geographical location of the study is shown in figure 2. The region was selected due to the presence and activity of several microfinance institutions, notably Kenya Women Financial Trust (KWFT) and Uwezo Fund, which have been instrumental in supporting women-led development groups. The area also presented a diverse range of women's groups with varying experiences of loan repayment, offering a relevant setting for the study. The area is largely rural, with a few rapidly growing urban centers, such as Siaya Town. The main economic activities in the area include crop farming, fishing, boda-boda taxi services, cultural music, and small businesses.

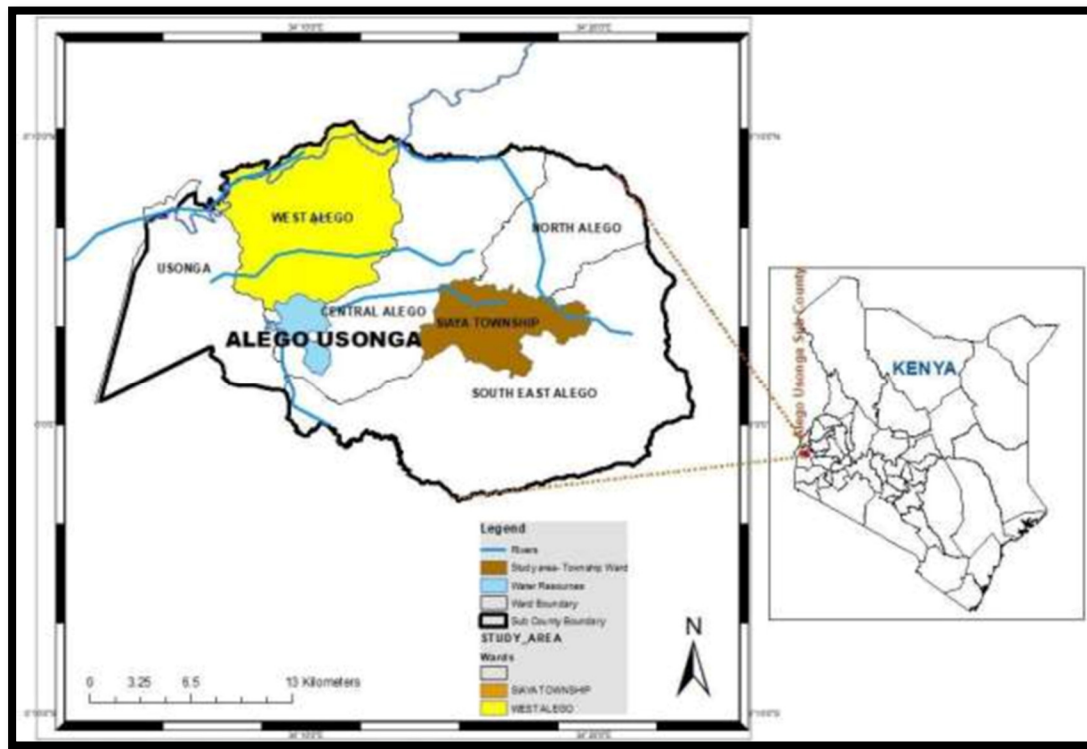


Figure 1: The Study Area - Map of Alego Usonga Sub-County
Source: Majuma-Kenya-GIS.png

2.2. Target Population and Sampling Technique

The target population for this study consisted of MFI personnel involved in loan administration and client communication, as well as women's group members who are active beneficiaries of loans from KWFT and Uwezo Fund in Alego Usonga Sub-County. The estimated total population of interest comprised 134 women members from 14 groups and 50 MFI personnel from KWFT and Uwezo Fund. Both stratified random sampling and purposive sampling techniques were employed in the study. Stratified sampling was used to select women group members, while purposive sampling was used to select MFI staff who participated in the study. The stratification was based on the MFI supporting the group (KWFT or Uwezo Fund) to ensure proportional representation. On the other hand, purposive sampling was used to select key informants, such as MFI credit managers and in-charge client communications personnel, due to their specialized knowledge of institutional communication practices.

Yamane's formula (1967) was used to determine the sample size. It gives a 95 percent confidence level with a 5 percent margin of error.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size,

N = estimated population (135 women borrowers),

e = margin of error (0.05).

$$n = \frac{134}{1 + 134(0.05)^2} = \frac{134}{3.5}$$

Thus, 100 women from the group were sampled for the quantitative survey.

Additionally, 10 participants from the KWFT and Uwezo Fund were purposively selected for qualitative interviews, consistent with the principles of qualitative sampling data saturation outlined by Guest et al. (2006). The scholars explain that data saturation in purposive sampling is often achieved by the time 20 percent of the interviews are done, with basic themes emerging as early as 10 percent of the interview of the population.

2.3. Data Collection Methods

Structured questionnaires were used to collect data from MFI-supported women group members. These aspects included communication frequency, feedback, channels used, and loan repayment patterns. Structured interviews ensure consistency and limit interviewer bias. That way, the technique becomes suitable for studies that aim to measure variables and test hypotheses statistically. Key informant interviews (KIIs) were conducted with MFI staff to provide deeper insights into communication strategies and their application. Semi-structured interviews were used for the KIIs.

2.4. Validity and Reliability Tests

Content validity was established through expert reviews by academic supervisors to confirm that the instrument aligns with study objectives. Face validity was tested through piloting with one of the 14 targeted MFI-supported women groups in Alego Usonga Sub-County to evaluate clarity, flow, and appropriateness. The Cronbach's Alpha coefficient was

used to assess the internal consistency reliability of questionnaire items. A threshold of $\alpha \geq 0.7$ was accepted as a sign of acceptable reliability. A colleague was helpful with peer debriefing.

2.5. Data Analysis Techniques

Data analysis was pursued in three steps. First, a descriptive analysis of the data was conducted to gain insights into the data attributes and summarize the responses. At this point, the Statistical Package for Social Sciences (SPSS) version 17.0 was used, and the focus was on generating means, frequencies and percentages. Secondly, a regression analysis was conducted to examine the relationship between the communication strategies variable and the loan repayment outcomes. Lastly, qualitative data were transcribed and analyzed using thematic analysis. Codes were developed to categorize responses, and themes were generated to represent patterns across participants.

2.6. Ethical Considerations

In addition to selecting an appropriate methodology and methods, participants were informed of the purpose of the study, their voluntary participation, and the right to withdraw at any point. Informed consent was obtained before data collection. Anonymity and confidentiality were ascertained by assigning pseudonyms and storing data securely. Approval and clearance were sought from the Masinde Muliro University of Science and Technology's Institutional Scientific and Ethics Review Committee (IERC) and the National Commission for Science, Technology, and Innovation (NACOSTI). The obtained data was stored safely on flash drives and in foldable files to ensure data privacy even after the fieldwork, analysis, presentation, and publication of the findings.

3. Data Presentation, Analysis and Interpretation

The objectives of the study, along with the corresponding study variables, indicators, measurements, and type of analysis, are summarised in table 1. A binary logistic regression analysis was also done to establish the effect of all three factors on the level of loan repayment among clients of microfinance institutions. The following regression model was applied:

$$\text{Log} \left(\frac{P(Y=1)}{1-P(Y=1)} \right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y_i is the binary indicator of loan repayment, such that $Y_i=1$ if borrower i successfully repaid the loan, and $Y_i=0$ if in the case of loan default by borrower i .

$\left(\frac{P(Y=1)}{1-P(Y=1)} \right)$ is the odds that the borrower will default on their loan repayment?

β_0 = is the intercept

β_i 's are the coefficients of the independent variables, that is Lender Factors, which includes Communication Quality and type of the microfinance institution, Borrower Factors which includes Age, gender, education, income and borrower experience and Loan Factors which includes loan purpose and repayment period

ε = error term a binary logistic regression analysis was also done to establish the effect of all the three factors on the level of loan repayment among clients of microfinance institutions. The following regression model was applied:

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ε = error term

Objectives	Variables		Indicators	Measurements	Type of Analysis
	Independent	Dependent			
Examination of Communication Strategies employed by MFIs to communicate with their borrowers	Transactional communication models	Loan repayment	Communication frequency, channel used, message clarity, Opportunity to clarify, Understood obligations	Nominal	Descriptive/correlation
Assessing the influence of communication strategies on loan recovery	Communication strategies	Loan repayment	Reminder frequency, Simplicity of language, absence of jargon or use of visual aids, Message clarity	Nominal	Descriptive
Perceptions of communication quality between borrowers and microfinance institutions (MFIs)	Communication effectiveness	Loan repayment	Motivated to repay, respectful communication	Nominal	Descriptive/Correlation

Table 1: Summary of Objectives and Variables

3.1. Response Rate

Among the 100 questionnaires handed out to respondents 93% of them were filled in and returned. All 10 targeted MFI officials (credit managers, sales personnel, and customer relations officers) participated in interviews, resulting in a 100 percent response rate for the interview schedules, which were used in conjunction with the questionnaires. On average, both the Questionnaires and Interviews produced a 96.5 per cent response rate. The response rate is summarized in table 2 below:

Target	Sample	Response	
		F	%
Borrowers	100	93	93%
Credit managers	2	2	100%
Sales personnel	5	5	100%
Customer relations personnel	3	3	100%
Total	110	103	96.5%

Table 2: Distribution of Target Respondents and the Response Rate

3.2. Gender

Out of the total 110 sample respondents, 105 (95%) were female, while 5 (5%) were male, as shown in the pie chart below. All 100 borrowers were female members of various Women Development Groups. The men who participated formed a minority as they were drawn from among the ten respondents from the KWFT and Uwezo Fund.

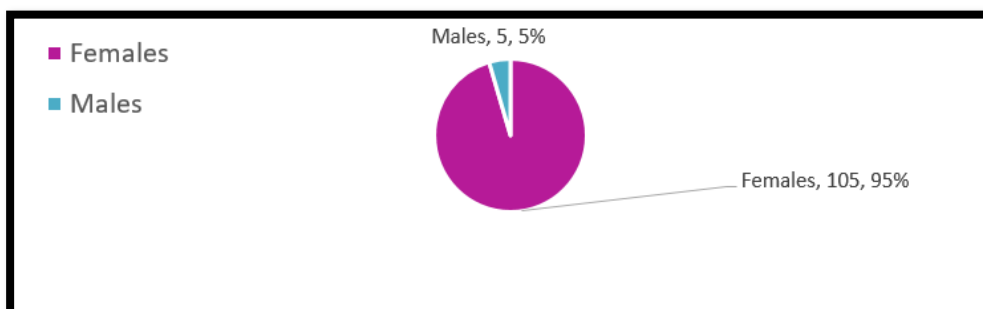


Figure 2: Gender of the Respondents

3.3. Age

The ages of the respondents were distributed as shown in table 3, with a mean age of 41, a mode of 35, and a median of 39.

Age Group	f	%
Below 24	3	3.2
25 – 34	20	21.5
35 – 44	30	32.3
45 – 54	18	19.4
55 – 64	15	16.1
65 years and above	7	7.5
Total	93	100.0

Table 3: Distribution of Respondents by Age

3.4. Experience

Table 4 gives a summary of the age and experience characteristics of borrowers.

Age Group	Number of Borrowing Times		Number of Years of Borrowing	
	f	%	F	%
Below 24	2	4.3	1	3.3
25 – 34	10	21.3	3	20
35 – 44	15	31.9	5	30
45 – 54	8	17.0	3	20
55 – 64	7	14.9	2.5	16.7
65 years and above	5	10.6	1.5	10
Total	47	100	15	100

Table 4: Age and Experience of Borrowers

3.5. Education

Table 4 shows the distribution of respondents by education. Low literacy levels of 56% (among primary and no formal education) among a significant portion of respondents (56%) highlighted the importance of simplified and culturally contextualized communication for Alego Usonga Sub-County MFI-supported women’s groups. Notably, most MFIs target people at the poverty-riddled bottom of the economic pyramid.

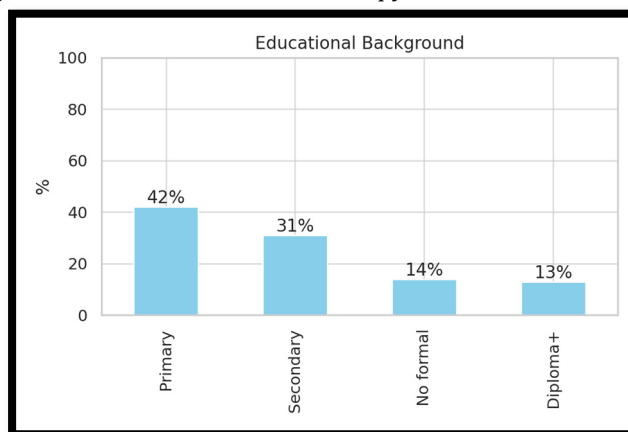


Figure 4: Distribution of Respondents by Education

3.6. Income Level

According to the responses given by the borrowers, 68% reported having a source of income. Most women operate small businesses with modest returns, underscoring the need for timely communication about repayment schedules to support effective planning. Amongst these 48 owned businesses (mostly small scale), 20 are employed in either private or government sectors. The remaining borrowers had no other sources of income. Individuals had an average monthly income of 10,000 Kenyan shillings.

3.7. Firm Performance

The study engaged two microfinance institutions that partner and offer loans to the women’s groups in Alego Usonga Sub-County. The Kenya Women Microfinance Bank, commonly known as KWFT, is a common MFI that offers financial help to women in groups and also individually across Kenya. As of 2019, according to the audited financial statement, this microfinance had issued over 30 million shillings in loans to individuals and groups. Among those offered, over 3 million shillings were still in default. The other microfinance institution is the Uwezo fund, which is applied at the constituency level. This program was part of Vision 2030, which aimed to enable special groups of people, such as youths,

women, and people with disabilities, to access financial support to support and empower them. In Kenya, over 40,000 women’s groups have been funded by the CDF initiative, with over 200 groups in Alego Usonga Sub-County.

3.8. Membership Duration

The figure below indicates that the majority, at 61%, had a longstanding relationship with their MFIs, making them well-positioned to assess the evolution and effectiveness of communication strategies.

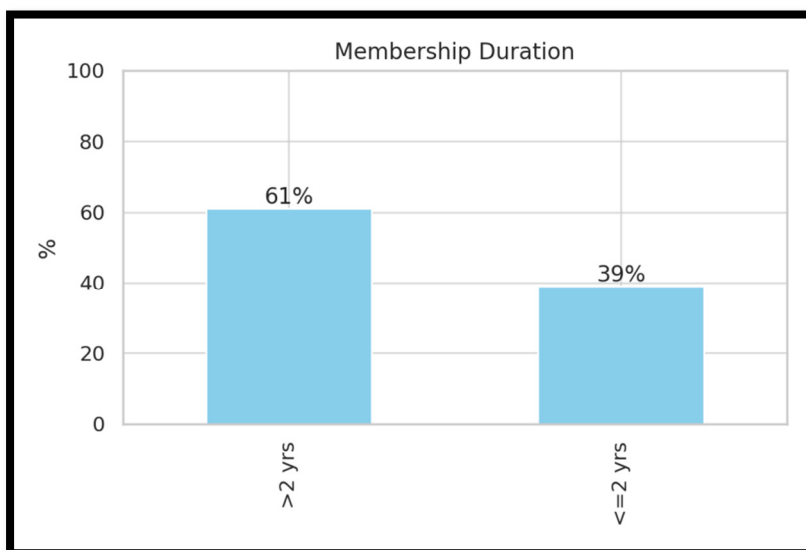


Figure 5: Duration of Membership in an MFI

3.9. Affiliation

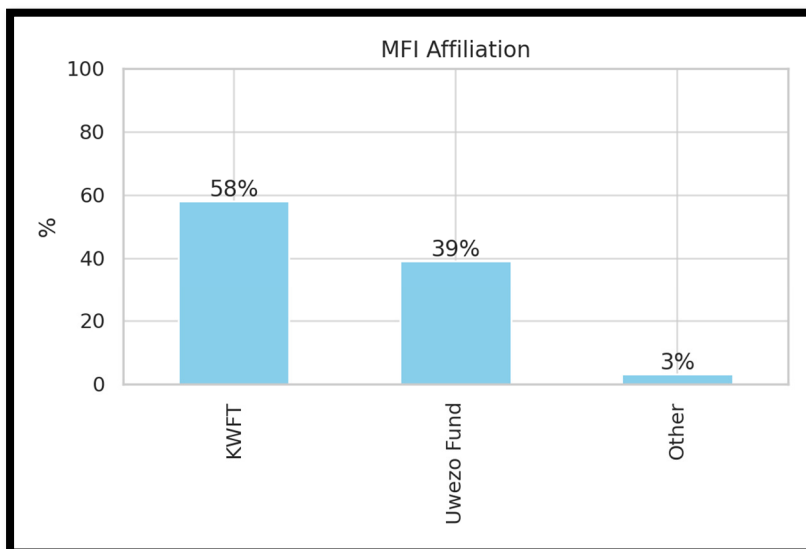


Figure 6: Affiliation to either KWFT or Uwezo Fund

Figure 6 indicates that KWFT had the highest affiliation at 58% followed by Uwezo Fund at 39%.

3.9.1. Communication Strategies Employed by MFIs (KWFT and Uwezo Fund)

The first objective of this study was to examine the strategies employed by MFIs for communication between them and the borrowers. MFIs have unique procedures and formulas when offering loans, as described in the next segment: loan characteristics. While the difference may lie in the terms and conditions, MFIs share the same expectation of successful loan repayment. Once a loan is borrowed, communication plays a crucial role in ensuring that the borrower repays their loan.

The researcher observed the loan borrowing and repayment process in two financial firms, KWFT and Uwezo Fund. The researcher observed that staff from the MFIs visit the women’s groups to educate them on various loans, which they then offer to them depending on the loan selected by the borrower. Once offered, the loan repayment period begins. The study found that firms communicate with their borrowers through various means to provide them with different information on the loans they have disbursed. Some of the methods used include SMS, Phone calls, emails and personal

visitations or group meetings. Figure 7 is an example of a message sent to the client informing her of the loan approval stage.

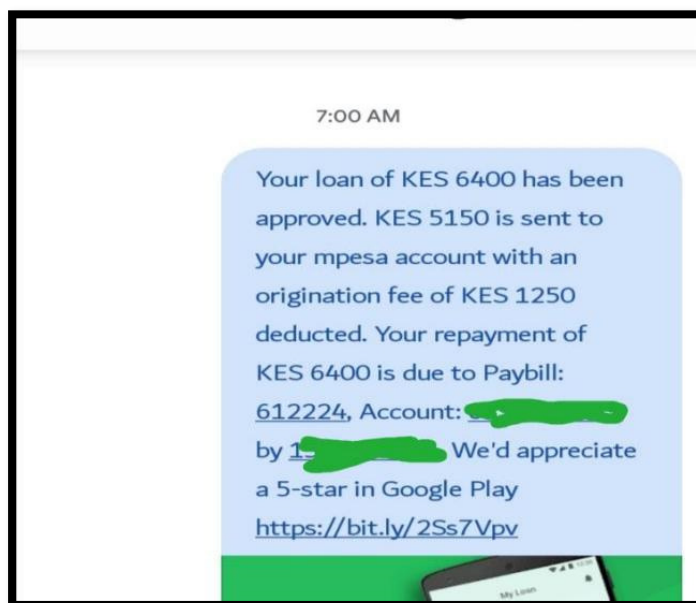


Figure 7: An SMS on Loan Repayment

3.9.2. Borrowers’ Preferred Channels of Communication

The study aimed to determine the borrowers’ most preferred channel of communication. Table 5 indicates the preferred modes of communication:

	SA		A		N		D		Mean	Usage
	F	%	F	%	f	%	F	%		
SMS/Text Messages	40	42.9	33	35.7	7	7.1	10	10.7	4.2	High
Phone Calls	20	21.4	27	28.6	17	17.9	20	21.4	3.3	Medium
Group Meetings	50.	53.6	27	28.6	7	7.1	7	7.1	4.5	High
Posters & Notices	10	10.7	23	25.0	17	17.9	33	35.7	2.5	Low
WhatsApp/social media	17	17.9	20	21.4	10	10.7	23	25.0	3.3	Medium

Table 5: Borrowers’ Preferred Communication Channels

Note: SA= Strongly Agree; A= Agree; N= Neutral; D=Disagree; SD= Strongly Disagree

Table 5 above shows the sample borrowers’ preference for communication channels used by MFIs to communicate with their clients. The respondents rated them on a scale of 1-5, with categories ranging from “strongly agree” (rating 5) to “strongly disagree” (rating 1), and were categorized as follows: strongly agree, agree, neutral, disagree, and strongly disagree. Additionally, to determine their preferences, the mean for each channel of communication was computed and categorized as High if the mean score ranged from 3.4 to 5.0, medium if the mean score ranged from 2.6 to 3.3, and low if the mean score ranged from 1.0 to 2.5. The results indicate that the most preferred channels of communication were SMS/Text messages and group meetings. The meetings enable personal, face-to-face communication with clients. Women preferred verbal, face-to-face communication, which they found more trustworthy and respectful, especially among those with lower literacy.

3.9.3. Impact of Communication Strategies Adopted by MFIs on Loan Recovery among Supported Women Group Clients

The second objective of this study was to find out whether communication strategies used by MFIs have an impact on the loan repayment behavior among borrowers. According to the findings, 92.7% of the respondents stated that the strategies employed by MFIs to communicate with clients may influence their attitude towards early or late loan payments. Themes that stood out from the responses on communication included proper channels of communication, unnecessary pressure from the lender, and, lastly, lender-borrower relations. The rest of the respondents felt that, although communication is important, it has no direct relation to successful loan repayment; instead, a borrower should demonstrate commitment to and integrity in repaying the loans without requiring continuous reminders from the lender regarding outstanding loans.

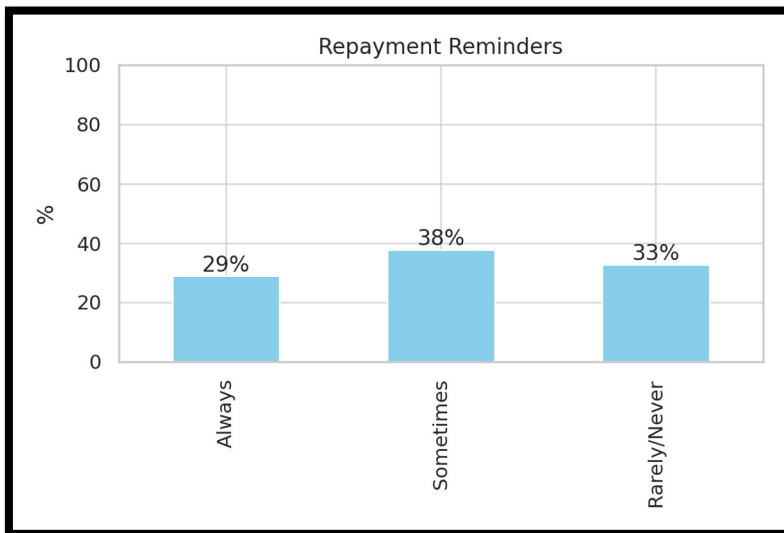


Figure 8: Timelines of Repayment Reminders

Staff interviews revealed inconsistencies in reminder issuance:

Uwezo Fund Field Officer said: *“Reminders depend on workload. If we are stretched thin, some groups are missed.”*

3.10. Frequency of Communication

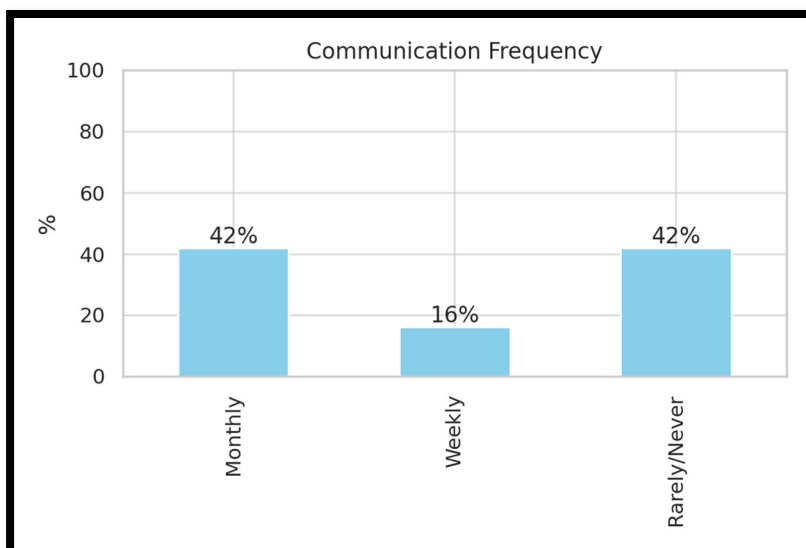


Figure 9: Frequency of Communication

3.11. Clarity and Feedback Opportunities

Up to 72% of the respondents agreed or strongly agreed that messages were clear, whereas 65% felt they had an opportunity to ask questions. However, 18% of respondents disagreed or strongly disagreed. Up to 71% of the respondents said MFIs’ communication improved their understanding of repayment obligations. Those who felt “very informed” were twice as likely to be timely in repayments.

The following table indicates the borrowers’ repayment behavior based on the communication strategies employed by the MFIs:

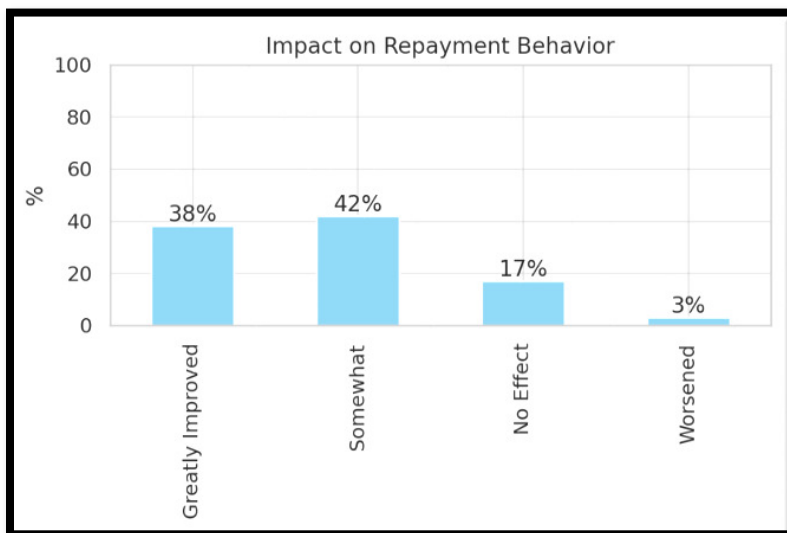


Figure 10: Impact of Communication on Repayment Behavior

This clearly indicates that communication has a positive impact on loan repayment behavior. Those who received some form of communication were more likely to repay their loans than those who were not communicated with.

3.12. Loan Repayment Period

There are two types of loan repayment periods: short periods (from 1 week up to 1 year) and long repayment periods (above 1 year). Moreover, 70% of the projects have a medium repayment period (between 1 and 5 years). These periods are allocated depending on the amount of loan disbursed to either individuals or groups. In most cases, short-term loans are offered to individuals. Records from the two firms indicate that 51% of respondents repay their loans successfully, 40% are being paid, and 9% have taken too long to be repaid. Group members indicated that the repayment period was too short.

	KWFT		Uwezo Fund	
	f	%	f	%
Successful Repayment	25	26.9	22	23.2
Slow repayment	18	19.4	20	21.5
Delayed/Long-term repayment	4	4.3	4	4.3
Total	47	50.5	46	49.5

Table 6: Loan Repayment by Respondents

3.13. Purpose of the Loan

The table below shows the purpose for which the respondents borrowed the money. 48.1% indicated that they sometimes diverted part of their loans into other uses away from the main purpose for which they acquired their loans. The borrowers admitted that when loans are diverted to other uses from the intended purposes, it more often affects the successful repayment of the loans, an admission of financial illiteracy among borrowers, hence the importance of face-to-face meetings and interaction with the MFI staff.

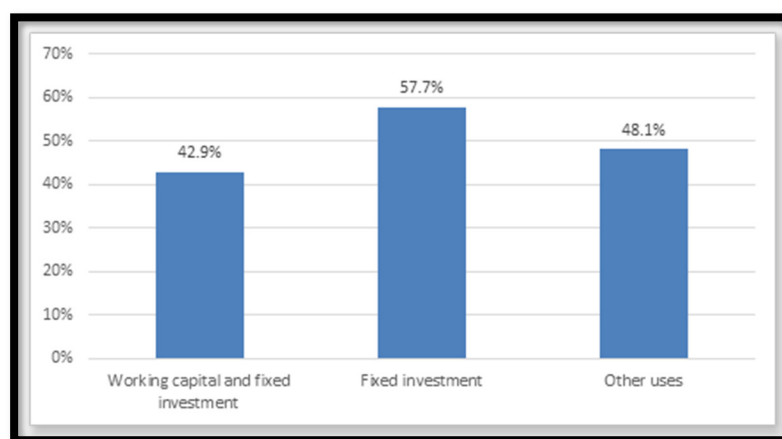


Figure 11: Reason for Borrowing a Loan

3.14. Mean Comparison of Successful and Defaulting Borrowers

The analysis shown above revealed that among the borrowers, 51.3% successfully repaid their loans as scheduled, and 39.7% surpassed the payment period by more than a month. In comparison, 9% of the borrowers completely failed to repay their loans.

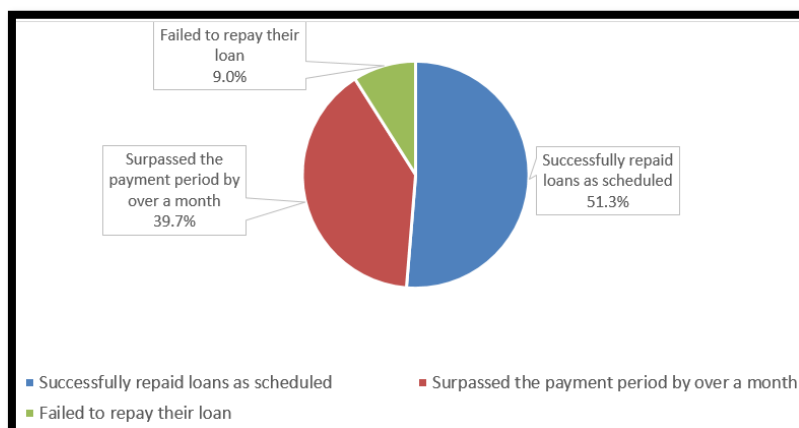


Figure 12: Distribution of Respondents by Repayment Patterns

4. Results of Regression Analysis

A binary logistic regression analysis was conducted using the Statistical Package for the Social Sciences (SPSS, V17.0) to explain the variation in loan repayment outcomes based on the communication strategies employed. The results are as shown below:

Observations	93
Log-Likelihood	-48.73
Pseudo R-squared	0.7348
LR χ^2 (10)	38.76
Prob > χ^2	0.0002

Table 7: Model Summary

Table 7 shows that the binary logistic regression model was estimated using data from 93 observations. The model yielded a log-likelihood of 48.73, which reflects the goodness-of-fit of the full model (with predictors). The Likelihood Ratio Chi-Square (LR χ^2) statistic is 38.76 with 10 degrees of freedom, corresponding to the number of independent variables in the model. The associated p-value (Prob > χ^2) of 0.0002 indicates that the model as a whole is statistically significant. Hence, at least one of the predictors contributes meaningfully to explaining variation in loan repayment outcomes based on communication strategies used, and the model fits the data better than the null model. Additionally, the pseudo-R-squared value is 0.7348, or 73.4%, which suggests that the model explains about 73% of the variation in the probability of successful loan repayment.

	Variable	Coefficient (β)	Std. Error	T-ratio	Marginal Effect
Lender Factors	Communication Quality (1 = Good)	0.88**	0.35	2.51	0.21
	MFI Type (1 = KWFT)	0.39	0.31	1.26	0.10
Borrower Factors	Age Group 35-44 (base: 25-34)	0.65*	0.32	2.03	0.17
	Age Group 45-54	0.48	0.34	1.41	0.12
	Gender (1 = Female)	0.73	0.44	1.66	0.19
	Education Level (0-4)	0.29*	0.14	2.07	0.07
	Income Source (1 = Yes)	1.22***	0.40	3.05	0.28
	Borrowing Experience (Number of loans)	0.11**	0.05	2.20	0.03
Loan Factors	Loan Purpose (1 = Proper Use)	0.95***	0.33	2.88	0.24
	Repayment Period (1 = Medium/Long-Term)	0.51*	0.27	1.89	0.13
	Constant	-1.83**	0.72	-2.54	

Table 8: Estimated Coefficients

Note: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

4.1. Objective 1: To Examine the Impact of Transactional Communication Strategies between MFIs and Supported Women Groups

The variable "Communication Quality (1 = Good)" directly reflects the quality and effectiveness of transactional communication between MFIs and supported women groups. The latter has a statistically significant positive coefficient ($\beta = 0.88$, $p < 0.05$), with a marginal effect of 0.21. This implies that when communication is perceived as good, that is, characterized by clear, timely, and mutual exchange, the likelihood of successful loan repayment increases by approximately 21%. This finding affirms the importance of two-way (transactional) communication in enhancing the sharing of loan-related information. Effective communication not only fosters transparency but also strengthens borrower confidence and understanding, ultimately supporting improved loan repayment behavior. Hence, transactional communication models are positively associated with better information-sharing outcomes.

4.2. Objective 2: To Assess How Communication Strategies Adopted by MFIs Affect Loan Recovery Rates among Supported Women Group Clients

The type of MFI (specifically, KWFT, coded as 1) was included to evaluate whether the institutional communication strategy or structure influences repayment. Though the coefficient for MFI Type (1 = KWFT) is positive ($\beta = 0.39$), it is not statistically significant ($p > 0.1$). The marginal effect is 0.10, suggesting a potential but weak effect on repayment behavior. Hence, while institutional affiliation might influence communication approaches, it does not have a strong or direct effect on repayment outcomes unless paired with high communication quality. Consequently, the effectiveness of the communication strategy itself, rather than the institution type, is more impactful. From an MFI perspective, the results suggest that MFIs should prioritize enhancing their communication frameworks, such as utilizing feedback loops, personalized follow-ups, and culturally relevant messaging, rather than relying solely on institutional branding or standard practices.

4.3. Objective 3: To Examine the Relationship between Communication Effectiveness and Loan Repayment Behavior among Members of Supported Women Groups

Multiple variables in the model indirectly influence communication effectiveness through their interaction with borrower behavior and decision-making.

4.3.1. Income Source

Borrowers with a stable income source were significantly more likely to repay. While this highlights the role of income reliability in sustaining loan repayment behavior, it also underscores the effectiveness of communication in helping borrowers understand financial planning and their obligations.

4.3.2. Loan Purpose

The strong positive and significant relationship indicates that when loans are used for their intended purpose, most likely as a result of clear communication on loan terms and expectations, repayment improves. Consequently, borrowers who diverted funds were at a higher risk of defaulting.

4.3.3. Borrowing Experience and Education Level

These factors suggest that both financial literacy and accumulated experience from past borrowing behaviors contribute to enhanced repayment behavior. More specifically, each additional loan cycle increased the likelihood of repayment by 3%, indicating that experienced borrowers are more familiar with repayment obligations and loan terms. For instance, those with up to eight prior loans demonstrated significantly better repayment patterns. Moreover, financial literacy and comprehension of loan terms may be associated with repayment ability.

4.4. Perceptions of Communication Quality between Borrowers and Microfinance Institutions (MFIs)

Perceptions of communication quality between borrowers and microfinance institutions (MFIs) played a vital role in repayment behavior. A positive view of communication was associated with a 21% increase in the likelihood of repayment. While this finding is consistent with the descriptive result, which shows that 92.7% of respondents agreed that communication influenced their attitude toward repayment, it also underscores the foundational role of effective communication models in financial relationships. This is also clearly demonstrated by Savolainen (2017) and Bragg et al. (2021), who have shown that communication extends beyond the transmission of messages and is an interactive process that fosters mutual understanding, trust, and behavioral alignment. This finding is consistent with other studies, such as those by Kamau (2019) and Otieno (2021), which noted that regular communication through face-to-face meetings, SMS, and WhatsApp, as practised by MFIs, enhances relational dynamics and reduces defaults by creating shared realities between borrowers and lenders.

Moreover, borrowers with a steady income, arising from business or employment, were significantly more likely to repay their loans, even if communication was not consistent, since individuals seek to satisfy foundational physiological and safety needs, such as food, shelter, and income security, before fulfilling higher-level obligations, such as loan repayment. Hence, this underscores the role of income reliability and stability in sustaining loan repayment behavior. As Karanja & Simiyu (2022) explain, in the absence of secure income, borrowers may divert loan funds toward immediate consumption needs, thus increasing default risk.

Loan purpose also emerged as a strong predictor of repayment success, thus pointing to the principal-agent problem described by Hart & Holmström (2017). Borrowers who used their loans for the intended purpose were much

more likely to honour repayment obligations, whereas those who diverted funds were at a higher risk of defaulting. This underscores the importance of financial literacy, which is carried out by MFI staff when they meet face-to-face with borrowers. The findings unveil the challenges MFIs face in ensuring that borrowers adhere to agreed-upon uses, thus validating the calls by Sangwan et al. (2020) and Rigol & Roth (2021) for improved borrower monitoring, possibly through enhanced feedback loops within communication strategies (George, 2012; Mishra & Sharethsa, 2019).

Borrowing experience also contributed to better repayment outcomes. Each additional loan cycle increased the likelihood of repayment by 3%, indicating that experienced borrowers are more familiar with repayment obligations and loan terms. For instance, those with up to eight prior loans demonstrated significantly better repayment patterns. This finding aligns with Nair & Fissaha (2010) on borrower sensitization. As borrowers gain exposure, they develop better message decoding abilities, which help them reduce "semantic noise" (Shannon & Weaver, 2009). Consequently, this enables them to interpret financial instructions and obligations more accurately.

Education level was also significant since borrowers with higher education were more likely to repay their loans. This result mirrors the importance of reducing semantic noise within the transmission model of communication (Bartoo, 2017; Wang, 2017). Educated borrowers are more likely to accurately interpret loan terms, financial advice, and repayment instructions, increasing compliance and reducing miscommunication-related defaults.

Lastly, demographic factors such as age also influenced repayment. Borrowers aged between 35 and 44 were notably more likely to repay than other groups. This demographic may represent a more stable and responsible borrower profile within the sample.

Notably, some factors were found to be statistically insignificant. For instance, the type of microfinance institution - that is, whether KWFT or Uwezo - did not significantly influence repayment after accounting for other variables. This indicates that repayment behavior is more closely tied to borrower characteristics and loan usage than the institutional origin of the credit.

4.5. Emerging New Knowledge

- Two-way communication builds trust: Loan officers emphasized that communication is most effective when it invites dialogue. *"Clients repay better when they feel heard," one said.*
- Literacy shapes comprehension: Staff recognized that low literacy levels affect the interpretation of written communication, making oral methods more effective in rural contexts.
- Feedback mechanisms are underutilized: Few formal channels exist for clients to give feedback on communication. Several staff members expressed a need for feedback forums or post-loan reviews.
- Participatory approaches show promise: Participatory training or peer-led group sessions were used, and repayment rates improved. One officer shared as thus: *"After a session where group leaders explained repayment schedules, we saw a 40% improvement in that group's repayments."*

4.6. Summary of Key Findings

Study Objective	Key Finding
Examination of Communication Strategies employed by MFIs to communicate with their borrowers	Clear, two-way communication correlates with higher repayment rates
Assessments of the impact of communication strategies on loan recovery	Personalized and verbal methods of communication are more effective than SMS alone.
Establishing the perceptions of communication quality between borrowers and microfinance institutions (MFIs)	Effective communication reduces misinterpretation-related defaults and encourages repayment.

Table 9: Summary of Key Findings

5. Conclusion and Recommendations

5.1. Communication Strategies Employed by MFIs to Communicate to Their Borrowers

The study found that MFIs used SMS, phone calls, or group meetings to communicate with borrowers. The frequency, clarity, and responsiveness of communication significantly affected how borrowers understood their loan obligations. Respondents who received regular communication, whether via SMS, phone calls, or group meetings, demonstrated higher levels of repayment discipline. The revelation aligns strongly with the Transactional Communication Model, which views communication as a dynamic, two-way process (Barnlund, 2008). These findings align with Dahir's (2015) work in Bangladesh, who noted that poor communication creates information asymmetry and weakens repayment motivation. MFIs that practised frequent and transparent communication improved repayment and client trust. Similarly, Asiana and Osei (2007) in Ghana found that ineffective sharing of loan conditions was a major cause of borrower default, especially among clients with limited financial education. Adewale and Akambi (2020) in Nigeria emphasized that transactional communication, characterized by feedback loops, created a stronger borrower sense of ownership and

reduced default rates. The current study reinforces this claim, with most respondents confirming that when MFIs allowed space for feedback and clarification, they were more likely to comply with repayment schedules.

5.1.1. Impact of Communication Strategies on Loan Recovery

The most effective communication strategies, according to this study's findings, are those that are face-to-face, participatory, and culturally contextual. While digital communication (SMS and phone calls) has gained traction, many women prefer in-person group meetings, citing opportunities for clarification and community accountability. This resonates with Amin et al. (2020), who found that face-to-face communication in India created collective responsibility and helped reinforce repayment behavior. Likewise, in Uganda, Dahir (2015) highlighted how MFIs that used visual aids and vernacular languages significantly improved client comprehension, particularly in rural settings. In Kenya, Kiiru & Ndegwa (2022) observed that one-way communication methods (like printed loan schedules) were largely ineffective in promoting understanding. The current study corroborates this finding: nearly half of the respondents reported that printed materials were unclear or never reached them. Furthermore, qualitative interviews revealed that loan officers had occasionally shifted from SMS-based alerts to personalized phone calls or meetings when default risk was high, demonstrating an adaptive communication approach also seen in Brazil, as reported by Cassiolato and Soares (2014). This adaptability was often the difference between recovery and default.

5.1.2. Perception of Communication Quality by Borrowers and MFIs

Communication quality was shown to directly shape borrower attitudes and repayment behavior. Respondents who felt that the MFI's communication was clear, respectful, and culturally appropriate were more likely to prioritize loan repayment. This aligns with the Participatory Communication Approach, which holds that engagement and mutual respect drive behavioral change (Freire, 1970; Melkote & Steeves, 2001). The study echoes findings from Nanziri & Kararach (2023) in Tanzania, who observed that culturally sensitive communication boosted group cohesion and repayment compliance. In Alego Usonga, group leaders and MFI field officers who used local dialects and explained repayment implications in relatable terms were reported to be more effective.

From the national perspective, Otieno and Wanjiru (2021) demonstrated that dismissive or impersonal communication worsened default rates among bodaboda borrowers in Kisumu. This is comparable to findings in Alego Usonga, where 21% of women who defaulted attributed it to unclear instructions or miscommunication.

FSD Kenya (2022) reported that 34% of loan defaults were due to misunderstandings around payment terms. That insight was fully validated by the current study. Such evidence reinforces the need to treat communication not as a supplementary function but a core element of credit administration.

6. Conclusion

- Effective communication is a pivotal determinant of loan repayment. Borrowers who receive timely, understandable, and respectful information are significantly more likely to repay on time.
- Transactional and participatory communication models are more effective than top-down or one-way models. Channels that allow borrower input, such as feedback forums and face-to-face meetings, build trust and accountability.
- Cultural context and literacy levels matter. Communication strategies that fail to adapt to local languages, education levels, and social norms tend to isolate borrowers and increase their default risk.
- Technology has potential but must be inclusive. While SMS and mobile apps are efficient, they exclude some borrowers unless digital literacy, device access, and language are considered.

7. Recommendations

7.1. For Microfinance Institutions

- MFIs should embrace hybrid communication strategies combining SMS, verbal interactions and written materials. The same should be delivered in local languages.
- MFIs should build two-way communication structures such as monthly feedback forums, suggestion boxes or client call-back systems.
- They should invest in communication training for loan officers, focusing on empathy, cultural competency, and responsiveness.
- Multilingual tools should be developed and visual cues used for borrowers with low literacy levels. For instance, a pictorial loan guide or instructional videos in local dialects can be created.
- MFIs should include communication audits in regular performance evaluations to measure the clarity, tone and reach of borrower messaging.

7.2. For Policymakers and Development Partners

They should incorporate communication metrics into MFI regulation and performance frameworks, e.g. how well loan terms are understood by borrowers; support infrastructure for inclusive digital communication, such as USSD platforms or audio-based tools accessible via basic phones, and fund borrower education programs that use participatory models. These could include peer training, group discussions, and community radio interactions.

7.3. For Women Group Clients

Clients should ask questions and demand clarity before committing to a loan agreement; use peer leaders and field officers as communication liaisons, especially where literacy challenges exist and participate actively in MFI feedback platforms to shape better policies and practices.

7.4. Areas for Further Research

This study proposes the following areas for further research:

- The impact of participatory digital tools, such as voice notes and USSD surveys, on loan repayment in rural contexts.
- Intergenerational communication barriers exist when younger women and older women interpret MFI messages differently.
- The role of male household members in loan communication, especially where they influence borrowing or repayment decisions.
- Longitudinal studies to understand how communication improvements influence default patterns over time.

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