INFLUENCE OF KENYA WOMEN FINANCE TRUST SERVICES ON PERFORMANCE OF SMALL SCALE ENTERPRISES IN RONGO DIVISION; MIGORI COUNTY

BY

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2012
DECLARATION

This research project report is my original work and has not been presented for the award of any degree in any other University.

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DEDICATION

This Research project report is dedicated to my wife Everlyne Akinyi Otieno for the patience; kind heartedness and gentle encouragement which helped me get through this Research report process and to my mother Mrs. Consilata Ongaro for her entrepreneurial effort and perception of personal economic development.
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To my family members, I do sincerely express my gratitude for your support, patience, sacrifices made and understanding during the periods of my absence from home due to this noble cause; my studies.
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LIST OF ABBREVIATIONS AND ACRONYMS

**SSE** - Small Scale Enterprises

**MSE** – Micro and Small Enterprises

**SME** – Small and Medium Enterprises

**MFI** – Micro-Finance Institutions

**ICT** – Information Communication Technology

**CSBC** – Canadian Small Business Centre

**NGO** – Non Governmental Organization

**K-REP** – Kenya Rural Enterprise Program

**KWFT** – Kenya Women Finance Trust

**UWFT** – Uganda Women Finance Trust

**AMFI** - Association of Microfinance Institutions

**USAID** - United States Agency for International Development

**ECLOF** - Ecumenical Church Loan Fund

**AIM** - Amanah Ikhtiar Malaysia (a micro-finance institution)
ABSTRACT

This study set out to investigate the influence of Kenya Women Finance Trust services on performance of Small Scale Enterprises in Rongo Division; Migori County, based on Solow’s theory, the neo classical model. The study was guided by four objectives and these were to examine the influence of training services on performance of Small Scale Enterprises in Rongo Division, assess the influence of credit facility on performance of small scale enterprises in Rongo Division, examine the influence of savings mobilization on stock level of Small Scale Enterprises in Rongo Division and to explore the influence of group mobilization on performance of small scale enterprises’ savings in Rongo Division. The study adopted descriptive survey design and targeted a total of 7000 clients of KWFT in the research location. Out of this number, 378 clients were sampled for study using simple random sampling technique. The study hypothesized that there is no significant difference in small scale enterprise performance due to Kenya Women Finance Trust services. The researcher hoped that the major research findings of this study would be used for planning purposes to influence Government policy decisions aimed at improving small scale enterprise performance and by the Small Scale Entrepreneurs to identify their areas of weaknesses and make efforts to improve on them so as to enhance their performance. The study anticipated limitations such as time and financial constraints, suspicion and lack of corporation from some respondents however measures to counter their effects were adequately put in place and assumed that respondents who would willingly participate in the study would be found, weather would be favorable, there would be adequate time and funds to facilitate the research process and that the information to be collected from the sample population would be true and accurate representation that can be used for generalization of the study result of the entire population without leaving some constituents in the populations untouched thus the results of this study would be used to make conclusions about the entire population under study. Validation was done to check on content accuracy, language suitability and technical accuracy. Using Pearson Product Moment Correlation method, a coefficient of correlation factor was calculated for each type of instrument at 5% degree of confidence between the first and second scores in order to determine the instruments reliability. Validation was done to check on content accuracy, language suitability and technical accuracy. In order to ensure content validity, colleague researchers were asked to go through the instruments and gave their comments or input. Expert opinion was also sought to determine the validity of the instruments especially by making use of comments from the researcher’s university supervisors. In order to capture the required data, self administered questionnaire forms were used on the clients. This data was organized in tables and subjected to statistical test in which chi-square was used to determine the significance of the null hypothesis hence drew an objective conclusion from the findings. During data collection, respondents were assured of the confidential nature with which the information they provided would be treated and no data was captured from any respondent while she was unaware. Major findings of the study revealed that Kenya Women Finance Trust services have positive influence on performance of small scale enterprises in Rongo Division of Migori County as it was reported by respondents that the services had improved their business practices, led to business expansion, product diversification, increased savings, sales and business income. The study recommends that among the areas of coverage during training programs, the organization should incorporate the element of business planning.
CHAPTER ONE
INTRODUCTION

1.1 Background to the study

The role played by the informal sector in the struggle towards economic development cannot be overemphasized. The government of Kenya’s acknowledgement and concern in this is clearly reflected in the formulation of policies in favor of small scale enterprise sector. To this end, the government has encouraged Non Governmental Organizations to expand their services to assist other promotional agencies in small enterprise development and encouraged banks, financial institutions and trade associations to develop a wider variety of credit guarantee schemes especially for the special groups such as women, juakali artisans, retirees e.t.c. On this strength of government support, KWFT has moved in to lend hand in the sector by provision of products aimed at improving the performance of women owned enterprises. The study is intended to establish its influence on performance of small scale enterprises in Rongo Division.

Common wealth secretariat, (2002) Women entrepreneurs around the world are making a difference. They contribute numerous ideas and a great deal of energy and capital resources to their communities, and generate jobs as well as create additional work for suppliers and other spin-off business linkages

Siwadi and Mhangami (2011) adds that it is undeniable that women entrepreneurs are the major actors in that sector and contributors to economic development and are becoming increasingly visible in the local economies of the developing counties. Promoting women’s economic and political empowerment has gained greater attention over the last three decades

Graham (1999) UWFT was founded in 1984 and operates with the mission to economically empower disadvantaged women in Uganda. UWFT aims to realize its mission
through the delivery of an integrated package of services, which include awareness creation, savings mobilization, and credit advancement. UWFT will render these services in a manner that will safeguard its self reliance and financial sustainability as an institution. As of December 1998, UWFT had 9 branches serving 34,363 clients who had deposited $1 million in savings, and of whom 8,022 had outstanding loans of around $735,000, on which they are paying an effective rate of interest of 66.4% pa.

The typical UWFT client is one of the economically active poor, female, married, aged 30-39 years, educated to between Secondary level 1 and 6, living in a household of 7, with several children in school and is a member of several financial and social groups. She lives in a house with electricity and relatively easy access to running water and uses a communal pit latrine. The household is involved in two businesses and has some savings in a variety of institutions, but remains vulnerable to risks Poor households use assets (physical, financial, social and human) to protect themselves against risks and vulnerability. Loss management strategies are designed to improve the household’s ability to cope with loss after it has occurred.

Clients view membership of UWFT as a key financial asset since it provides loans for working capital and to purchase productive assets. In many cases the clients have been able to increase profits which they have used to broaden their asset base and therefore protect against risk both in the short and long term. Still others had been able to use UWFT loans to re-stock after loss or switch businesses in response to threats and opportunities. Credit has enabled clients to smooth consumption during periods of low income or crisis, thereby precluding the need for households to liquidate productive assets or cripple their businesses by draining working capital. Contrary to declared use, UWFT loans are also used to respond to crises.
Most clients are striving to invest in physical assets as protection against risk. There are three broad categories of assets:

1. Household assets: savings-in-kind assets (held as stores of value – livestock etc.) and household items (utensils, furniture etc.).

2. Passive investment assets (houses/land for rent etc.) - requiring less daily effort by the owner.

3. Key productive assets - equipment used to generate income: usually the very last assets to be sold in crisis.

The most important investment is in children’s education, which is viewed as a route for upward mobility and a form of social security for parents in their frail years. Investments in health are also seen as important for protecting the productivity of the household’s labor force and more effective use of the household resources.

The two key social assets used in the face of crisis are friends and relatives (reciprocal borrowing arrangements) and *Munno Mukabi*. In many cases the UWFT groups are playing an important role in the development of these mechanisms.

Von (1991) maintains that micro finance came into being from the appreciation that micro entrepreneurs and some poorer clients can be ‘bankable’, that is, they can repay both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs.

Since 1993, the Kenya Women Finance Trust (KWFT), a microfinance institution that aims to improve household incomes of low-income Women through savings and credit, mainly for microenterprises have received substantial support. The KWFT has more than 400,000 women members throughout the country and employ more than 1,600 staff. It has become one of the most successful microfinance institutions in the country. The Trust is now licensed as a deposit-taking microfinance institution, which means that in addition to providing loans to clients, it is now able to mobilize and administer savings. KWFT-DTM is wholly owned by Kenya women Holdings. It traces its roots to 1981 when KWFT was established as an NGO. One of the most successful MFI in Kenya with the largest network (205) in rural and urban areas. It enjoys a unique status in financial services as the only financial institution to focus solely on women clients.

Kenya Government sessional paper number two of 1992 on small-scale enterprise and jua kali development asserts that the Government highly acknowledges the contribution of the SMEs to the national economy. This concern is clearly reflected in the formulation of a number of policies in favor of the small scale enterprise sector. Micro and Small Enterprises (MSEs) sector contributes 20% to the GDP of Kenyan economy. The vision of micro-finance is to promote the growth of micro enterprises. In pursuit of this vision, the rapid growth of Micro-finance institutions has made MSEs access to credit and other services more than doubled from 7.5% in 2006 to 17.9% in 2009.

Athanne, (2011) states that women entrepreneurs in Kenya are the key to economic growth because they are generating employment. But, women owned businesses, could contribute more than what they are doing today. A growing amount of research shows that countries that fail to address gender barriers are losing out on significant economic growth. Without increased
attention to the gender dimensions of economic development, Kenya is therefore unlikely to meet its growth targets. This therefore demonstrates that addressing gender barriers in Kenya could generate significant economic growth for the country. The Kenyan government recognizes that women entrepreneurs have not been on an equal footing when it comes to their access to opportunities and assets but it has yet to effectively address the barriers facing women in business.

According to the 1999 National MSEs Baseline survey, there were 612,848 women in Micro and Small Enterprises (MSEs) in Kenya, accounting for 47.4 per cent of all those in MSEs. The results showed that women tended to operate enterprises associated with traditional women’s roles, such as hairstyling, restaurants, hotels, retail shops and wholesale outlets.

According to ILO study carried out by Steven son and St-Onge (2005), there are three profiles of women entrepreneurs operating MSEs in Kenya, namely those in Jua Kali micro-enterprises, “very small” micro-enterprises and “small-scale” enterprises. These are differentiated by their demographic profiles, extent of previous business experience, needs, access to resources and growth orientation. Most of the rural women provide for their families through subsistence farming and other agricultural activities supplemented by petty trade or micro enterprises. But they continue to face challenges.

In Kenya donor strategy for supporting MSEs has been mainly that of using intermediaries, such as NGOs and Government, many microfinance institutions are funded by donors for lending on to entrepreneurs such as Kenya Women Finance Trust (KWFT), Ecumenical Church Loan Fund (ECLOF) and K-REP. Some commercial banks also act as intermediaries to extend credit to the MSEs either under loan guarantee schemes or other arrangements for example Association of Microfinance Institutions (AMFI) which is an umbrella organization for microfinance
institutions in Kenya and receives funding from United States Agency for International Development (USAID) for its operations.

1.2 Statement of the problem

Mochona (2006) studied the impact of microfinance in Addis Ababa-Ethiopia. He assessed the impact of microfinance on women microenterprises that were clients of Gasha Microfinance Institution. The research findings indicated that only a few of the women clients of the Gasha Microfinance Institution reported increased incomes from their micro enterprise activities. It was also noted that majority of the respondents expressed dissatisfaction with the loan processing procedure and time taken to secure the loan. Most present and ex-clients faced major risks in running their businesses and therefore dropped out of the microfinance programs as they were pushed into indebtedness and could not repay the loans.

The small and micro enterprises (SMEs) play an important role in Kenya’s Economy. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007).

Bowen et al. (2009) researched on Management of business challenges among small and micro enterprises in Nairobi Kenya. The findings of the research indicated that over 50% of MSEs continue to have a deteriorating performance with 3 in every 5 MSEs failing within months of establishment. Only 2.5% respondents said their businesses were very successful.

Otieno NO. (2008) researched on the effect of Financial Services Association of Rongo on Small Scale Enterprise performance. He used small scale dairy farmers and retail traders as his
respondents. The study revealed that out of the 541 clients who received the Organization's services, loans inclusive, from 2005-2007, 167 (30.87%) defaulted in loan repayment. This was attributed to poor performance in terms of profits realized. The average enterprises’ performance for the three years stood at 18.90% with individual enterprises performance ranging from as low as 8% to 26%. It was against this background that the study intended to assess the extent to which Kenya Women Finance Trust services influence performance of small scale enterprises in the location, Rongo Division.

1.3 Purpose of the study

The purpose of the study was to establish the influence of Kenya Women Finance Trust services on performance of Small Scale Enterprises in Rongo Division; Migori County.

1.4 Objectives of the study

This research study was guided by the following objectives:

1. Examine the influence of training services on performance of Small Scale Enterprises in Rongo Division.

2. To assess the influence of credit facility on performance of small scale enterprises in Rongo Division.

3. Examine the influence of savings mobilization on stock level of Small Scale Enterprises in Rongo Division.

4. Explore the influence of group mobilization on small scale enterprises' savings in Rongo Division.
1.5 Research hypothesis

(1) There is no significant difference in small scale enterprise performance due to Kenya Women Finance Trust training services.

(2) There is no significant difference in small scale enterprise performance due to Kenya Women Finance Trust credit facility.

(3) There is no significant difference in small scale enterprise stock level due to Kenya Women Finance Trust group savings activities.

(4) There is no significant difference in small scale enterprise savings due to Kenya Women Finance Trust group mobilization.

1.6 Significance of the study

It was hoped that the major research findings of this study would be used for planning purposes to influence Government policy decisions aimed at improving small scale enterprise performance and by the Small Scale Entrepreneurs to identify their areas of weaknesses and make efforts to improve on them so as to enhance their performance.

1.7 Limitations of the study

During the investigation, the researcher experienced the following challenges:

(1) Time constraint. The researcher lacked adequate time to carry out the research as he is on employment which requires that he be at his place of work during working hours especially from Mondays to Fridays. The researcher asked for a two weeks compassionate leave during the period of data collection in order to have enough time for
the exercise. 10 Research assistants were also engaged to help in data collection and this helped hasten data collection process.

(2) Financial constraints. Lack of funds to meet costs of materials, transport, subsistence and processing. Since the study involved a lot of travelling and use of stationeries among other expenses, the researcher applied for an emergency cooperative loan from Mwalimu Sacco to meet the expenses.

(3) Suspicion and lack of cooperation from some respondents. The researcher obtained all necessary permissions from the relevant authorities in order to make his intention known, assured the respondents of the confidential nature in which their responses (data collected) would be treated and that the findings would be used only for the intended purpose.

1.8 Delimitations of the study

Rongo Division was chosen for the reason that it was realized that the number of women entrepreneurs trapped in problems of debt and general business decline is on the rise. The study revolved around women entrepreneurs only in the study location since the organization’s focus, based on their policy is on women alone. The investigation was carried out on women entrepreneurs in the Small Scale Enterprise sector in Rongo Division.

1.9. Basic assumptions of the study

The study operated on the assumptions that respondents who would willingly participate in the study would be found, weather would be favorable, there would be adequate time and funds to facilitate the research process and that the information to be collected from the sample
population would be true and accurate representation that can be used for generalization of the study result of the entire population without leaving some constituents in the populations untouched thus the results of this study would be used to make conclusions about the entire population under study. As mentioned by Hulme (1997), “behind all microfinance programs is the assumption that intervention will change human behaviors and practices in ways that will lead to the achievement (or raise the probability of achievement) of desired outcomes,” hence the researcher assumed the same.

1.10 Definition of significant terms as used in the study

**Influence:** the effect that KWFT services have on Small Scale Enterprises on the way they perform or develop in terms of growth.

**Small scale enterprise:** business entities with capital base of Kshs.500,000 or below and one to ten employees.

**Performance:** how well or bad an enterprise does as demonstrated by quantitative increase (growth) in the enterprise’s stock level, income (capital base), number of employees, acquired assets etc.

**Empowerment:** the ability of individuals to gain control socially, politically, economically and psychologically through access to information, knowledge and skills, decision making, and individual self-efficacy, community participation and perceived control.

**Organizational culture** (Schein, 1995) is a pattern of basic assumptions-- that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel.
**Income**: revenue generated by the enterprise due to sales especially expressed by profits generated.

1.11 **Organization of the study**

This study is organized in such a way that chapter one contains the background to the study, statement of the problem, purpose of the study, research objectives, hypothesis, significance of the study, limitations, delimitations, scope of the study, basic assumptions and definition of significant terms.

Chapter two is on review of related literature. It covers introduction, influence of training on business performance, influence of credit on small scale enterprise performance, savings against increased investments (increased stock), group mobilization on savings, theoretical framework, conceptual framework and summary of the related literature.

Chapter three provides details on the research methodology used for this study. It provides an outline and details of the following; introduction, research design, target population, sample size, sample selection, research instruments, validity and reliability of the instruments, data collection procedures, techniques of data analysis, operational definition of variables and ethical considerations.

Chapter four presents data analysis, presentation, interpretation and discussion.

Chapter five highlights the summary of findings, conclusion and recommendations of the study.
2.1 Introduction

This literature review is organized in the order of the objectives stated in chapter 1.4 under the sub titles training influence on business performance, influence of credit on performance of small scale enterprises, influence of savings on stock level and influence of group mobilization on business savings. After review of the related literature, both theoretical and conceptual frameworks are discussed respectively and finally, summary of the related literature.

2.2 Influence of training services on business performance

Duflo (2000) In the United States, job training programs are common and have been studied profusely, with typically promising results. In developing countries, however, the informal markets dominate the economic scene with over 500 million micro-entrepreneurs, yet rarely do the self-employed receive any formal training or education in how to run a business.

Benzing and Chu, (2009;) Davidsson and Wiklund, (1999;) It is argued that credit alone cannot influence the MSEs growth; however, motivational factors significantly contribute towards the good performance of an enterprise. These motivational elements can be acquired in different ways, one of which is training and education. In this regard, training enables participants to change behavior and how they perceived their activities. MFIs’ borrowers comprise MSEs whose owners have had opportunities to attend business training in different areas of need.
Research has shown that entrepreneurial learning is critical to the survival and growth of entrepreneurial businesses, and, as Sullivan (2000) argues, mentors bring added value interventions that make a difference in the long-term success of these businesses. Mentors may provide the support entrepreneurs need when it matters most.

Martin V (2006) A growing number of microfinance organizations are attempting to build the human capital of micro-entrepreneurs in order to improve the livelihood of their clients and help further their mission of poverty alleviation. We find that training lead to improved business knowledge, practices and revenues. The programs also improve repayment and client retention rates for the microfinance institution. Thus we find strong benefits for both the client and the MFI. The client shows improved business processes and knowledge and increased sales. Martin adds that the goal of the business training intervention is two-fold: to improve business outcomes and overall welfare for clients and to improve institutional outcomes for the microfinance institution. Stronger businesses may demand more services, and clients may be less likely to default if they are satisfied (either due to higher cash flow or a stronger feeling of reciprocity). The training aims to improve basic business practices such as how to treat clients, how to use profits, where to sell, the use of special discounts, credit sales, and the goods and services produced. These improvements should lead to more sales, more workers, and could eventually provide incentives to join the formal sector. In addition to impact on the clients' businesses and households, the training could impact important outcomes for the institution. If clients' businesses improve, they are more able to repay their loans. The training also may engender goodwill and sentiments of reciprocity, also leading to higher repayment rates. Loan sizes and savings volumes are more ambiguous: if clients learn how to manage their cash flows better, they perhaps will need less debt. On the other hand, the business training may lead them
to expand their business, and thus also demand more financial capital. We find evidence that microfinance institutions can improve client outcomes cost effectively by providing entrepreneurial training along with the credit.

Roy, (2000). Canadian Small Business Service Centre (CSBCs) co-ordinate information on all public sector services for small businesses. New firms enroll in a seminar given by an experienced professional; the new business owner is provided with basic legal, financial and market guidance. Informal feedback on the scheme has been positive, with some new firms returning to the Centers to seek further advice at a later stage. In Belgium, under the 1998 Law, Programme for the Promotion of Independent Enterprises, all registered SMEs, except those operating in professional and regulated activities are eligible for management or entrepreneurial training provided through the chambers of commerce. Start-up assistance can be obtained through a paid training period (with legally fixed remuneration) for a period from 12 to 30 months. In Netherlands, The Chambers of Commerce and the Institutes for Small and Medium-Sized Enterprises (IMKs) provide training in specific areas such as product innovation, partnership, quality assurance and export, aimed at improving the quality of entrepreneurship and The New Zealand BIZ programme is aimed at improving the management capabilities of SMEs through: i) a business development component contracting 46 private providers nation-wide to deliver services on business diagnostics/assessments, business skills training, business mentoring, and business networking; and ii) an information and referral service, BIZinfo, to provide information on public and private enterprise assistance initiatives.

Woodruff (2011) finds that providing more information about the loan product on offer by a regional development bank doubled the proportion of firms receiving a loan. There are a couple of things worth bearing in mind about this intervention: first, the information session was
combined with a decrease in the bureaucratic requirements for the loan, so the impact of
information alone cannot be isolated. More importantly, the intervention entailed providing more
details about the loan to clients who already knew about its availability. The SSA problem, on
the other hand, centers on low awareness about the existence of MFIs and the availability of
microloans as such. However, as suggested by Beck et al. (2011) financial literacy programs for
households and enterprises might be able to address some of the nonfinancial constraints to
borrowing, particularly in rural areas.

Baldwin et al.,( 1997) “Almost half the firms in Canada that go bankrupt do so because they do not develop a basic internal strength to survive. Overall weakness in management, combined with a lack of market for their product, cause these firms to fail...... The main reason for failure is inexperienced management. The managers of bankrupt firms do not have the experience, knowledge or vision to run their businesses.” Training programs for SMEs should impart a package of skills needed in the current business environment. For start-ups, this includes training in formulating business plans, identifying markets, hiring skilled workers and complying with government regulations. For more established SMEs, it might comprise developing skills in marketing and exporting; product development and process improvements; identification and use of new technology, including information and communication technologies (ICT); increasing cooperation among staff and promoting internal teamwork; enhancing networking with suppliers, clients and other firms; and generally improving adaptability and flexibility to respond to changing market conditions and client needs.

The importance and effect of training programs’ to improve household’s abilities to take advantage of income generating opportunities has been addressed by almost every study measuring the performance of microcredit programs (Otero, 1999; Zaman, 1999; Pitt, Khandker
and Cartwright, 2003; Matin and Begum 2003; and Rahman, Rafiq and Momen, 2009). AIM provides a wide range of training to improve their client’s ability in finding new income generating activities, selecting appropriate income generating activities, using the loan suitably and improving their money management skills.

Kuzilwa, (2005) Credit and training should go together; however little the training may be.

Cunha, (2007) Skill training is necessary to provide the needed entrepreneurial skill for small business start-up while business or management training provides the needed managerial competence for routine and corporate decisions.

Betcherman et al., (1997) “Organizations with training programs had more favorable performance trends in a number of areas including revenues, profitability, employee relations, quality and productivity and their business viability and outlook. ... Multivariate analysis sustained this link between training and firm performance. It was found out that establishments with the strongest commitment to training were significantly more likely than other firms to report positive revenue and productivity trends over the previous two years.”

Bowen et al. (2009) researched on Management of business challenges among small and micro enterprises in Nairobi Kenya. The findings of the research indicated that over 50% of MSEs continue to have a deteriorating performance with 3 in every 5 MSEs failing within months of establishment. Only 2.5% respondents saying their businesses were very successful. The results also showed that 49.5% of those who had received training in their areas of business reported that their businesses were doing well.
Rahmat and Maulana (2006) researched on the Impact of Microfinance to Micro and Small Enterprise’s Performance in Indonesia. Results of the study indicated that Microfinance has positive impact to improvement of MSE’s performance indicated by sales. Doubling the amount of loan was found to have a negative impact on the performance indicated by income and savings.

Ulrike Vogelgesang (2001) Loans raise productivity and growth for most clients. In particular, we find a significant permanent impact of prior loans on assets. That is, assets remain higher than before even after the repayment of the loan with growth rates in assets being higher for larger loans. Clients put the additional funds to good use: Clients with a higher number and a higher average size of prior loans are found to have higher growth rates than other clients. A cross-sectional analysis of sales revenues shows that clients with prior loans generate higher sales revenues than others for a given asset level. Surprisingly, clients with larger businesses have a higher increase in sales revenues than others.

Sebstad and Walsh (1991) noted a positive impact of microcredit on microenterprise sales on the study of impact of microcredit on small scale enterprises.

Asia Foundation, (2003) in Bangladesh, average yearly gross sales of the new, repeat and dropouts were Tk 4.29, 5.61 and 6.47 million before taking loan. Since Brac bank is providing much needed working capital to these enterprises, volumes of sales have increased for almost every borrower. On average, present sales of these enterprises are respectively 40, 67 and 26 percent higher compared to pre-loan period.
Robb and Coleman, (2009). An analysis of the use of outside sources of financing from banks and the government by level of sales provides some notable results. Women-owned businesses that were in the high sales category received business loans from banks in substantially higher proportions than those in the lower sales categories. The percentage of high sales women-owned businesses receiving bank loans was only slightly less than among high sales men-owned businesses. About 25% of women-owned businesses with currently high sales obtained bank loans to start or improve their businesses, compared to about 30% for the same class of men-owned businesses, possibly indicating that high sales businesses regardless of gender were deemed by banks to be good investments. Among low sales firms, women-owned businesses were far less likely to rely on banks for outside financing. Only about 5% of women-owned businesses with lower sales obtained bank loans for financing their businesses, whereas about 10% of men-owned businesses did so. All businesses in the high sales category were also more likely to use government financing for start-ups or business improvement than those in the lower sales category.

Gerald H (2011) Among the demand factors thought to influence the volume of small business credit in New Hampshire in the recent years include reduced sales that have lowered growth and expansion plans and reduced the borrowing needs of many small businesses. According to surveys by the National Federation of Independent Businesses, a lack of sales continues to be the biggest problem facing small businesses. The net percentage of businesses reporting higher sales over the past three months, minus the percentage sales increase continues to show that more businesses are experiencing sales declines than are experiencing sales increases. One result is lower investment and less need for credit.
Aczel (2000) conducted a study in Thailand on the role of microfinance in supporting micro enterprise endeavor. The findings of the study indicated that involvement of microfinance institutions in promotion of microenterprise and processing industry plays a key role in economies of developed countries as a source of goods and services, income, savings and employment.

Hamnett S and Hassan M (2003) NGOs through microfinance help the communities to reduce poverty, create jobs and promote income generation.

Cheston S and Khun L (2002) microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. This economic empowerment is expected to generate increased self-esteem, respect and other forms of empowerment for women beneficiaries including increased participation in decision making, more equitable status of women in the family and community, increased political power and rights.

Rutherford, (2001) Financing SMEs as a core business is still relatively new for formal financial providers in Bangladesh. This is fundamentally different to microfinance, which is essentially providing households with better money management facilities. Brac Bank’s SME financing has quickly become its core product line and our analysis suggests that it is successfully financing growth of the SMEs supported, which in turn is generating employment. However, the product characteristics still appear to be more suitable for financing growth of relatively established trading based enterprises. Most of the investment being made is also in terms of increasing working capital. Future challenges of Brac Bank’s SME lending operations...
would be to develop the right types of products to lend to manufacturing enterprises, and supporting fixed capital investments of SMEs.

The development program to provide assistance to the hardcore poor conducted by AIM uses a group based Grameen Bank (a Bangladeshi microfinance organization) model and provides collateral free credit to poor and hardcore poor households in order to improve their socioeconomic conditions. Experience and evidences shows that microcredit has a positive effect on the socio-economic conditions of the clients, their households and their microenterprise (Abed, 2000). Access to credit serves dual purpose: (1) capital is invested in microenterprises when clients borrow from AIM, (2) it leads to an increase in enterprise and household income as well as increase employment opportunities for the household members and for society. As mentioned by Singh (2009), micro finance programs and institutions have become increasingly important components of strategies to reduce poverty or promote micro and small enterprise development. Singh's (2009) statement was supported by the findings of the study conducted by Alam and Miyagi (2004), where they noted that MFIs provides credit to 44.49 in small business, 17.73% in livestock, 12.74% in agriculture and 4.84% in fishing sector.

Hossain (1988) noted that the most direct effect of the Grameen bank has been on the accumulation of capital by the poor. The amount of working capital invested in client's microenterprise increased by an average of three times within a period of 27 months. The investment in fixed assets is about 2.5 times higher for the clients with more than three years' membership than for those who joined during the year of the survey. The study found that with loans, these members generated self employment activities and the resulting effects on income were also impressive (Hossain, 1988). Sutoro (1990) showed that respondents' enterprise income increased by 93%, 26% increase in the ownership of productive machineries, about 16% increase
in the ownership of business vehicle and 76% increase in household income. Mosley (1996) conducted a study in Bolivia noted that respondents' enterprise income increased by 91%, 39% borrowers employed after participation and 26% used loan for new technology, mostly sewing machines. Kamal (1999) measured the impact of ASA's (Association for Soil Advancement) microcredit programs in Bangladesh, noted that 90.42% of the sampled respondents reported an increase in business capital after participation. Latifee (2003) in his study of Grameen Bank’s microcredit clients in Bangladesh noted that the effect of Grameen in on reducing unemployment rate among clients and on their households were impressive. Also mentioned that about 90% of borrowers reported an improvement in standard of living. Also noted that poverty rate among borrowers declined significantly and as of 2002, over 40% borrowers have crossed the poverty line. In 2005, Elizabeth Dunn conducted an impact study of Local Initiative (Microfinance) Project II’s clients in Bosnia and Herzegovina. The findings of the study indicated that microcredit had a significant positive impact on household income, employment, business investment, business registration and post-war transition. Dunn (2005) also noted that participation in microcredit program significantly reduced poverty rate among clients from 51% in 2002 to 46% in 2004. Panda (2009) in his study conducted in India noted a significant increase in borrowers' household income (11.41 percent), asset position was 9.75 percent higher than non-participants and savings increased by 42.53 percent.

The first internal impact study conducted by Gibbons and Kasem (1991) to measure the impact of AIM’s microcredit program discovered a significant increase in client's monthly household income (55%). Second Internal Impact Study (1990) conducted by Research and Development Unit of AIM, conducted the second impact study (1990), which showed further overall improvement among participating households. It was found that about 98% of them
experienced an increase in household income. The per capita monthly income also increased from RM40 to RM73. The findings echoed the earlier study. In mid-1990, the Malaysian government initiated an impact assessment study on AIM's microcredit schemes by a team of Social Science and Economic Research Unit (SERU) of the Prime Ministers Department. Findings from SERU (1990) impact study reconfirmed the findings of the first two impact studies. This study noted that the overall household income increased by more than double (from RM197.78 per month to RM465.66 per month) after participation. AIM managed to release 249 poor families from poverty. The Third Internal Impact Study (1994) conducted by AIM's Research and Development Unit found a direct positive relationship between level of income and utilization of loans. That is, the more loans being utilized, the higher the income. Salma (2004) noted that among non-participating poor, 77% of them are still under poverty line. Among them, 32.7% are at the bottom half; and only 23% managed to escape out of poverty without microcredit. On the other hand, among 244 active and inactive members and dropouts, 57% of them were no longer poor, 33% of them were moderately poor and 11.5% are still at the bottom half of the national poverty line. Findings from Salma (2004) showed that the household income, expenditure, savings and assets increased for both AIM and PPRT (Projek Perumahan Rakyat Termiskin) participants compared to non-participants. Furthermore, these increases are higher for AIM clients than PPRT clients. Salma (2004) therefore concluded that the microcredit program has direct and higher contribution to generate income than non microcredit program like PPRT. The impact of microcredit program depends on household's ability to make use of the credit in income generating activities and hardcore poor household's ability to generate income is not the same as high income group borrowers (Rahman, 1998 and Datta, 2004). Hashemi (1997), Rahman (1998), Datta (2004), and Rahman, Rafiq and Momen (2009) noted that, the
conventional group based microcredit program have positive impact on high income group borrowers and that access to finance increases clients and their household’s ability to increase income generating opportunities and employment opportunities, which ultimately lead to increase household income and asset.

Ojo O (2009) in his research on the role of micro finance in entrepreneurship development found out that there was a significant difference in the number of entrepreneurs who used Microfinance Institutions and those who do not. Microfinance is sustainable to the development of entrepreneurship activities in Nigeria and that Microfinance has affected entrepreneurship in the country positively. He concluded that Microfinance institutions have a positive relationship with the Nigerian economy represented by expanded GDP. Although the interest rate is not significantly influential, microfinance institutions and their activities go a long way in the determination of the pattern and level of economic activities and development in the Nigerian economy.

Frempong. (2009). The MSEs produce affordable goods and services, create a large proportion of jobs and thus contribute significantly to countries development and economic growth. Apart from commercial banks, self-financing, local moneylenders and microfinance schemes are considered as an alternative MSEs funding source. However, self financing is further constrained by the low MSEs’ savings capability arising from low incomes while moneylenders with their high interest rate are very selective and also perceive MSEs without reference as having high default risk and thus decline to their general lending (Pretes,2002; Sonfield and Barbato,1999). Microfinance schemes have therefore been the only approach that is appropriate in providing credit to the low income earners who are not accepted by other sources of finance. These schemes are willing to loan small amounts to first-time or less creditworthy
borrowers and most of the times to those lacking collateral (Ahmed, 2009). They use credit methodologies that employ effective collateral substitutes, short loan processing time, innovative recovery practices and working capital loans to micro entrepreneurs (Hassan and Renteria-Guerrero, 1997). The methods being adopted enable the MSEs’ clients of microfinance schemes to grow through increasing incomes, to some extent creating employment and lifting the poor out of poverty.

Mosley (2001) and Copestake, Bhalotra, and Johnson (2001) assessed the impact of Micro-loans in Bolivia and Zambia, respectively. Both found a positive impact of loans on the clients' economic situation and Mosley also found evidence for poorer clients benefiting less because they prefer low-risk and low-return investments.

Adequate credit aids entrepreneurship growth (Kuzilwa, 2005; Lakwo, 2007). The result of such credit assistance to entrepreneurs, especially women, is often seen in improved income, output, investment, employment and welfare of the entrepreneurs.

Savings acts as insurance for credit since women entrepreneurs lack physical collaterals (Akanji, 2006; Mkpado & Arene, 2007). Savings has been found to have positive effect on enterprise productivity in Nigeria (Ojo, 2009).

UNCDF/UNDP, (2003) Credit, savings and training were found to have positive impact on women entrepreneurs’ income and wellbeing in Haiti, Kenya, Malawi and Nigeria.

Allen et al., (2008); Micro-finance provide the needed opportunity for entrepreneurs to start or improve business in order to make profit and improve their lives.

Shane. (2003). Credit, savings, training and social capital could have positive impact on opportunity for entrepreneurial activity of women entrepreneurs which could lead to business growth. Micro-finance creates opportunity for entrepreneurial activity. The discovery of business
opportunity and the decision to exploit the opportunity leads to a search for external funds, and the acquisition of such funds again creates opportunity for entrepreneurial income-generating activity.

Chigumira and Masiyandima (2003) report that in Zimbabwe financial sector reforms implemented beginning in 1991 had some positive effects. Removal of controls on interest rates and credit along with easing of financial sector entry restrictions resulted in increased financial depth as entry into the financial sector went up and a wider variety of financial products became available for the majority of the population. After the early years of reform, real incomes increased, leading to higher savings. Both total domestic credit and private credit increased.

Akanji. (2006). Credit and savings have positive effect on opportunity for entrepreneurial activity in Nigeria. Training was found to have positive effect on entrepreneurial activity in Nigeria and Germany respectively (Ibru, 2009). Credit and training were found to have positive effect on entrepreneurial activity in France (Brana, 2008). Credit, training and social capital were found to have positive effect on entrepreneurial activity in UK and USA respectively (Carter & Shaw, 2006; Shane, 2003).

Brana. (2008) Opportunity for entrepreneurial activity, in terms of new business or business expansion, acts as a link between micro-finance and women entrepreneurs’ growth. It is reported that micro-finance create opportunity for entrepreneurs to generate income.

Matovu D (2006) researched on microfinance and poverty alleviation in Uganda. His objective of study was to examine the impact of microfinance on rural women in Kayunga-Central Uganda. According to research findings, majority of women clients of Uganda Women Finance Trust had registered increased incomes from their microenterprises. The findings also reported that clients increased incomes enabled them to save and to buy property. The savings
enabled clients to deal with severe crises and to cope with the shocks and reduce vulnerability and bought property that can be sold also to deal with the crises; Savings could be used to acquire another microfinance cycle and also to start and expand the existing micro enterprise activities.

K'Aol GO (2008) in his research paper on the role of microfinance in fostering women entrepreneurship in Kenya assessed the impact of Microfinance funding on women entrepreneurship in Kenya. The population consisted of women entrepreneurs who had benefited from four major Kenya Rural Enterprise Program (K-REP) microfinance schemes within Nairobi and Nyeri. The findings revealed that most of the respondents in this study reported that their business had expanded and their house hold income had increased significantly as a result of having taken microfinance loans from K-REP.

2.4. Influence of savings on business stock level (investment on stock)

Shilpa A et al (2012) analysis suggests that the poor save in order to start new businesses and that the introduction of formal products for small savings can be a key financial innovation. In rural Morocco randomly offered microcredit to one out of two villages in 81 matched pairs found that providing access to microcredit did not lead to new business creation, only to an expansion in the scale of existing businesses. Households with no existing business at baseline merely increased consumption once they got access to credit. This again reminds us that credit, by itself, cannot spawn entrepreneurs. Like Pitt and Khandker (1998), they also find that treated households decreased their wage employment and increased their consumption of leisure, offsetting the income gains realized from the scale expansion of existing businesses. If this finding has external validity, it not only casts a shadow on the income generating potential of
microcredit, but also raises longer term questions about the borrowers' ability to repay their loans and/or the possibility of chronic indebtedness.

Besley and Levenson (1996) and Kan (2000) a household's participation in an informal savings group (a rotating savings and credit association) has a positive impact on household investment. Burgess and Pande (2005) and Bruhn and Love (2009) find evidence in India and Mexico, respectively, that providing access to banking to low-income clients leads to an increase in new business creation (Mexico) and to a reduction in poverty (India and Mexico). Since credit alone has not been shown to have discernible effects on either of these outcomes, it might be possible to surmise from here that at least some of these effects stemmed from having access to dependable savings technologies.

A World Bank study about the most important factors responsible for the relatively fast growth rate experienced by East Asian economies listed the following six factors (World Bank, 1993): High Savings Rates, High Investment Rates, High Ratios of Export to G.N.P. and Export oriented Growth Policies, Allocating capital to high-yielding investments and catching-up technology of the industrial economies, Educational Investments and Existence of Competitive Markets. According to the study and mainstream growth theory at least one possible reason (for the differentials in growth rates across countries) is the corresponding differentials in respective domestic (national) saving rates of these countries. Even though it is not possible to raise growth rate permanently by increasing the saving rate, growth rate may respond positively to a given increase in saving rate at least for certain periods of time (Blanchard (1997)). Higher saving rate is expected to affect economic growth positively by increasing the available amount of financial capital for investment which may be used for increasing the rate of capital accumulation.
However it is worth to note that in open economies investment rate can increase without any corresponding increase in domestic saving rate; international borrowing can allow a country to run trade deficit which may reflect higher investment spending on additional capital stock enabling it to grow faster. Countries are reflected in their respective saving and investment rates.

Vonderlack & Schreiner, (2001). Savings and credit are found to have positive effect on women entrepreneurs’ wellbeing in Bangladesh, Indonesia, Ghana and Mexico.

K’Aol GO (2008) in his research paper on the role of microfinance in fostering women entrepreneurship in Kenya assessed the impact of Microfinance funding on women entrepreneurship in Kenya found out that the most significant impact evident among the women entrepreneurs involved in farming activities was that the number of cattle they owned had doubled after taking the loan.

2.5 Influence of Group mobilization on business savings

Khan and Rahamin (2007) Starting in the 1970s, experimental programs in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "microenterprise lending" programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor (often women) borrowers. The more organize and formal micro finance can be trace back to 1976 when Yunus Mohammed set up the grameen Bank as an experiment in the village of Jobra Bangladesh India. The aim was to provide collateral free loan to poor people in rural areas. Borrowers were organized into groups and peer which reduced the risk of default.
Besley and Coate (1995) point out that social collateral can help make joint liability work better than individual liability. However, Sadoulet (2000) argues that “social collateral” induced by group liability is not sufficient to ensure high repayment rates. Even if group liability does not jeopardize repayment, theory also suggests it may do no better than individual liability. Rai and Sjostrom (2004) show that both individual and group liability alone can be dominated by a contract that elicits truthful revelation about the success of the peers’ project and that group liability contracts can be excessively burdensome. Madajewicz (2005) argues for instance that group liability is only desirable for poorer borrowers. In her model, all loans are backed by wealth but group liability loans create an incentive for choosing riskier projects. Lenders respond by limiting the loan size, and since the loan size is related to the wealth that can be pledged as collateral, below a certain level of wealth, group liability dominates individual liability. But above a certain wealth, individual lending will be preferred by customers. One implication is that better-off clients tend to seek individual loans as they move forward and indeed, many institutions that offer group liability loans are now offering new individual-liability contracts for successful clients. In a related paper, Conning (2005) finds that wealthier clients prefer individual liability loans. However, neither group nor individual liability loans are backed by any form of physical collateral, so that the same borrowers can be subject to one or the other form of liability.

Khanna and Ruvkin (2001) group is seen as an organizational device that is able to overcome the market imperfections and the lack of economic institutions like a developed financial market that are typical of these economies. Groups are beneficial in fostering efficiency in product and capital markets and in promoting the development of business activities in Itally.
business groups play positive role in developing countries while they are seen with more "suspicion" in developed countries where their presence is less justified by efficiency reasons.

2.7 Theoretical framework

A theoretical framework is a collection of interrelated ideas based on theories. It is a reasoned set of prepositions, which are derived from and supported by data or evidence and accounts for or explains a phenomena. It attempts to clarify why things are the way they are based on theories thus enables the researcher to conceptualize the topic in its entirety as an outgrowth of the larger society. This helps the researcher to acknowledge the problem from a wider perspective and not from a narrow personalized self-interest approach. This study is based on Solow's growth theory-The neoclassical growth model, also known as the Solow–Swan growth model or exogenous growth model developed in 1956 by Solow, was an extension to the 1946 Harrod–Domar model that included a new term: productivity growth. It attempt to explain long run economic growth by looking at productivity, capital accumulation, population growth and technological progress.

Solow, Robert M. (1956). New capital is more valuable than old (vintage) capital because—since capital is produced based on known technology, and technology improves with time—new capital will be more productive than old capital.

Today, economists use Solow's sources-of-growth accounting to estimate the separate effects on economic growth of technological change, capital, and labor.

The model implies that Capital accumulation is determined by the savings rate (the proportion of output used to create more capital rather than being consumed) and the rate of capital
depreciation. The long-run rate of growth is exogenously determined – in other words, it is determined outside of the model. It predicts that an economy will always converge towards a steady state rate of growth thus a country with a higher saving rate will experience faster growth, e.g. Singapore had a 40% saving rate in the period 1960 to 1996 and annual GDP growth of 5-6%, compared with Kenya in the same time period which had a 15% saving rate and annual GDP growth of just 1%. A key prediction of neoclassical growth models is that the income levels of poor countries will tend to catch up with or converge towards the income levels of rich countries as long as they have similar characteristics – for instance saving rates.

The shortcomings of the model include its failure to take account of entrepreneurship (which may be a catalyst behind economic growth) and strength of institutions (which facilitate economic growth). In addition, it does not explain how or why technological progress occurs.

2.8 Conceptual framework

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. According to Goetz and LeCompte (1984), a conceptual framework increasingly strengthens and keeps the research on track by providing clear links from the literature to the research goals and questions, contributing to the formulation of the research design and providing reference points for discussion of literature, methodology and analysis of data.

The conceptual framework in this study involves the independent variable which is Kenya Women Finance Trust influence in terms of their products and service offerings.
Figure 1: A conceptual framework on the relationship between Kenya Women Finance Trust services influences on performance of Small Scale Enterprises.

The conceptual framework illustration suggests that there is an interrelationship among the variables of the study. The model suggests that Legal framework, social cultural practices, health, politics, competition, organization culture, global economy and technology are the moderating variables which may affect enterprise performance positively or negatively. In the
presence of well organized and implemented training, credits, savings and group mobilization programs, they still affect the rate at which businesses perform.

2.9. Summary of literature review

A number of micro-finance institutions have all over the world provided assistance to small scale entrepreneurs. Such services as illustrated in the literature review from previous researches include training, marketing, business group (associations) formation, banking services among others.

In Africa, particularly in East Africa, Micro-finance institutions specifically targeting women have for quite some time operated in the region especially in Kenya and Uganda where they have and still are providing different types of services to women entrepreneurs.
3.1 Introduction

The items in this chapter are presented under research design, target population, sample size and sampling procedure, instrumentation, data collection procedures and methods of data analysis.

3.2 Research design

The researcher employed a descriptive survey study design. The purpose of descriptive research is description of the state of affairs as it exists. Kerlinger (1969) points out that descriptive studies are not only restricted to fact findings but may often result in the formulation of important principal knowledge and solutions to significant problems and that they involve measurement, analysis, comparison and interpretation of data. (Orodho and Kombo, 2002) it can be used when collecting information about people’s attitudes, opinions, habits or any of the variety of the education or social investigations and as Robson, (2002) put it, the objective of these studies is 'to portray an accurate profile of persons, events or situations'.

The study was retrospective in nature since the data collected was based on past records. It is the studies of these past records that enabled the researcher establish the extent to which Kenya Women Finance Trust influence small scale enterprise performance in Rongo Division.
3.3 Target population

Population refers to an entire group of individuals having common observable characteristics. It is an aggregate of all that conforms to a given specification, Mugenda and Mugenda (2003). The study targeted 7000 Kenya Women Finance Trust clients in the 400 women groups who operate Small Scale Enterprises in Rongo division (KWFT database). This was because it is assumed that the clients have good knowledge and experience of the organization's products and services from which they are beneficiaries.

3.4 Sample size and sampling procedure

3.4.1 Sample size

The sample size of the subjects in this study was 378 computed by use of a simplified formula for proportions used to calculate sample sizes shown below:

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

i.e. \[ 7000/(1 + 7000(0.05)^2) = 378. \]

Where \( n \) is the sample size, \( N \) is the population size, \( e \) is the level of precision which is 0.05 (Yamane, Taro 1967).

3.4.2 Sampling procedure

The researcher used probability sampling technique since this gave equal opportunity to all members in the target population chance to participate in the study. Simple random sampling technique was used to select the actual participants. It was viewed that the subjects would not display similar characteristics hence stratified random sampling technique in particular was
employed. Here the population was divided into homogeneous subgroups called strata and from each stratum simple random sampling was used to draw the participants. According to Oso and Onen (2005), stratified random sampling technique ensures that the stated sub groups are proportionately represented and also accounts for the difference in sub group characteristics. In this process, the following steps were used to obtain the sample. First, a list of all the clients in Rongo town and its surroundings was obtained from KWFT office records in Rongo. Second: stratification of the sample was done from the list obtained based on the type of business operated. Finally, by use of simple random sampling, each member in the population had chance to pick from the ballot a number which was to determine whether one was to be used as a subject or not i.e there were lucky and unlucky numbers in the ballot box. Only those who picked the lucky numbers were used in the study.

3.5 Research Instruments

Questionnaires were used for the purpose of data collection in the study. Self administered questionnaires were given to entrepreneurs in the sample population. This instrument was considered best for this category of respondents since as Kombo DK and Delno LAT (2006) states, it can enable the researcher save time by collecting data from a relatively large sample within a short period of time, uphold confidentiality and help guard against interviewer bias. According to Khan (2008) a questionnaire guide allows a researcher to collect data from respondents with low literacy levels, collect information that cannot be observed directly, obtain historical information and gain control over the line of questioning.
The instrument had a mixture of closed and open ended structured items. The open ended items were intended to offer the respondents freedom to give their own feelings, opinions and expressions.

3.5.1 Reliability of research instruments

Reliability is the degree of consistency that the instrument or tool demonstrates on repeat trials. (Nyonje R, 2011). As Kombo DK and Delno LAT (2006) put it, reliability is a measure of how consistent the results from a test are.

The Researcher pre-tested the instruments in the neighboring Awendo town to determine the instruments reliability in data collection. The responses from the 1% of the randomly selected entrepreneurs from KWFT Awendo branch were scored using correlation analysis to determine the reliability of the data collected by the instruments. The criterion of the test-retest of the pilot study was based on the distance from the actual area of study. Two weeks later the same instruments were administered in the same area to the same respondents. Their responses were again scored. Using Pearson Product Moment Correlation method, a coefficient of correlation factor was calculated for each type of instrument at 5% degree of confidence between the first and second scores that yielded 0.8 coefficient of correlation. It was concluded that the instruments were reliable since the result fall within the range of acceptable limits.
The following formula was used to calculate the coefficient of reliability:

\[
\frac{(\sum y)(\sum x)}{\sum xy} - \frac{\sum xy}{N}
\]

Where \( r \) = Coefficient of correlation, \( x \) = the scores of first responses, \( y \) = the scores of the second responses, \( \sum x \) = the sum of the scores in the \( x \) distribution, \( \sum y \) = the scores in the \( y \) distribution. \( \sum xy \) = the sum of the product paired \( x \) and \( y \) scores; \( \sum y^2 \) = the sum of the squared scores in the \( y \) distribution and \( \sum x^2 \) = the sum of the squared scores in the \( x \) distribution; \( N \) = the number of paired \( x \) and \( y \) scores.

Frankel and Wallen (2000) noted that a coefficient of 0.7 provides a minimum threshold to confirm the reliability of a research instrument. This is what the results will be compared against for the confirmation. Kothari, (2009) this figure (0.7) is usually considered respectable and desirable for consistency levels.

Nyonje K. (2011) the higher the correlation coefficient, the greater the reliability. Correlation coefficient varies on a scale of 0.00 (indicating total unreliability) and 1.00 (indicating perfect reliability). 0.8 -0.9 indicates high reliability, 0.6 -0.8 indicates acceptable reliability value while below 0.5 is unacceptable.
3.5.2 Validity of research instruments

Kombo DK and Delno LAT (2006) the validity of a test is a measure of how well a test measures what it is supposed to measure. (Nyonje R, 2011) states that Validity is that quality of a data-gathering tool/instrument that enables it to measure what it is supposed to measure.

According to Fraenkel and Wallen (2000) validity is the quality attributed to proposition or measures to the degree to which they conform to establish knowledge or truth. An attitude scale is considered valid, for example, to the degree to which its results conform to other measures of possession of the attitude. Validity therefore refers to the extent to which an instrument can measure what it ought to measure. It therefore refers to the extent to which an instrument asks the right questions in terms of accuracy. (Mugenda et al 2003) validity is the accuracy and meaningfulness of inferences, which are based on research results.

Gakuu CM and Kidombo HJ (2010) Validity refers to the degree to which evidence supports any inferences a researcher makes based on the data he or she collects using a particular instrument. It is important for us to note that it is the inferences about the specific uses of an instrument that are validated, and not the instrument itself. Therefore, the inferences made should be appropriate, meaningful and useful.

Validation was done to check on content accuracy, language suitability and technical accuracy. In order to ensure content validity, colleague researchers were asked to go through the instruments and give their comments or input. Expert opinion was also sought (Arun, 1986) to determine the validity of the instruments especially by making use of comments from the researcher’s university supervisors.
### 3.6 Data collection procedure

The researcher obtained an introductory letter from the University which he used to obtain a research permit from the National Council for Science and Technology (NCST) before proceeding to the field. Using the permit and an introductory letter from the NCST, the researcher then moved to seek for permission from the District commissioner Rongo District within whose jurisdiction the study was to be conducted.

After obtaining all the necessary permissions, the researcher visited the respondents to distribute the questionnaire forms which were intended to be filled on the spot in order to enhance the return rate of questionnaires and fortunately all respondents filled them for collection immediately.

#### 3.7 Data analysis techniques.

Data was analyzed by use of descriptive statistics i.e mean and percentages and presented in tables for easy interpretation. Yearly business performance results were used to calculate mean business income performance in terms of profit generated in all the sampled enterprises. Using these mean performance results in terms of income growth was presented in a table and Chi-square ($X^2$) was used to determine the significance of the null hypothesis.
### 3.8. Operational definition of variables

#### Table 3.1: Operationalization table

<table>
<thead>
<tr>
<th>Objective</th>
<th>Type of variable</th>
<th>Indicator</th>
<th>Measure</th>
<th>Level of scale</th>
<th>Approach of analysis</th>
<th>Type of analysis</th>
<th>Level of analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Examine the influence of training services on performance of Small Scale Enterprises in Rongo Division.</td>
<td>Independent</td>
<td>Training frequency</td>
<td>Improved practices, training areas, types of records kept</td>
<td>Ordinal</td>
<td>Survey</td>
<td>Quantitative</td>
<td>Descriptive</td>
</tr>
<tr>
<td>2. To assess the influence of credit facility on performance.</td>
<td>Independent</td>
<td>-Credit received</td>
<td>-Product diversification, -Customer</td>
<td>Ordinal</td>
<td>Survey</td>
<td>Quantitative</td>
<td>Descriptive</td>
</tr>
</tbody>
</table>
3. Examine the influence of savings on stock levels:

<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th>Stock Level</th>
<th>Savings</th>
<th>Depended</th>
<th>New Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Scale</td>
<td>Increased</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprises in Rongo Division</td>
<td>Increased sales, increased credit income, advanced percentage expressed as income profit</td>
<td>Number of Ordin Survey questionnaire respondents are saving</td>
<td>Positive correlation</td>
<td>Positive satisfaction</td>
</tr>
</tbody>
</table>

4. Explore the dependence of savings mobilization on stock levels:

<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th>Stock Level</th>
<th>Savings</th>
<th>Depended</th>
<th>New Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Scale</td>
<td>Increased</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprises in Rongo Division</td>
<td>Increased sales, increased credit income, advanced percentage expressed as income profit</td>
<td>Number of Ordin Survey questionnaire respondents are saving</td>
<td>Positive correlation</td>
<td>Positive satisfaction</td>
</tr>
</tbody>
</table>
3.9 Ethical considerations

This study was conducted with utmost honesty and professionalism on the part of the researcher. The researcher obtained all the necessary research authorizations from the relevant institutions before embarking on the actual research. These included letter of authorization issued by the National Council for Science and Technology, Research permit issued by the same office, and authority letter from the District Commissioners Office, Rongo District. A letter of transmittal of data collection instruments was drawn in which the researcher introduced himself clearly informing the respondents of the purpose of the study, and assuring them of the confidential nature in which the information they provide would be treated and no data was captured from any respondent while he or she was unaware thus the researcher obtained
informed consent from all subjects used in the study. He also ensured that all subjects participated voluntarily.
4.1. Introduction

This study did seek to examine the influence of Kenya Women Finance Trust services on performance of small scale enterprises in Rongo Division, Migori county.

The chapter arrangement starts with introduction, questionnaire return rate, demographic characteristics of respondents, findings (results) and discussions.

4.2. Questionnaire return rate

A total of 378 subjects were sampled for study and questionnaires administered on all of them. The questionnaire return rate was 100% since as the researcher moved to distribute them, they were completed and collected back on the spot.

4.3. Demographic characteristics of respondents.

The study sought to know mainly the gender of respondents as Kenya Women Finance trust was basically established to provide services to women only. Of the sampled enterprises, all the proprietors thus respondents were females.

Table 4.1: Gender distribution of respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Female</td>
<td>378</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>378</td>
<td>100</td>
</tr>
</tbody>
</table>
4.4. Influence of training services on performance of Small Scale Enterprises

Table 4.2: clients’ attendance to training programs

<table>
<thead>
<tr>
<th>Attendance</th>
<th>Not at all</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Frequently</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>30</td>
<td>32</td>
<td>189</td>
<td>126</td>
<td>378</td>
</tr>
<tr>
<td>Percentage</td>
<td>8</td>
<td>8.5</td>
<td>50</td>
<td>33.5</td>
<td>100</td>
</tr>
</tbody>
</table>

From the table, it is evident that 92% of the respondents stated that they have attended trainings organized by KWFT. The 8% who have however never attended any training are individual clients who are not members of any group. This is because when trainings are organized, the information about the date and venue of trainings are communicated to group members somewhat forgetting the individual clients hence leaving them out for training.

Table 4.3: training areas

<table>
<thead>
<tr>
<th>Area of training</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer care (PR)</td>
<td>252</td>
</tr>
<tr>
<td>Marketing</td>
<td>0</td>
</tr>
<tr>
<td>Time management</td>
<td>156</td>
</tr>
<tr>
<td>Book keeping</td>
<td>156</td>
</tr>
<tr>
<td>Managing business finance(cash)</td>
<td>284</td>
</tr>
</tbody>
</table>
During the trainings, more emphasis is placed on managing business finance, customer care, time management and book keeping. As Martin V (2006) asserts, training aims to improve basic business practices such as how to treat clients, how to use profits, where to sell, the use of special discounts, credit sales, and the goods and services produced. Of the respondents, 63 (16.7%) stated that they have also been trained on savings management. It is also clear from the table that in all the trainings, no component of marketing and time management are covered.
Table 4.4: Benefits of trainings to entrepreneurs

<table>
<thead>
<tr>
<th>Statement</th>
<th>Definitely true</th>
<th>Mostly true</th>
<th>Mostly false</th>
<th>Definitely false</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved practices</td>
<td>252</td>
<td>126</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Led to expansion</td>
<td>314</td>
<td>64</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Increased demand for debt</td>
<td>252</td>
<td>64</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lowered debt demand</td>
<td>64</td>
<td>64</td>
<td>0</td>
<td>189</td>
</tr>
<tr>
<td>Product diversification</td>
<td>314</td>
<td>64</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Determination of $H_0$ using chi-square i.e. there is no significant difference in small scale enterprise performance due to Kenya Women Finance Trust training services.

Chi-square ($X^2$) = \( \sum (fo - fe)^2 / fe \)

$fo$ = frequency observed

$fe$ = frequency expected

$df$ = degree of freedom
df = K-1, where K is the maximum category, in this case 2 as the businesses were expected to have mostly improved their practices. At a degree of freedom 1 and 0.05 level of significance for improved practices, the theoretical (table) value 3.84146 is less than the calculated value, 126.0 hence the null hypothesis is rejected thus there is significant difference in small scale enterprise performance due to Kenya Women Finance Trust training services. As further illustrated in the table, 100% respondents reported improved practices, business expansion and product diversification so KWFT training services have led to improved performance of small scale enterprises in Rongo Division, Migori County. This finding concurs with the work of Benzing and Chu, (2009;) Davidsson and Wiklund, (1999;) in which they argued that training enables participants to change behavior and how they perceived their activities and as Sullivan (2000) puts it, mentors bring added value interventions that make a difference in the long-term success of these businesses. Martin V (2000) also found evidence that microfinance institutions can improve client outcomes cost effectively by providing entrepreneurial training along with the credit.

4.5.1. Influence of credit facility on performance of small scale enterprises

Table 4.5: Credit influence on sales

<table>
<thead>
<tr>
<th>No.</th>
<th>Statement</th>
<th>Not at all extent</th>
<th>Small extent</th>
<th>Moderat extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The business has a substantial market share</td>
<td>0</td>
<td>0</td>
<td>220</td>
<td>126</td>
<td>32</td>
</tr>
</tbody>
</table>

49
| 2 | Business has diversified       | 63 | 31 | 63 | 126 | 95 |
| 3 | Products are superior in quality | 158 | 31 | 31 | 95 | 63 |
| 4 | The business has good image    | 0 | 31 | 63 | 158 | 126 |
| 5 | Customers are satisfied with business products/services | 0 | 0 | 63 | 221 | 94 |
| 6 | Sales growth has been substantial | 0 | 31 | 126 | 158 | 63 |

From the table above, it is worth noting that all respondents reported substantial business growth and that their customers are satisfied with their products and services since KWFT loan facility was obtained. As was reported by Ulrike Vogelgesang (2001), across-sectional analysis of sales revenues shows that clients with prior loans generate higher sales revenues than others for a given asset level and surprisingly; clients with larger businesses have a higher increase in sales revenues than others. Business products diversification, according to the researcher would have also attracted more customers hence improved sales. Most clients have been in business with KWFT for more than 3 years with only 25.13% (95) respondents reporting less than 3 years of business with the organization.

4.5.2. Influence of credit on income of small scale enterprises

Out of the 378 respondents, 315 (83.3%) used the acquired loan to purchase stock while others used it to acquire machines and equipments and settle business debts. On other uses, some
clients used the loan to construct units for those in dairy farming business, paying school fees and farming.

Table 4.6: Average enterprises' income performance in percentage profit 2009-2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Total</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (% profit)</td>
<td>22.67</td>
<td>25.45</td>
<td>31.45</td>
<td>79.59</td>
<td>26.52</td>
</tr>
</tbody>
</table>

The findings shown in the table above indicate that there has been upward performance trend in terms of profits generated from 2009-2011 ranging from 22.67% in 2009 to 31.45% in 2011. The average business performance in the three years being 26.52% profit.
Table 4.7: response on Income performance since loan was obtained from KWFT

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>A great extent</th>
<th>To a very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>We have been</td>
<td>31</td>
<td>252</td>
<td>95</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>making profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Income in the last 3 years</td>
<td>63</td>
<td>189</td>
<td>31</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>have been good</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Income increased after loan</td>
<td>31</td>
<td>189</td>
<td>95</td>
<td>63</td>
<td></td>
</tr>
</tbody>
</table>

Testing of the Null hypothesis (H₀) i.e. there is no significant difference in small scale enterprise performance due to Kenya Women Finance Trust credit facility (based on income performance)

Df = K-1, where K is the maximum category, in this case 3 representing moderate income increase at df 2 and 0.05 level of significance, the table value 5.9915 is less than the calculated value, 125.37. When the theoretical value is less than the calculated value, reject the null hypothesis. This therefore means that there is significant difference in small scale enterprise performance due to Kenya Women Finance Trust credit facility. The facility has thus led to increased sales and income.
As illustrated in the findings shown in the table above, all respondents reported that they have been making profits and that income increased after the loan was obtained than before. Abed (2000) support the finding when he stated that access to credit leads to an increase in enterprise and household income as well as increase employment opportunities for the household members and for society. Gibbons and Kasem (1994) confirms this influence of credit on income when they said that they found a direct positive relationship between level of income and utilization of loans. That is, the more loans being utilized, the higher the income.

4.6. Influence of savings mobilization on stock level of Small Scale Enterprises.

Table 4.8: influence of savings on stock level.

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I</td>
<td>157</td>
<td>31</td>
<td>158</td>
<td>32</td>
</tr>
<tr>
<td>2</td>
<td>ii</td>
<td>31</td>
<td>-</td>
<td>95</td>
<td>252</td>
</tr>
<tr>
<td>3</td>
<td>iii</td>
<td>-</td>
<td>-</td>
<td>63</td>
<td>315</td>
</tr>
<tr>
<td>4</td>
<td>iv</td>
<td>252</td>
<td>63</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>5</td>
<td>V</td>
<td>252</td>
<td>95</td>
<td>-</td>
<td>31</td>
</tr>
<tr>
<td>6</td>
<td>vi</td>
<td>31</td>
<td>-</td>
<td>32</td>
<td>252</td>
</tr>
</tbody>
</table>
Findings as shown in the table above shows that the major intention of most entrepreneurs in saving is to add stock and 100% respondents reported that the savings they made led to increased stock level.

In testing the Null hypothesis that there is no significant difference in small scale enterprise stock level due to Kenya Women Finance Trust group savings activities at df 2 and 0.05 level of significance, the table value 5.9915 was found to be less than the calculated value 103.95 hence the Null hypothesis is rejected as the opposite is true. Savings therefore has led to increased stock level.
4.7. Influence of group mobilization on small scale enterprises’ savings.

Table 4.9: Group membership and savings.

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Not at all extent</th>
<th>A small extent</th>
<th>Moderate extent</th>
<th>A great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Group membership increased with recruitment</td>
<td>-</td>
<td>95</td>
<td>157</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Started saving before joining the group</td>
<td>32</td>
<td>95</td>
<td>95</td>
<td>63</td>
<td>31</td>
</tr>
<tr>
<td>3</td>
<td>Started saving after joining the group</td>
<td>126</td>
<td>30</td>
<td>64</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>4</td>
<td>Savings increased while in the group</td>
<td>-</td>
<td>63</td>
<td>126</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Savings decreased while in group</td>
<td>284</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>No savings difference due to group membership</td>
<td>252</td>
<td>32</td>
<td>31</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

On savings and group membership, only 32 respondents (8.47%) reported that they were not saving before joining the business group. In testing for the Null hypothesis that there is no significant difference in small scale enterprise savings due to Kenya Women Finance Trust group mobilization at df 3 and 0.05 level of significance, it was found out that the theoretical value, 7.81 was less than the calculated value, 53.0 hence rejected the Null hypothesis. This
implies that there is a difference in savings due to group membership as is confirmed by the
8.47% respondents who before joining the group were conducting their small scale businesses
but making no savings at all. As Besley and Coate (1995) point out, social collateral can help
make joint liability work better than individual liability.

On overall services delivery to clients, most respondents agreed that KWFT products and
services are good. Some however commented that they are so strict with clients especially on
issues bordering finances specifically the harassments given to some clients when they go for
debt collection. Loan processing was however reported that at times is not done promptly and
that sometimes not all the relevant information and documents (details) are given at once. This
increases the period of loan processing unnecessarily inconveniencing others for apparently no
reason. Policy on group loan was however mentioned as making the product scaring making
individual loans preferable by many.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.

5.1. Introduction.
This chapter highlights summary of findings following the order of study objectives in 1.4, conclusion and recommendations of the study.

5.2 Summary of findings.
KWFT conduct trainings which are usually attended by most clients who are members of business groups however none of the individual clients who participated in the study reported to have attended the trainings. The trainings normally cover essential areas such as customer care, book keeping, time management, management of business finance, credit and time management. The findings also indicate that the training services have led to improved business practices, expansion, increase in debt demand and product diversification.

The organization’s credit facility has enabled most entrepreneurs to diversify business products thus capture and command substantial market share. All respondents reported good business image with 100% customer satisfaction and substantial business sales growth. The findings indicate that 83.3% of the credit facility beneficiaries use it for adding stock leading to more sales and increased income.

On savings and investment on stock, there was 100% agreement that savings have led to increased stock level. Being a member of a business group enhanced savings ability as members are encouraged to do so as most respondents reported that business savings increased while in the group.
5.3 Conclusions

In view of the study findings, it is concluded that there is significant difference in performance of small scale enterprises in Rongo Division due to Kenya Women Finance Trust services thus the services positively influence their performance. The training services enabled all respondents improve in their business practices, expansion and product diversification.

The credit facility has led to most businesses' product diversification, 100% customer satisfaction and substantial sales growth. Income has also increased over the three years 2009-2011 after obtaining the loans thus the loan facility has led to increased sales and income.

All subjects indicated stock addition as one main aim for their savings and indeed savings, according to the study findings has led to increased stock levels.

Group mobilization has helped members save more. All respondents reported increased savings while in the group with 8.47% respondents reporting that before joining the business group, they were not making any savings at all.

5.4 Recommendations

Based on the study findings, the following recommendations are put forward:

(i). incorporate the element of business planning in the training programme as this seem to be lacking in the current areas of coverage. Planning is a vital element for success in business. Apart from planning, other areas to consider include advertisements, and business promotions.

(ii). Encourage clients to start self supporting activities such as marry go rounds (MGR), funds drives etc to supplement their business capital. This will go a long way in helping them generate
their own funds and even provide loans among themselves than always relying on external assistance. This will act as a sustainability structure.

(iii). To improve on sales, marketing related information such as promotion, advertisements e.t.c. should be given to members.

(iv). Improve on loan processing. Ensure the exercise is done promptly to avoid inconveniences caused to clients when the service is not delivered just when the client requires it most.

(v). Encourage individual liability (individual loans) even for members in business groups since individual liability will enhance ones effort in loan servicing. This product is still underutilized.

5.5 Recommendations for further research

The researcher recommends the following areas for further research

(i) Influence of locus of control on performance of small scale enterprises
(ii) Influence of employees participation on performance of small scale enterprises
(iii) Influence of enterprise management on performance of small scale enterprises


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Dunn, E., (2005), *Impact of Microcredit on Clients in Bosnia and Herzegovina, Presented to Foundation for Sustainable Development of the Federation of Bosnia and Herzegovina and Republika Srpska Development and Employment Foundation, May, 2005*


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Schein, B., (1995) "Organizational Culture and Leadership", San Francisco,


Ulrike Vogelgesang(2001) the impact of microfinance loans on clients enterprises, Gk working paper series no. 2001-03, University of Mannheim


This questionnaire is intended to collect information on Kenya women finance trust influence on performance of small scale enterprises in Rongo Division. The purpose of this is to fulfill a University of Nairobi requirement for the award of a Master of Art Degree in Project Planning and Management. Please, answer the following questions as honestly as possible by filling in the blank spaces or ticking appropriately in the box or space provided where applicable. Information given will be treated with maximum confidentiality so deserved and used only and strictly for the purpose of this study.

Thank you in advance.

Moses Otieno Ongaro.

Date....................... signature .....................

SECTION A: KWFT TRAINING SERVICES

Business name............... 

Gender of proprietor...........

1. For how long have you been in business with KWFT ...............months/years

2. How often do you attend training programs organized by them

<table>
<thead>
<tr>
<th>Not at all</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

68
3. If ever trained in the past, indicate the training area(s)

<table>
<thead>
<tr>
<th></th>
<th>Customer care (PR)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Marketing (including market research)</td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>Time management</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Bookkeeping</td>
<td></td>
</tr>
<tr>
<td>(iv)</td>
<td>Managing business finance/cash</td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td>Staff management</td>
<td></td>
</tr>
<tr>
<td>(vi)</td>
<td>Managing business credit</td>
<td></td>
</tr>
<tr>
<td>(vii)</td>
<td>Managing competition</td>
<td></td>
</tr>
<tr>
<td>(viii)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ix)</td>
<td>Others (specify)</td>
<td></td>
</tr>
</tbody>
</table>

4. The questionnaire is rated on a four point likert scale ranging from definitely true, mostly true, mostly false and definitely false. Please, tick the most appropriate response in terms of benefits that you have accrued from the trainings

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
<th>definitely true,</th>
<th>mostly true,</th>
<th>mostly false</th>
<th>Definitely false</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Improved practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Led to expansion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Increased demand for debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Lowered demand for debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### SECTION B: INFLUENCE OF CREDIT FACILITY ON SMALL SCALE ENTERPRISE PERFORMANCE

(a) CREDIT INFLUENCE ON SALES.

5. The questionnaire is rated on a five-point Likert scale ranging from not at all to a great extent. Please tick the response that is most appropriate to your business organization since you obtained a business loan from KWFT.

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The business has substantial market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Business has diversified and come up with new products which are not related to original products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Business products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
are superior in quality compared with those of competitors

4. The business has good image in the industry

5. Customers are satisfied with business products/services

6. Sales growth in the business has been substantial

6. For how long has your business been in operation? (age of business be measured on a 4-point likert scale):

1= less than 3 years

2= 3-5 years

3=5-10 years

4=more than 10 years

7. Please evaluate your business sales growth in the last three years

4. Less than 5% (slow, no growth in sales)
5. Between 3-10% per year (moderate growth)

6. 11-20% (fast, rapid growth)

7. More than 20% (very fast- very rapid growth)

Table 1: values of sustainable growth

<table>
<thead>
<tr>
<th>Growth/age</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 and above</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) CREDIT INFLUENCE ON CAPITAL ACCUMULATION (INCOME) OF SMALL SCALE ENTERPRISES

8. Indicate by ticking appropriately in the box the number of times you have been advanced KWF loan facility

(i) 1 time

(ii) 2-3 times

(iii) 4-5 times

(iv) More than 5 times

(v) None

9. Indicate the purpose and the use to which it was put. Write same if the purpose is the same as the alternative and N/A if the stated purpose was not the intention.
<table>
<thead>
<tr>
<th>No</th>
<th>Purpose of loan</th>
<th>Use for which it was put</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Purchase stock</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acquire machines/equipments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Settle business debts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other(s). specify.....................................</td>
<td></td>
</tr>
</tbody>
</table>

10. The following questionnaire is rated on a five point likert scale ranging from not at all to a great extent. Please tick the response that is most appropriate to your business organization since you obtained business loan from KWFT

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Our organization has been making profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Overall income growth of the business over the last 3 years compared to the competitors have been very good</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

73
3. Income has increased after the loan was obtained than before

11. Estimate your enterprise’s income growth in percentage profit over the last three years

<table>
<thead>
<tr>
<th>Firm/year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>total</th>
<th>Average</th>
</tr>
</thead>
</table>

SECTION C: INFLUENCE OF SAVINGS MOBILIZATION ON STOCK LEVEL (INVESTMENT ON STOCK)

12. The questionnaire is rated on a four point likert scale ranging from strongly disagree to strongly agree. Please tick the response that is most appropriate to your business organization since you started saving with KWFT

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
KEY

i. Business save for fixed assets
ii. Business save for adding stock
iii. Savings have led to increased stock level
iv. No change in stock level due to business savings
v. Stock level decreased due to savings
vi. Savings increased borrowing power for stock purchases

SECTION D: INFLUENCE OF GROUP MOBILIZATION ON SAVINGS

13. The questionnaire is rated on a five point likert scale ranging from not at all to a great extent. Please tick the response that is most appropriate to your business organization since you joined a business organization group that work with KWFT

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number in group increased as more members are mobilized(recruited) to join the group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Business was saving before joining the group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>3</td>
<td>Started saving after joining the group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Business saving increased while in the group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Business savings decreased while in group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Savings difference due to group membership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comment on the general services provision of KWFT to clients.
## APPENDIX II: CRITICAL CHI-SQUARE (X²) VALUES TABLE

<table>
<thead>
<tr>
<th>DF</th>
<th>0.10</th>
<th>0.05</th>
<th>0.025</th>
<th>0.010</th>
<th>0.005</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.7055</td>
<td>3.84146</td>
<td>5.02389</td>
<td>6.634900</td>
<td>7.8795</td>
</tr>
<tr>
<td>2</td>
<td>4.6052</td>
<td>5.9915</td>
<td>7.3778</td>
<td>9.2103</td>
<td>10.5966</td>
</tr>
<tr>
<td>3</td>
<td>6.2514</td>
<td>7.8147</td>
<td>9.3484</td>
<td>11.3449</td>
<td>12.8382</td>
</tr>
<tr>
<td>6</td>
<td>10.646</td>
<td>12.5916</td>
<td>14.4494</td>
<td>16.8119</td>
<td>18.5476</td>
</tr>
<tr>
<td>8</td>
<td>13.3416</td>
<td>15.5073</td>
<td>17.5346</td>
<td>20.0902</td>
<td>21.9550</td>
</tr>
<tr>
<td>10</td>
<td>15.9872</td>
<td>18.3070</td>
<td>20.4832</td>
<td>23.2093</td>
<td>25.1882</td>
</tr>
<tr>
<td>13</td>
<td>19.8119</td>
<td>22.3620</td>
<td>24.7356</td>
<td>27.6882</td>
<td>29.8194</td>
</tr>
<tr>
<td>15</td>
<td>22.3204</td>
<td>24.9958</td>
<td>27.4884</td>
<td>30.5779</td>
<td>32.8013</td>
</tr>
<tr>
<td>16</td>
<td>23.5618</td>
<td>26.2963</td>
<td>28.8454</td>
<td>32.0001</td>
<td>34.2674</td>
</tr>
<tr>
<td>17</td>
<td>24.7600</td>
<td>27.5871</td>
<td>30.1910</td>
<td>33.4085</td>
<td>35.7182</td>
</tr>
<tr>
<td>18</td>
<td>25.9514</td>
<td>28.8693</td>
<td>31.5264</td>
<td>34.8053</td>
<td>37.1564</td>
</tr>
<tr>
<td>19</td>
<td>27.2570</td>
<td>30.1436</td>
<td>32.8523</td>
<td>36.1907</td>
<td>38.5820</td>
</tr>
<tr>
<td>20</td>
<td>28.5620</td>
<td>31.4104</td>
<td>34.1696</td>
<td>37.5662</td>
<td>39.9968</td>
</tr>
<tr>
<td>21</td>
<td>29.8620</td>
<td>32.6706</td>
<td>35.4789</td>
<td>38.9322</td>
<td>41.4011</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>30.8133</td>
<td>33.9245</td>
<td>36.7808</td>
<td>40.2895</td>
<td>42.7960</td>
</tr>
<tr>
<td>23</td>
<td>32.0400</td>
<td>35.1774</td>
<td>38.0755</td>
<td>41.6382</td>
<td>44.1808</td>
</tr>
<tr>
<td>24</td>
<td>33.1962</td>
<td>36.4150</td>
<td>39.3641</td>
<td>42.9798</td>
<td>45.5586</td>
</tr>
<tr>
<td>25</td>
<td>34.3816</td>
<td>37.6525</td>
<td>40.6466</td>
<td>44.3144</td>
<td>46.9285</td>
</tr>
<tr>
<td>26</td>
<td>35.6002</td>
<td>38.8852</td>
<td>41.9233</td>
<td>45.6419</td>
<td>48.2903</td>
</tr>
<tr>
<td>27</td>
<td>36.7112</td>
<td>40.1133</td>
<td>43.1946</td>
<td>46.9631</td>
<td>49.6452</td>
</tr>
<tr>
<td>28</td>
<td>37.9159</td>
<td>41.3372</td>
<td>44.4608</td>
<td>48.2783</td>
<td>50.9936</td>
</tr>
<tr>
<td>29</td>
<td>39.0755</td>
<td>42.5570</td>
<td>45.7224</td>
<td>49.5881</td>
<td>52.3360</td>
</tr>
<tr>
<td>30</td>
<td>40.2500</td>
<td>43.7730</td>
<td>46.9793</td>
<td>50.8922</td>
<td>53.6720</td>
</tr>
<tr>
<td>31</td>
<td>41.4208</td>
<td>44.9854</td>
<td>48.2320</td>
<td>52.1915</td>
<td>55.0030</td>
</tr>
</tbody>
</table>


The table contains the critical values of chi-square for the degree of freedom shown at the left for tests corresponding to the significance levels that head each column. If the observed (calculated) value of $\chi^2$ is greater than or equal to the table value, reject $H_0$. All chi-square values are positive.
TO WHOM IT MAY CONCERN

RE. OTIENO MOSES ONGARO REG. NO. L50/66435/2010

The above named is a student at the University of Nairobi, College of Education and External Studies, Department of Extra-Mural Studies, pursuing a course leading to the award of a Master of Arts Degree in Project Planning and Management. For the course to be complete, he is required to write and submit a Research Report. Therefore, the purpose of this letter is to kindly request you to accord him necessary assistance in getting information that will enable him complete the Research Report. His area of study is titled "Influence of Kenya Women Finance Trust Services on performance of Small Scale Enterprise performance in Rongo Division Migori County".

Thank you.

Mr. Joseph O. Awino,
Ag. Resident Lecturer,
Kisii Extra-Mural Centre
Our Ref:

NCST/RCD/14/012/1547

Moses Ongaro Otieno
University of Nairobi
P.O.Box 2461
Kisii.

RE: RESEARCH AUTHORIZATION

Following your application dated 13th November, 2012 for authority to carry out research on “Influence of Kenya Women Finance Trust Services on performance of Small Scale Enterprises in Rongo Division, Migori County,” I am pleased to inform you that you have been authorized to undertake research in Migori County for a period ending 31st December, 2012.

You are advised to report to the District Commissioners and the District Education Officers, Migori County before embarking on the research project.

On completion of the research, you are expected to submit two hard copies and one soft copy in pdf of the research report/thesis to our office.

DR M.K. RUGUTT, PhD, HSc.
DEPUTY COUNCIL SECRETARY

Copy to:

The District Commissioners
The District Education Officers
Migori County.
THIS IS TO CERTIFY THAT:

Prof./Dr./Mr./Mrs./Miss/Institution
Moses Ongaro Otieno
of (Address) University of Nairobi
P.O.Box 2461, Kisii
has been permitted to conduct research in

Location

District

Country

on the topic: Influence of Kenya Women Finance
Trust Services on performance of Small Scale
Enterprises in Rongo Division, Migori County.

for a period ending: 31st December, 2012;

Applicant’s
Signature

National Council for
Science & Technology

CONDITIONS

1. You must report to the District Commissioner and
   the District Education Officer of the area before
   embarking on your research. Failure to do that
   may lead to the cancellation of your permit.

2. Government Officers will not be interviewed
   without prior appointment.

3. No questionnaire will be used unless it has been
   approved.

4. Excavation, digging and collection of biological
   specimens are subject to further permission from
   the relevant Government Ministries.

5. You are required to submit at least two (2) four (4)
   bound copies of your final report for Kenyans and
   non-Kenyans respectively.

6. The Government of Kenya reserves the right to
   modify the conditions of this permit including its
   cancellation without notice.