

**INFLUENCE OF MICRO-CREDIT FINANCE ON THE
GROWTH OF SMALL SCALE WOMEN
ENTREPRENEURS IN KENYA. A CASE OF MOSOCHO
DIVISION, KISII CENTRAL DISTRICT.**

BY

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AWARD OF MASTER OF ARTS DEGREE IN PROJECT PLANNING AND
MANAGEMENT OF UNIVERSITY OF NAIROBI.**

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DECLARATION

This is my original work and has not been submitted to any college, Institution or university for academic credit.

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This project has been submitted for examination with our permission as university supervisors

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DEDICATION

This research project is dedicated to my loving husband Joseph, Loving son Felix and Loving Daughter Beryl.

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ABBREVIATIONS AND ACRONYMS

GOK	- Government of Kenya
UNDP	- United Nations Development Programmers'
UNCDF	-United Nations Capital Development Fund
NGO's	-Non Governmental Organizations
UNCEF	-United Nations Children Educational Fund
ILO	-International Labor Organization
SACCOS	-Savings and Credit Cooperative Societies
K'WFT	- Kenya Women Finance Trust
K.REP	-Kenya Rural Enterprise Program

ABSTRACT

This study sought to explore the influence on micro-credit finance on the growth of small scale women entrepreneurs in Kenya. Influence is the consequences or results of an activity, it is the outcome of an undertaking and therefore it may be positive or negative.

The purpose of the study was to find out the influence of micro-credit finance on growth of small scale women entrepreneurs. The study mainly looked at the following areas; Influence that loan procedures have on growth of small scale women entrepreneurs, how the amount allocated to them and repayment period affected them and whether there is relationship between micro-credit finance training and growth of small scale enterprises.

The significance of the study was to provide information which should benefit the entrepreneurs by getting the insight into the influence of micro credit finance thus enabling them to obtain credit or avoid it. the research study was based on the theory of “structural functionalism” by Emile Durkheim (1858-1917) which states that “all parts of a system should have a significant function in relation to the whole system. this theory is strengthened by another functionalism theory that supplements on the first one and says that the different aspects exist because they have a function.

A survey research designs was used to conduct the study. The target population was the small scale women entrepreneurs in Mosochi Division, Kisii central District. The sample study constituted thirty six respondents out of one hundred and twenty entrepreneurs spread over three markets. Simple random sampling technique was used to determine the study sample. A questionnaire was used to collect data from the sampled entrepreneurs. Quantitative /qualitative analysis was used.

The research findings revealed that the small scale entrepreneurs faced problems in operating their businesses. Lack of collateral to access loans came up as a major challenge in the study. The study established that the entrepreneurs did not receive as much loan as they needed and the process involved in accessing loans was lengthy. The study further revealed that the repayment period affected the cash flow into the business

The other major finding was that most of the entrepreneurs had not been trained on basic business management skills and therefore most of them had no focused strategies but operated on trial and error methods. in spite of many challenges, the study found out that most of the entrepreneurs depended wholly on their businesses. They said that they could still take loans even with the high interest rates long as the loans are available. The entrepreneurs seemed positive about the loans they get from the lenders .

The study therefore recommends that the government should come up with policies and procedures which can assist the entrepreneurs to acquire loans at low interest rates the study further recommends that training centers should be established which are affordable to impart the knowledge and skills required by entrepreneurs to assist them run their businesses efficiently and effectively. Lastly the study recommends that the government should provide a secure and conducive business environment for the small scale women entrepreneurs as they contribute to economic growth of the country.

Further research should be carried out on insecurity, and on the local lending groups to find out their pros and cons in the rural areas.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The kind of life that people in different parts of the world lead depend on the social and economic development of the country that they are living in. The economic and Social development of a nation especially in developing countries is determined to a large extent by the quality and quantity of formal education available. This varies from one society to another depending on their unique characteristics.

Women constitute nearly 60 percent of the world's 2 billion people living in poverty. Despite all the community development programs around the world, the feminization of poverty seems to be a growing phenomenon especially in developing world. The primary cause of the feminization of poverty is gender bias which prevents women from obtaining the education, training, health services and child care they require to escape poverty (Rani and Lyn ,2002).

According to the UN report, the United nations has come up with several development programs to assist women to access micro-credit finance to support their businesses. An example of these programs is the United Nations Capital Development Fund. At the present time it has an active micro finance portfolio of which a certain percentage is in Africa, Asia and in Latin America. The other program by the UN is the United Nations Children's Fund which intergrates micro credit into its Programs in countries where lack of access to small loans is identified as an obstacle to the improvement of the situation of women and children.

It has supported micro-credit programs in countries like; -
Bangladesh,Benin,Brazil,Cambodia.China,Egypt,Ghana,Guatemala,India,Kenya etc.

Studies show that in Africa, in association with UNDP and special unit for technical cooperation among other countries, United Nation's Development Fund for women brokered the establishment of MICRO FIN Africa ,a network of 42 enterprises non governmental Organization that deliver small credit to women in 17 counties in Sub-Sahara Africa. The international fund for agricultural development proposed to address rural poverty by recognizing the importance of micro finance as a key of empowering tool in ensuring improvement in incomes and sustainable household food security among the worlds poorest families especially the women of these families.

According to World Bank(2009),Women reinvest 90% of their income in their families and communities, compared with men who reinvest 30% to 40%. Women are also more likely to use their profits to help the poor and are more likely to hire other women to work for them. Women are highly more likely to repay their loans than men (Grameen Bank report).Most of the rural women provide for their families through subsistence farming and other agricultural activities supplemented by petty trade or micro enterprises.

Agriculture which is practiced mainly for home use takes various forms such as keeping chicken, growing vegetables, tending the family garden and small scale horticulture for the market place among others. A few women keep livestock as part of the family assets as well as savings. Majority (90%) of these women are engaged in these activities out of necessity given that they have limited choices outside their traditional roles which are never quantified or accounted for (Peter B, 2005). Most of these women have hardly gone beyond primary education and have very limited or no training. Due to many obstacles they face in providing for their families most of them are now engaged in income generating activities inform of micro-enterprises.

In this specific study the researcher looked at the Influence of micro – credit finance on growth of small – scale women entrepreneurs in Mosocho Division, Kisii central District.

The challenges facing Kenya today is to reduce poverty and achieve sustainable economic growth for a health National development. The strategy to achieve this entails the participation and inclusion of all Kenyans especially the women and the youth in the design and implementation of development strategies aimed at tackling the problem of poverty to improve economic growth.

About 52% of Kenya's population live under conditions of absolute poverty, in both urban and rural areas, 75% are in rural areas, hence reason for rural development to increase national output and employment (youths fund, or Kazi kwa vijana) to fight against poverty and unemployment, GOK (2008). Experience shows that well designed rural finance programme (youth fund, women fund) can make significance impact on the living conditions of the poor. Therefore promotion of rural finance services in Kenya is considered an essential and crucial ingredients in its rural development agenda. .As part of the structural programmes, Kenya like many sub-Saharan countries initiated a restructuring of the financial sector and adoption of financial liberalization policies has not increased the access to financial services by the women and small- scale holder farmers. It has not increased savings mobilization and intermediation through the financial systems or increased investment in private sector.

Over the past two years the government through central bank of Kenya has been unsuccessful in seducing commercial banks to lower interests rates in line with improved market conditions, as a result the government has decided to divert the disbursement of devolved funds (the youth and women enterprise funds) from commercial banks to

Saccos as it seeks alternative and cheaper credit outlets. Saccos are more accessible and their conditions are more favorable to borrowers compared to other institutions (Rono G, ,2010)

1.2 Statement of the problem

Women being the backbone of rural economies in developing countries and especially in Africa, play a significant role to ensure their families' well-being.

A growing amount of research shows that countries that fail to address gender barriers are losing out on significant economic growth. According to World Bank research (1993) if the Middle East and the North Africa region had introduced the same policies as East Asia with regards to gender equality in access to education and employment, it could have grown 0.7% faster per year during the 1990s.

This demonstrates that addressing gender barriers in Kenya could generate significant economic growth for the country. The importance of improved micro-credit has been confirmed by many studies on small- scale enterprises in Kenya with the credit constraints usually figuring top on the list of constraints confronting small business. Much as there may be available finance in form of micro-credit people who need it must also have proper information on technology, time marketing strategies for their products, technical training or management skills, have forecast or business plans so that they can benefit from micro-finance,(World bank and IFC,2009).The institution that provide micro finance have not come out clearly on strategies to give the small scale women entrepreneurs empowerment , capacity and skills on how they can run and manage there business .Here there is loop hole in that when the businesses fail , the institutions have nothing to loose. They use crude means to recover the loans leaving the women in worse conditions than before .

Minimalist approach tried out by K-Rep basically concentrated on the provision of loans, giving no or at most some functional attention to training or technical assistance (Pederson and Kiiru, 1997). The main emphasis in assessment of micro-finance programmes has been to examine the direct influence that provision of small loans has had on the livelihoods and wellbeing of the clients and their enterprises.

Although many studies have been carried out on influence of micro-credit and enterprises, no specific study has been done in this particular area under study (Mosocho Division) to find out the influence of micro-credit finance on growth of small scale women entrepreneurs.

This study therefore intended to investigate the influence of micro-credit finance on the growth of small-scale women entrepreneurs in Mosocho Division, Kisii central : Kenya.

1.3 Purpose of the study

The main purpose of the study is to investigate the influence of micro-credit finance on the growth of small – scale women entrepreneurs in Mosocho Division.

1.4 Objectives of the study

1. To investigate the extent to which access to loan influence the growth of small-scale women enterprises in Mosocho Division Kisii Central, Kenya.
2. To establish how amount allocated by micro-credit influence the growth of small scale women enterprises in Mosocho Division.
3. To determine the extent to which repayment of loans from micro-credit influence the growth of small-scale women enterprises.
4. To establish the extent to which training by micro-credit finance institutions influence the growth of small-scale women enterprises in Mosocho Division.

1.5 Research Questions

1. To what extent does access to loan influence growth of small scale women enterprises?
2. How does amount allocated by micro-credit influence the growth of small scale women enterprises in Mosocho Division?
3. To what extent does repayment of loans from micro-credit influence the growth of small-scale women enterprises.
4. To what extent does training by micro-credit finance institution influence the growth of small-scale women enterprises in Mosocho Division.

1.6 Significance of the study

In the light of rising levels of poverty in Kenya, that leads to borrowing, This study is hoped to provide information that could be used by any academician, entrepreneur or any other researcher who may wish to do further research on the same because this area has not been fully explored. The small enterprises and any new comers to the business arena may benefit by getting the insight into the influence of micro-credit finance on businesses thus enabling them to obtain credit or avoid it.

1.7 Assumptions of the study

This study was guided by the following assumptions.

The sample size was the representative of the population, the respondents provided honest and correct answers to the questions raised in the questionnaire and that the data collection instruments (questionnaire) had validity and measured the desired constructs.

1.8 Limitation of the study

Due to Limited time, not all enterprises in the Division were to be studied, a sample group of thirty (30) respondents were drawn to represent the whole population of Mosocho Division. There was also the aspect of finance, the researcher could not have

enough finances to carry out that extensive study, even if she took a small loan. The researcher was also expected to carry out her normal school duties.

1.9 Delimitation of the study

Mosocho Division is a cosmopolitan area and has all its market centers situated along Kisii – Kisumu Highway, it was of great advantage to the researcher because of easy transport. For the same reason, it was easier to distribute and collect the questionnaire back for analysis. The women entrepreneurs are targeted because in most cases they are the ones who struggle to provide for their families through petty trade or micro enterprises, (Grameen Bank report). According to the World Bank (1993) Women are the backbone of rural economies in developing countries and especially in Africa, where they play a significant role to ensure their families wellbeing. They reinvest 90% of their income in there families and communities compared to men who reinvest 30%-40% (World Bank). Therefore the women have been targeted specifically to find out whether the loans they take in form of micro credit assist there businesses to grow.

1.10 Definition of significant terms used in the study.

Collateral this refers to the items of value including assets or income that can be pledged to secure loans.

Diversification It refers to the process of expanding product lines, services or markets to include new customers, groups or venture.

Entrepreneur Refers to a person who starts a new business, taking the initiative and the major strategic objective.

Market segment Usually focuses on specific customer groups and separating business activities according to well defined target groups.

Small scale enterprises Are small business with few employees or none other than entrepreneur him/herself.

Influence The consequences or result of an activity .It is the outcome of an undertaking

.Micro-credit finance Small loans given to the poor rural small-scale and enterprises.

Sustainability The degree to which an initiative will be able to hold and maintain it self.

Growth The concept of expanding in terms of sales volume , operation or assets.

1.11 Organization of the study.

This chapter concentrated on the Background of the study, statement of the problem and the purpose of the study. The objectives of the study and research questions were also stated, it stated why the research was important and the advantages the researcher had when carrying out the research. It also went further to state the scope and limitation to the study and what assumptions were to guide the study. The chapter also contained definitions of significant terms.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is a review of the Literature on the influence of micro-credit finance on the growth of small scale women entrepreneurs in Kenya. The review focuses mainly on influence of micro-credit finance in relation to growth of small-scale women entrepreneurs in Mosocho Division, Kisii central District.

Influence may refer to either benefits or disadvantages that micro-credit finance can have on businesses. With enough finances a business can be started and expand, where as lack of finance may lead to failure. For this reason every business woman should be able to have access to small loans to enable them run their businesses successfully.

2.2 Extent to which access to loan influence the growth of small-scale women enterprises.

Women are key to economic growth, they work hard in all ways to make ends meet. They are so much committed to the work they do and this is necessitated by the family needs. Women entrepreneurs in Kenya are generating employment and economic growth. An entrepreneur is a person who identifies a business opportunity and looks for the necessary resources to start a business. An entrepreneur organizes the other factors of production i.e. Land, capital and labour (Nyaga and Mungiria, 2009).

Once the beginning of micro-credit programmes that mobilize and organize women at the grassroots level and provide supportive services, the issues of women's improvement started to constitute the cornerstone of discussion on planned interventions to poverty alleviation. Following the footsteps of the Grameen Bank's minimalist credit

strategies, a number of NGO's in Bangladesh have been targeting women's participation in micro-credit programmes and their empowerment, (Grameen Bank)

In most communities of the world where Kenya is included, women do not have equal access to property and land and therefore any woman in business who may be in need of out sourcing funds from elsewhere may not get it easy. Since majority of women don't have access to property which they can use as collateral, they are forced to rely on self-financing which is not sufficient or borrowing from friends or relatives.

Lack of access to long term credit for small enterprises forces them to rely on high cost short term finance from local groups that end up taking all that the entrepreneur has in case of default or failure. This actually brings a negative impact on the business and the owners.

According to World Bank and IFC (2009) , Most women who venture into business in rural areas and need financing lack needed collateral to enable them secure funding from the Banks. This is because most Banks have tough conditions that are supposed to be met by the borrowers before they are given a loan. In some banks, one must have a guarantor who is also a member of that bank, the husband's particulars must be attached incase the entrepreneur is married; household goods must be listed as security and many others. The procedure involved is quite long and at times puts off the women who are in need of the loan. For other banks, or lending institutions, one must belong to a group to qualify for a loan. Members make weekly or monthly contributions towards savings for a given period of time. Others have passed rules that the members should meet every week or after every two weeks. This has an impact on the members as they really don't have much time; otherwise they have to close their businesses to attend the meetings.

Nyaga and Mungiria (2009) defines finance as the money required to fund the operations of a business. Proper management of finance then becomes necessary for the success of business. It not only ensures that money is available but also that it is used for the intended purpose. Many entrepreneurs find it difficult to separate their own money from business money. For this reason many organizations have come up to assist women to overcome this problem.

2.2.1 Contributions of United Nations Capital Development Fund towards growth of small enterprises.

Since its creation in 1996, the UNCDF has been the channel for UNDP to fund microfinance interventions. It has approved money of investment credit activities, the majority being microfinance related with the balance to small and medium sized enterprises. At the present time, it has an active microfinance portfolio of which a certain percentage is in Africa, Asia and in Latin America. It has implemented microfinance projects through a variety of partners, ranging from state – owned financial institutions to credit unions and Non-Governmental Organizations. In 1996, it published a policy paper entitled “Microfinance and poverty strategies” that underlines both the policy and instruments it uses in helping restore basic financial intermediation through the provision of credit and savings services, especially in rural areas.

2.2.2 United Nations Children’s Fund in support of small-scale women entrepreneurs to acquire micro-credit finance.

The United Nations children’s fund integrates micro credit into its programs in countries where lack of access to small loans is identified as an obstacle to the improvement of the situation of women and children. In those countries, it works with communities and Non-Governmental Organization, stimulates national efforts to expand

micro-credit for women, strengthen national and local capacities to deliver small loans and basic social services. It also monitors and evaluates its support to micro credit to improve its effectiveness and efficiency and contribute to the dissemination of best practices with a view to ensuring sustainable reduction in poverty. In this connection, it has supported micro credit programmers' in countries like Bangladesh, Benin, Brazil, Cambodia, China, Egypt, Ghana, Guatemala, India, Kenya- UN report(2009)

2.2.3 International Labor Organization in relation to micro credit finance towards business growth.

According to UN report (2009),the involvement of International Labor Organization in micro finance reaches back many years, through its activities related to the development of the informal sector and in particular its promotion of cooperative, including savings and credit co-operative societies. It developed norms that define standards for its constituents on how to support entrepreneurial activities of the working poor. ILO found that its constituents consider microfinance to be a potential powerful tool in facing the poverty alleviation problems especially through self-employment and micro and small enterprise development.

Its action programs for 1998 – 1999 was to find out: the impact of financial sector liberalization on the access of micro and small enterprises to financial services, gender and control over financial resources, the use of collateral substitutes in loan securitization and strategies to reduce transaction costs in bank lending to micro and small enterprises.

2.2.4 International Fund for Agricultural Development in providing financial aid through micro-credit programs.

Over the past two decades of providing financial aid, much of it through micro credit programs for the poorest of the rural poor in developing countries, International Fund for Agricultural Development firmly believes that the poor are “bankable” it proposes to address rural poverty by recognizing the importance of micro finance as a key of empowerment tool in ensuring improvements in incomes and sustainable household food security among the world’s poorest families, especially the women of those families.

To ensure the sustainable development of the rural poor, they should be linked to efficient distribution system for their products including viable roads to market places access to appropriate technology, technical training, and fair prices for their products and favorable regulatory climate. To develop viable and financially sustainable rural financial systems, especially for the very poor living in remote areas in many developing countries. It is said that IFAD is helping to build a cadre of micro-finance technical expert, strengthen training centers and promote sustainable linkages to commercial capital, while seeking to ensure a favorable regulatory environment.

According to UN report (2007), many organizations have laid down strategies on how the rural poor can be assisted. “Yes they have said it”. Saying is one thing and doing is another. Most of this information is carried out in a few areas mostly in urban centers. When talking about training women entrepreneurs on how they can manage their business, then it should be done so that the money they acquire can be put into proper use. Acquiring of finance involves raising the required amounts of money, which can be done through a variety of ways such as loan from financial institutions and owners

contribution. If these women can be given the technical assistance they need on how they can manage the finances, the better managed cash ensures that the available money is only used for the activities that are beneficial to the well being of the business. This also involves proper record keeping of finances raised and how they are used.

Kibas (2005) says that responsibility of entrepreneurs for dependants has limited opportunities to make savings or undertake business expansion and diversification. He further says that most micro-enterprise financial resources are not usually isolated from personal finances and hence these family obligations are met from resources earned in the business. Their demands tend to drain the savings and income made by the business.

He further goes on to say that many rural women are unaware of specific support mechanisms, including sources of funding for income generating activities. There is little coordinated effort among key stakeholders including the government. Thus, this is coupled with the reluctance of the formal public institutions to help women in micro- and small scale enterprises. He also adds that lack of sufficient education and training for women is another impediment to micro enterprise success; this tends to affect effective performance in later life.

In Kenya, micro-finance gained status as an industry only in the last 20 years. The 1990s saw a paradigm shift in approaches to microfinance that moved the rationale for interventions in credit provision from one of subsidized delivery to the need to build healthy financial systems (Otero and Rhyne, 1994). This was the result of an increasing rich body of detailed research into informal financial arrangements converging with insights from the new institutional economics and practical experience of lending to poor people (Mc Gregor, 1988).

The result showed that poor people can and will pay relatively high interest rates on loans irrespective of the cost, provided there was reliable access to those loans. It also revealed that poor people can save, and practical experience suggested that “Compulsory savings requirements linked to loans access could provide funds for on lending. Third, group based methods could reduce transaction costs and had the potential to ensure that large number of people could be reached with the services. These developments gave rise to hopes that microfinance institutions could expand their outreach, reduce their costs, mobilize funds for on-lending independently of donors, and become independently self sustaining to providing services in the long term (Johnson and Rogaly,1997)

Both the Government of Kenya, many international donor agencies and a large number of Non –governmental Organization consider microfinance as a key instrument for micro-enterprise development and poverty alleviation, central Bureau of statistics (1999) estimates that the total number of Non – Government Organizations providing financial services to low income people range at 130. This includes nine organizations that are operating in the market of the micro finance. Some three of them (KWFT, K-REP and SMEP) are considered exemplary and experienced NGOs in the field of micro-finance. (GoK,1998). They include Kenya women fund trust, Kenya Rural enterprises fund and small and medium enterprise program.

The Government of Kenya has indirectly provided boost to the micro-finance sector by implementing a structure adjustment program which resulted in liberalization of the economy. To encounter the possible initial negative impacts of the liberalization process, the GoK identified areas and projects needing external donor support including small scale and micro enterprises. Lack of access to credit was considered a major bottle neck for entrepreneurial development.

According to Kenen (2002) liberalization entails the removal of rules which governments have traditionally held in place to regulate activities. Kenen further argues that liberalization, more commonly known as free trade agenda sounds reasonable in itself. Much of the language used to describe it portrays the removal of restrictions, barriers and obstacle to free trade as a positive trend. However, under the language of free trade lurks an important question: The trade is free for whom? Kaur (1999) on the other hand argues that the common result of liberalization is the collapse of local enterprises as indigenous industries find it impossible to compete in markets that are flooded with inexpensive imports. Simultaneously the government whose slated intention is to nurture these industries , Suddenly adheres to the international economic politics of no-protectionism and abandons local industry.

The above is true of what happened in 2000 or so, when eggs from south Africa flooded the market in Kenya until the poultry farmers could not afford the unga feeds for their birds. This saw most farmers exit the market. The government was not able to protect the farmers from the competition brought about by cheap products.

2.3 Influence of amount allocated by micro credit finance on the growth of small-scale women enterprises.

Every business operates in a business environment consisting of external factors and internal factors. External factors are those that the business managers or owners have no control over and therefore every business is affected by fluctuation, Interest rates, interrupted supplies, labor market trends, inflation, government regulations and unstable financial markets. Finance is the key factor to business performance in terms of growth or failure, with more capital a business is able to expand easily. However, the finance must be managed and controlled properly to alleviate financial “growing pains” (Holt, 2009)

From a financial standpoint, most small businesses rely on commercial loans tied to premiums interest rates. Small changes in economic conditions result in huge changes in profits. Small businesses that are debt free still operate in a more intense, price sensitive environment. Small businesses usually operate in an environment composed of local competitors still, capital for investment and loans come from institutions that are influenced by national or regional trends. The amount of money given out as credit will depend on the amount of security placed for that loan. The investors will always assess what one has as collateral before a loan is given. This may have an influence on business performance as it is assumed that the more one invests, the more returns one may get from the capital employed. So in most cases the small- scale women entrepreneurs don't qualify for large amounts of loans as they don't have enough security. Although there are other organizations that may give out loan without one giving security, they give in small amounts. (Hulme & Mosley, 1996).

When there is source of financing and there are many businesses competing for the same customers, then one has to look for strategies that can curb this competing environment, or else one has to exit the industry. This therefore calls for good management skills.

As much as businesses fail because of uncontrollable external factors, others may fail owing to personal factors which may include:

Inexperience, where too often entrepreneurs acquire finance and launch their enterprise without having sufficient experience to succeed. They only enter because a friend or neighbor is doing so. Inexperience can be translated to mean lack of technical skills or management acumen. In other instances, capable individuals may acquire finance to start new enterprises within their respective fields but cannot manage their

resources properly or provide leadership for their employees and as a result their business fails,(Holt,2009).

According to Holt (2009) ,humble entrepreneurs steeped in experience can still go under simply through mismanagement of resources; they simply make bad decisions in critical situations. Given the competitive nature of most small businesses and the vitality of profits, business results are quite sensitive to small errors. Poor inventory control, threatens the success of nearly all retail enterprises. Inventory is the most critical factor. Purchasing too much inventory increase the risk of low turnover obsolescence. Having too little inventory undermines customer, selection and sales. Over investment in fixed assets is also common when starting or expanding a business, it is tempting to buy facilities and equipment rather than lease or subcontract. Greater investment in fixed assets means less flexibility to adjust to adverse conditions.

Poor financial control is a fatal blow for most small businesses, cash flow problems persist here. Many entrepreneurs fail to realize that income does not mean cash flow. Most businesses extend substantial credit to customers and some accounts may remain unpaid for months. Financial problems also arise simply through sloppy bookkeeping. Most small business entrepreneurs forget to attend to their books or those who do ,may not know what they are doing, Holt (2009)

Finances may enable a firm to expand, and the firm may start having or experiencing problems due to expansion, these problems may be external or internal. These problems make some firms to decide to remain small so that they can serve the small market, to avoid large scale production. The nature of the product sometimes makes it impossible to produce in large quantities. Small firms have the considerable advantage of simplicity in organization. They are flexible and there is quick decision

making thus more manageable. Some remain small to cut down the rising cost of production and also the entrepreneurs need to retain control over the business where she is independent.

2.4 Extent to which repayment of loan from micro-credit influence the growth of small scale women enterprises.

2.4.1 Amount of loan repayment

When a firm engages in business activities, it is hoped that these activities will provide the firm with sustainable competitive advantages. Understanding where a competitive advantage comes from will provide some insight into how entrepreneurs can generate new entries that are likely to provide the basis for high firm performance over an extended period of time. Hisrich & Peters (2009) say that resources are the basic building blocks of a firm functioning and performance. A firm's resources are simply the inputs into the production process such as machinery, financial capital and skilled employees.

They go further saying that these resources can be combined in different ways and it is this bundle of resources that provide a firm with its capacity to achieve superior performance. An important entrepreneurial resource is the ability to obtain and then combine resources into a bundle that is valuable, rare and inimitable. Knowledge is the basis of this entrepreneurial resource. This type of knowledge is build up over time through experience. An entrepreneur needs to commit him/herself as a resource to his business. The resources committed in the business will determine the performance of that business. To get a loan for a second time will depend on how effectively one repaid the first loan. Some loans are long term while others are short term. If the business does not do well, one may not be able to repay the loan as required and this may have

repercussions on both the business and the owner. But on the other hand if the business does well the loan can be repaid very first.

2.4.2 Cash Flow

As stated earlier, one of the major problems that entrepreneurs face is cash flow. Cash flow is not the same as profit. Profit is the result of subtracting expenses from sales, where as cash flow results from the difference between actual cash receipt and cash payments. Cash flows only when actual payments are received or made. Sales may not be regarded as cash because a sale may be incurred but payment may not be made for 30days. On the other hand, cash payments to reduce the principal on a loan do not constitute a business expense but constitute a reduction of cash. Also, depreciation on capital assets is an expense which reduces profits, not a cash outlay. Therefore on many occasions profitable firms fail because of lack of cash. Thus using profit as a measure of success for a new venture may be deceiving if there is a significant negative cash flow.

Hisrich, Michel and Dean (2009) say's that it is important for the entrepreneur to make monthly projections of cash flow like the monthly projections made for profits. If disbursements are greater than receipts in any time period, the entrepreneur must either borrow funds or have cash in a bank account to cover the higher disbursements. Large positive cash flow in any time period may need to be invested in short term sources or deposited in a bank. As the business succeeds and the cash receipt accumulates, the entrepreneur can support negative cash periods, an implication of business stability.

As the firm succeeds, it means it is growing, growth makes a firm bigger and begins to benefit from the advantages of size e.g. higher volume increases production , efficiency makes the firm more attractive to suppliers and therefore increases its bargaining power. Size also enhances the legitimacy of the firm because firms that are larger are often

perceived by customers, financiers, and other stakeholders as more stable and prestigious. Therefore, the growing of a business can provide the entrepreneur more power to influence firm performance.

Growth has a large appetite for cash, investing in growth means that the firm's resources can become stretched quite thin, which makes the firm more vulnerable to unexpected expense that could push the firm over the edge and into bankruptcy. To overcome pressures on existing resources, the entrepreneur could acquire new resources whether in terms of equity sold or the interest payments from debt. The need or magnitude of the new resources required can be reduced through better management of existing resources. Such important management activities include: financial control, managing and maintaining good records. Holt, (2009)

2.5 How training by micro credit finance institutions influence the growth of small scale women enterprises.

2.5.1 United Nations Development Fund for Women

As part of its strategy, United Nations Development Fund for Women recognizes the need to provide credit to women as a way of strengthening women's institutions at the grass roots level. In that connection UNIFEW has invested in a series of projects in Western Asia to ensure that Women's capacities and skills are developed and to enable them run small -scale businesses successfully. These initiatives include developing business counseling services within national institutions, establishing network credit programs and supporting business skills training sessions on business and financial management for several hundreds of women entrepreneurs in Gaza, Jordan, Lebanon and Arab Republic - UN report (2009).

In Africa, in association with UNDP and special unit for technical cooperation among developing countries, UNIFEW brokered the establishment of MICROFIN-Africa, a network of 42 enterprise NGOs that deliver small credit to women in 17 countries to sub-Saharan Africa. On the global level, UNIFEW has also facilitated the formation of the international coalition on credit, which consists of 32 of World's leading credit and business non-government organizations with more than 200 affiliated organizations.

2.5.2 Development of women's capacities and skills.

To curb the problem of business mismanagement, the women entrepreneurs need special training on how to run their businesses. Many small scale women entrepreneurs lack management training and experience. These women develop their own approach to management through a process of trial and error. As a result their management style is likely to be more inflexible than analytical. Long term issues and more opportunistic than strategic in its concept (Hill 1977) a consequence of poor management ability is that small scale entrepreneurs are ill prepared to face changes in the business environment and to plan appropriate changes in technology. Many small scale enterprises use inappropriate technology because it is the only one they can afford. According to Nyaga and Mungiria (2009) , relevant knowledge and skills are necessary if the business has to succeed. These are usually acquired through education, training or experience. An entrepreneur who has appropriate knowledge and skills stands a better chance of succeeding in business than one without such qualities

K-Rep contributes to the development of the micro finance industry by providing a wide range of support services for individuals, organizations and other bodies. These services include courses in micro-credit operations, management and information systems

and consultant services to design and implement sustainable micro-finance institutions- Rep also has one of the most extensive recourse centers for micro-finance in Africa,(Wright , 2000).

According to Srinivas (1997) , “Micro credit” is as much about money as it is about information. With sustainability and non dependency on external recourses being keen to the growth of micro credit programs, there is focus on providing information on issues related to micro finance and micro-credit to grassroots and intermediaries organizations. Micro credit has been used as an “inducer” in many other community development activities, used as an entry point in a community organizing program as an ingredient in larger education/ training exercises.

2.5.3 Market Strategy for small scale enterprises

Philip Kohler defines marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating offering and exchanging of value with others. He concurs with Stanton (2003) who says that marketing is the creation and delivery of a standard of living which involves finding out what the customer wants, planning and developing a product or service that will satisfy those wants. It also involves determining the best way to price, promote and distribute the product or service. From the above definition, marketing is seen as a total system of business activities designed to plan, price, promote and distribute goods and services to both potential and present customers.

With good management skills, entrepreneurs will be able to scan the environment in which the business is operated. This bring about market segmentation where the seller distinguishes the major market segments and develops products and marketing program tailored to each segment. This can also be referred to as Business strategy which relates

to how an organization approaches a particular market or the activity of a particular business unit. Johnson & Scholes (1999) says that a market must be measurable i.e. the size of the market and the purchasing power of the customers. It must be profitable enough to be served and should be accessible. They further go on to say that a market must be distinguished and should respond differently to different marketing mix elements and programs.

Much as market segmentation is important, it may prove to be very expensive for entrepreneurs who do not have enough money for the same. But with availability of more funds an entrepreneur may be able to sustain the business thereby increasing sales volume (turnover) and therefore making more profits from economies of scale.

2.6 Theoretical Framework

A theory is a statement or a set of interrelated statements which provide an explanation to a phenomenon. Its function is to provide a generalization concerning a phenomena that one is interested in.

This research was based on the theory of “structural functionalism” by Emile Durkheim (1858-1917) which states that “all parts of the system should have a significant function in relation to the whole system”. This theory is strengthened by another functionalism theory that supplements on the first one and says that the different aspects exist because they have a function. Structure refers to a system with relatively enduring patterns and functions refer to the dynamic process within the structure. Structures are the various parts of the social system. In the case of society, the principle structures are usually considered to be the society’s institutions-family, government economic system religion and education. The analysis focuses the interrelations among these institutions.

Each structure and each part within the larger structure is conceived to have a function in assisting the society to operate and preserving it intact, Vago (1996).

Its other founders are Robert .K Merton, A.R. Radcliffe – Brown, Peter Blau and Talcott persons .Some of the principal tenets of this approach are; The whole is kept together by parts who perform their work efficiently, because of the interrelationship the whole society can and does affect the parts, social life demands cooperation and commitment among its parts and that of society recognizes legitimate authority which is obeyed voluntarily for order and stability.

In business there is the internal organization structure which is divided into different levels, they are; the top manager, the middle level managers, lower –level managers, the clerical and others. The structure of the business is one of the internal factors that can affect the business, others being the resources, i.e capital and human resources, ownership and culture. There all have a function and are interrelated in one way or another.

In relation to the study, when looking at the small-scale women entrepreneurs they belong to families. They work hard through their small businesses to provide basic human needs for these families and as result contribute to economic growth of the country. They even create employment which results in the formation of capital for others and they also make use of available resources.

The government on the other hand which is part of the larger structure is involved in one way or the other in control of these businesses that are undertaken by the women entrepreneurs which affect them either positively or negatively. On the positive side the Government may assist these entrepreneurs to get capital; like in Kenya we have the women fund enterprise. On the negative side the Government may create policies that

may affect the entrepreneurs. The larger society constitute the market for the entrepreneurs and at times brings competition .In order for the entrepreneurs to perform better in competitive environment ,they need education which can impact the knowledge and skills necessary for managing their businesses.

2.7 CONCEPTUAL FRAMEWORK: Influence of Micro – credit finance on growth of small – scale women entrepreneurs’.

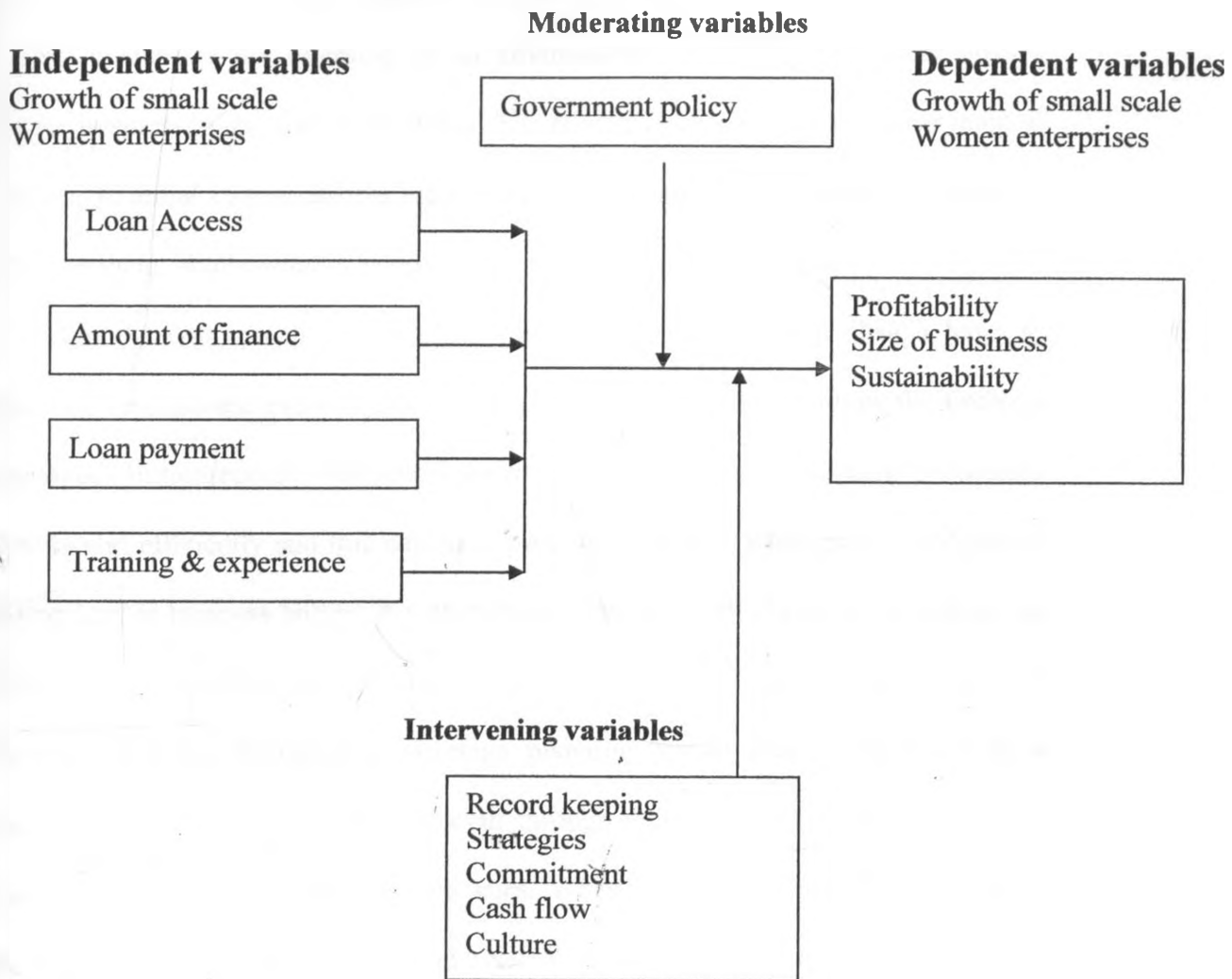


Fig 1: Conceptual frame work

The conceptual framework above guided this study and was based on preliminary knowledge of the researcher and the help of the literature review. The assumption was that micro-credit finance has influence on businesses and business owners.

All businesses are operated in an environment and this environment always affects the business in one way or the other. The environmental factors are either internal or external. External factors always affect business from outside and managers have no control over them. While internal factors affect the business from within.

From the conceptual framework, accessibility of finance will always have an influence on the business either negatively or positively, depending on how the finances are managed. Entrepreneurs with management skills will always run their businesses effectively and efficiently and this can have positive influence, while poor management skills may lead to business failure. A well managed business will always grow and can be sustained. The issue of business strategy may also have an influence on performance of the business. Well laid strategies like strategic planning, market strategy can also make a business expand or grow. Growth can occur through market development strategies by selling products which in turn increases sales. When there are increased sales, then it means increased profit and as profits increase the owner's equity also increases. This leads to improved standard of living at the household level as more income is available. At the same time the business grows and is able to sustain itself therefore stability is achieved.

Business will always require commitment from the entrepreneur. This can be achieved when the entrepreneur has relevant knowledge and a positive attitude towards the business. The entrepreneur needs to commit most of her time on the business. This

can be achieved through good time management. An entrepreneur reaps numerous benefits from effectively managing her time e.g. Increased productivity, increased job satisfaction, improved interpersonal relationship and better health. If more time is spent on the business (commitments) then there will be more sales volume and hence more profits leading to expansion of the business.

Record keeping is very vital in any business. The records involved here are Trading, profit and loss Account and Balance sheet. The Account always shows profits or losses and the financial status of the business. These records can only be prepared if the entrepreneur has knowledge on how to prepare them, or must pay a qualified person to make them. This is not always possible as money is not enough and therefore most entrepreneurs keep incomplete records. Loans that are required must always be paid back with interest in a given period of time. When a business is doing well and stable, then the entrepreneur will be able to pay back the loan and therefore qualify to get more loan from the lenders as he/she proves to be credit worthy. Stability of business implies that the business is generating income to the entrepreneur therefore the entrepreneur remains self employed. Finance is the key factor to business performance in terms of growth. With more capital., a business is able to expand easily. However, the finance must also be managed and controlled properly, to alleviate financial “growing pains.” Entrepreneurs need some knowledge on how to provide appropriate controls to ensure that projections and goals are met. Some financial skills are necessary for the entrepreneur to manage the venture i.e cash flows; income statement and balance sheet are key financial areas.

Some entrepreneurs mix their business money with their own and this means spending more money than the profit generated from the business. In other words an entrepreneur embezzles money from the business and this leads to business collapse or

failure. For any business to grow- record keeping is very necessary and the entrepreneurs should pay themselves salary like any other business employee so as not to eat into business money. Effectiveness and efficiency in the business will depend on the managerial skills and experience possessed by the entrepreneur and the staff at large including the technical part in production by the firm. Improved efficiency and effectiveness may bring about repeat purchases of the product offered by the firm leading to great sales volume.

From the above discussion it can be noted that there is interrelationship between the independent variables that is; influence of the micro-credit finance and the dependent variables that is ; growth of small scale women enterprises.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Methodology refers to the processes, principles and procedures by which we approach a problem and seek answers (Nyandemo 2007). This chapter therefore will contain the research design, target population, sampling procedure, data collection instruments, piloting of the instruments, validity, reliability, methods of data collection and data analysis.

3.2 Research Design

The research design used in this study was a descriptive survey. A survey research design is a way of describing and explaining aspects of the identified population (White, 2000).

A survey design emphasises the frequency or number of answers to the same questions by different people- answers to only one or a few questions are given by all respondents. A design which yields maximal information and provides an opportunity for considering many different aspects of a problem is considered the most appropriate research design, that is why a survey was used. According to Mugenda and Mugenda (1999) the survey attempts to collect data from members of a population in order to determine the current status of the population with respect to one or more variables. Surveys can be conducted through interviews or questionnaires or both instruments. In this study a questionnaire was used to conduct the study. The key strength of conducting a survey is its versatility. A survey through a questionnaire allows the researcher to obtain important information about the population.

This is because each item in the questionnaire is developed to address a specific objective, research question, or hypothesis of the study.

3.3 Target Population

This study focused on small – scale women entrepreneurs of Mosocho Division in Kisii Central District, Kenya .The accessible population was the small – scale women entrepreneurs who had been in business for over three years. This enabled the researcher to asses the influence that micro-credit had on the business over the last one year.

The area under study is situated along the Kisii – Kisumu highway therefore it has good transport and communication systems, there is also electricity and other infrastructures. The enterprises are concentrated in three major markets. The three markets include Ruga, Mosocho and Nyakoe. After going through the literature, the researcher did not come across any study that has been carried out. However, studies have been done in urban areas e.g. in Nairobi and only included famous entrepreneurs (World bank and IFC,2009).

3.4 Sampling techniques and sample size

According to Mugenda and Mugenda(2003) sampling is the process of selecting a number of individuals for a study in such away that the individuals selected represent the large group from which they were selected.

3.4.1 Sampling size

The study constituted 30 small – scale women entrepreneurs. Gay (1996) explained that for descriptive studies, 10% of the accessible population is enough for a sample. The target population is 120 small scale women entrepreneurs who operate their businesses in Mosocho Division therefore the thirty enterprises was enough representative .

3.4.2 Sampling techniques

Simple random sampling was used. A sampling frame was obtained from the local authority offices through the market revenue officer Mosoch division. It contained the names of the entrepreneurs in the three markets i.e. Ruga Mosoch lower and Mosoch upper (Riotoigo) and Nyakoe. The sample frame contained the names for both the male and female entrepreneurs. The researcher's interests was based on women entrepreneurs only, therefore, all their names were picked and a different list was made. According to the general list each entrepreneur is assigned a business code number which the researcher used for sampling. The sampling interval was determined by dividing the total target population by the sample size(i.e. $120/30 = 4$).Blindly from numbers assigned the starting point was selected, separate lists were made for each market and taking 25% form each population the following table was obtained.

Table 3.1

Market	Population	Sample selected
Ruga	12	3
Mosoch lower	28	7
Mosoch upper	20	5
Nyakoe	60	15
Total	120	30

3.5 Data collection instruments

The instrument that was used to collect data was a questionnaire .A questionnaire is used to obtain important information about the population. The questionnaire was developed in different sections which addressed specific objectives of the study. Section A contained questions which were to bring out the background information or the demographic characteristics of the respondents i.e. marital status, academic level, employment, extended families, allocation of there businesses and how they operate there businesses.

Section B contained questions meant to bring out information on sources of capital, access to loans, amount of loan given , repayment period , problems if any and possible solutions according to the respondents opinion, questions on capacity building and how loans have assisted them. Section C contained questions related to the performance of the business i.e. percentage of growth, dependence on business, size of the market served , records kept, sustainability and insurance of the business. Some questions were structured others were un structured and others were contingency questions which helped to probe more information from the respondents.

3.5.1 Piloting of the instruments

The researcher wrote a letter of transmittal which was signed personally and attached to every questionnaire. A few questionnaire were taken to the field for piloting two weeks earlier before the actual data collection. One entrepreneur from each market gave responses to the questionnaire .After receiving the questionnaire from the field the researcher went through them and made analysis. A few corrections were made and the actual questionnaire was hand delivered personally by the researcher to the field for actual collection of raw data.

3.5.2 Validity of the instruments

Validity is the degree to which results obtained from the analysis of data actually represents the phenomena under study. The questionnaire consisted of a number of questions divided into different sections and were printed in a definite order, written in a simple language and were administered properly. The supervisor went through the whole questionnaire and approved it. The advantage of the questionnaire was that it could separate the researcher from biasness and in some questions the respondents were required to respond in their own words i.e. open ended questions were used.

3.5.3 Reliability of the instruments

Reliability refers to the ability of the instrument to provide consistent information in order to draw informed conclusion. Reliability of the questionnaire was determined by consisted test-retest method in which respondents were requested to give information a second time. Out of the 36 respondents who were taken for sample size, six were excluded and were used during piloting and test retest. From the six respondents the researcher took the questionnaire back and requested them to give information for a second time. As the researcher collected the entire questionnaire from the field, the six were separated and analyzed separately. The results from piloting were compared from those of retest using correlation coefficient and 0.8 results were obtained. This proved that the instrument was reliable and that the same information was given a second time. The remaining 30 questionnaire were used for results and finding for chapter four.

3.6 Methods of data collection

The researcher employed a questionnaire in the collection of data from the field. The questionnaire was hand delivered to the respondents in their respective areas so that they looked at them and gave the required responses. The researcher wrote a transmittal

letter and explained the reason as to why she needed that information from the respondents and was used for requesting the respondents to give the relevant information that helped achieve the objectives of the research. After the agreed time the researcher went back to the field personally and collected the instruments for analysis.

3.7 Data analysis procedure

Once data from respondent was received the questionnaire was sorted out, data was edited for completeness and consistency before processing. Quantitative and qualitative analysis was used and information was presented using frequency tables and percentages. After arranging the frequency distribution, the percentage was calculated using the formula below. Then data was interpreted and discussed as shown in chapter

four

$$(n * 100) / N = \text{percentage}$$

Where **n** stands for the frequency,

N standard for number of respondents.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter analyzed ,presented ,interpreted and discussed data on influence of loan access on the growth of small scale enterprises, the influence of amount allocated, effect of repayment period, influence of training by micro credit financial institutions on small enterprises

4.2 Response return rate

This refers to the percentage of subjects who respond to questionnaire. Many studies show that the first mailing yields about 70% response rate. A response rate of 60% is good and a response of 70% and over is very good; Mugenda and Mugenda (1999) this research study received a response rate of 100%. This was possible because the respondents were given enough time to look at the questionnaire and the questionnaire was personally hand delivered by the researcher. After the agreed period, the researcher went to collect the questionnaire from the field. All the thirty questionnaires were received which was 100% yield.

4.3 Demographic variables

This is the information related to the background of the respondents which may include, age, gender, marital status, level of education etc.

4.3.1. Marital Status.

The question asked here sought to establish whether these women had other responsibilities apart from running their business. The result obtained here show that 90% are married, 7% are single and 3% are widowed. This is a very clear indication that

these women have other responsibilities other than running the business. It also indicates that the business is a family business whereby other members of the family may be involved more so the spouse in one way or the other. Responsibilities that married women may have are numerous ranging from child bearing, child care, and other domestic chores many of which are never accounted for, because they cannot be quantified.

Table 4.1 marital status

Status	Frequency	percentage
Married	27	90
Single	2	7
Widowed	1	3
Total	30	100

4.3.2. Level of Education of respondents.

Based on education attainment, out of 30 respondents 6 have primary education, 15 have O level, 6 have diploma and only 3 are graduates. These findings shows that a good number of these women involved in small-scale businesses have attained education beyond primary level, but very few have gone beyond high school. It indicates that education is determinant in running a business and therefore an important factor to increase the small scale enterprise performance.

Table 4.2 Level of education.

Level of education	Frequency	Percentage
Primary	6	20
O-Level	15	50
Diploma	6	20
Graduates	3	10
Total	30	100

4.3.3. Information Regarding other Dependants

This question was raised to establish the dependency ratio. The results obtained show that 90% of the women in business have other people who depend on them other than their nuclear families. This actually is found to be one of the challenges that these women face. They end up using business money to support these other people. Much as these people may be giving a hand in the business, it may not be equated with what is spent on them. Only 10% of the women were free of dependants other than their nuclear family.

Table 4.3 Other dependants

Dependence	Frequency	Percentage
With dependants	27	90
Without dependants	3	10
Total	30	100

4.3.4 Occupation of respondents.

This question was raised with a view of finding out whether these women were involved in other sectors or they were self employed. The result obtained from the finding show that 90% were in self employment while 10% were again involved in other sectors. They had their own businesses as well as employed elsewhere. The question further established that some of the respondents carried out more than one type of business. The businesses listed in the questionnaire were: Crop farming, Animal farming, Salon, Tailoring shop, General retail shop, Boutique, Bar, and others. Under others, some more came up e.g. rental houses, stockiest, transport etc. It was established that those who offered products were more than those offered products were more than those who offered service. Under this same question it was established that majority of the businesses were between three (3) and ten (10) years. A few had survived beyond 10 years. This may indicate that some businesses could be failing and therefore they make exit.

Table 4.4 Occupation

Occupation	Frequency	Percentage
Self employed	27	90
Employed in other sectors	3	10
Total	30	100

4.4 Influence of loan access procedures on growth of small scale enterprises

Loan access procedures are steps that have to be followed when taking a loan they involve lengthy processes and several conditions that are suppose to be met by borrowers before they qualify for the loans.

4.4.1. Source of Funding to Start –up the Businesses.

The question raised in this area aimed to establish the source of funding for start-up .The results obtained from the findings show that 40% of the respondents used personal savings and loans, 20% of the respondents got funds as loans from the bank, 10% get their funds from Merry go round, 10% get funds from the local groups and 20% get their funding from KWFT. Asked how they repay the money, for those who acquired funds from the banks as loan, said they pay monthly, likewise those who borrowed from KWFT said they are supposed to pay monthly for a period of one year.

Table 4.5 Source of funding.

Source	Frequency	percentage
Personal and loans	12	40
Local groups	3	10
KWFT	6	20
Banks	6	20
Merry go round	3	10
Total	30	100

4.4.2 Acquisition of Loans

The question was raised with the aim of finding out whether it was easy to acquire a loan when it was needed, 100% of the respondents who had taken the loans said it was not very easy to acquire a loan. Asked what the problem was most of the respondents

said, they were lacking security to give as collateral, and the procedures were lengthy with many steps to be followed before one is given a loan.

Local groups – The respondents said they were required to give security before they were given the loans. Security required here was land title deed or log book or guarantors. This poses a problem as most women have no access to property, this concurs with Peter Kibas in the literature review who says that property belongs to men.

Bank Loans - The respondents said they had also to give security in terms of movable assets e.g. house hold goods before they could be given a loan, and one has to have an already existing business which has to be assessed before a loan is guaranteed. So it took long before one acquired loan. The interest rate is also high, and there is no grace period.

KWFT (Kenya women Finance Trust) – respondents cited that to get a loan from KWFT, one must save with them, one must belong to a group and payment is monthly, with weekly meetings. This also poses great problems because of time and the interval period for repaying the Loan. All respondents belonged to groups i.e. merry-go round and business groups.

4.4.3 Solutions to the problems cited above

The respondents came up with solutions to some of these problems. They said the banks should come up with softer conditions for one to get a loan. They said the interest rate should be reduced and borrowers should be given a grace period of some months before they start repaying the Loan. With KWFT, the respondents said that they should be looked at as individuals and not as groups, as this made them pay for the defaulters. The weekly meetings were also cited as a problem as this wasted time. The respondents mentioned that the interest rate of the local group was too high more so when one is not a member of that group. They said the security needed for the loans should be looked at,

and the government should pass rules to govern these groups so as to reduce their powers whenever a person became a defaulter. Many people have lost even their land because of the accumulated interest. Because women don't own land, this brings problems to the whole family and even leads to divorce, when the family property is sold to recover the money borrowed plus the accrued interest earned.

4.5 Amount allocated by micro-credit influence the growth of small scale women enterprises

4.5.1 Amount of loan given

The question was raised to find out whether the women received the amount of money needed. Those who depended purely on loans received 100% of the start-up capital. For those who had personal savings got 50% as loans especially from banks. Those with existing businesses received loans according to the assets they gave as collateral. Those who received loans from KWFT were given loans on the basis of their savings.

4.5.2 Size of the Market Served

One of the factors that determine business performance is the share of the market they control. We find that small-scale enterprises have only a limited coverage area which also makes marketing of their product limited. So the question was raised with a view of finding out what share of the market each respondent controlled. The result obtained show that most respondents (50) sell their product to the local area (within the market in which they operate), 40% of the respondents sell their products within the division and 10% of the respondents sell their products outside the District. This is largely determined by the amount of capital that is available to venture into a wider market.

Classification of the market segment:-

Within the local area – Small

Within the Division – Medium

Outside the District – Large

Table 4.6 Market served

Distribution

Size	Frequency	Percentage
Small	15	50
Medium	12	40
Large	3	10
Total	30	100

4.5.3 Problems experienced by small-scale Women Entrepreneurs.

The question raised in this area received several and varied responses as analyzed and presented in table 1.3. in the first place 100% of all the respondents said they were facing problems of one kind or the other. However, the challenges were varying.

Table 4.7 Problems experienced in running businesses

Problems	Distribution			
	Recognize		don't recognize	
	F	%	F	%
Financial	24	80	6	20
Competition	27	90	3	10
Insecurity	30	100	0	0
Managerial skills	19	63.3	11	36.7
Price Fluctuation	12	40	18	60
Unskilled Labor	24	80	6	20
Shortage of products	9	30	21	70
Market Segment	30	100	0	0
Time	30	100	0	0
Bad Debts	15	50	15	50
Transportation	3	10	27	90

The table 4.6 above has presented the result obtained on the main problems experience by small-scale women entrepreneurs in running their businesses.

Eighty percent of the respondents listed finance as a major problem. Some indicated that because of finances, they were unable to employ workers to assist them in managing the business. Others said that the financial problems could not allow the businesses to expand. Giving enough loans to them could be a solution to this problem.

In regards to Competition, 90% of the respondents said competition was another problem. This is as a result of engaging in the same type of businesses and others find it hard to diversify. A hundred percent of the respondents recognized insecurity as real threat. In all the three Markets, theft is on the rampage. A week may not go by before a shop is broken into. The respondents feel that their businesses are at a very high risk and therefore they need help from the concerned authority.

Sixty three percent of the respondents felt that they lacked basic management skills for Proper management of their businesses. The only help for mitigation of this problem is to assist them in some training of the same. This is only possible if the micro credit finance institutions, with the help of the government and set up centers for training these entrepreneurs. Price fluctuation was recognized as a challenge by 40% of the respondents. Prices of some products are not stable e.g. foodstuffs like maize and beans for those who stock these types of products.

Eighty percent of the respondents who have employees pointed out that it was Not easy to get people who had proper skills which were required in the running of the business. They said that employees with the required skills demanded high salaries which the business cannot afford to pay. All the respondents said the market segment they served was too small. This was because most of them were engaged in similar activities and therefore it is very hard to control a large size of the Market. If they had the required skill, they could be able to come up with different strategies in approaching the market. One of the factors that determined business performance is the marketing coverage of the product. Aside from using the applied marketing system, the marketing of the enterprise product is also influenced by their coverage area. Most of the respondents sell their product in the local area.

All the respondents cited time as another major challenge. Most respondents have families back at home. Therefore, proper commitment is lacking in running the business, because the same person has to make ends meet. Other challenges mentioned included debt collection. It was cited that some debtors go for a long time without paying and this causes problems to the business, power rationing was also mentioned as a challenge to especially those who operate salons and those who sell Sodas. Storage was also said they have a problem of pests e.g. Weevils that resist every kind of dust.

4.6 Repayment of loan from micro-credit influence the growth of small scale Women enterprises

4.6.1 Dependency on the Business

This question was raise with a view to establish whether the respondents wholly depended on the business, from the result obtained it was established that 80% of the respondents depended wholly on their businesses, whereas 20% said they had other sources of income apart from the business. This high dependence on business reduced the amount of profit earned and as such the entrepreneurs are not able to save enough money so as to plough back the retained earnings to the business. This coupled with the repayment period which most of the respondents said to be one year affects the enterprise growth and leads to regular borrowing from other lending bodies to settle debts.

Table 4.8 Dependency on business

Dependence	Frequency	Percentage
Dependent	24	80
Non dependent	6	20
Total	30	100

4.6.2 Terms of Sale.

The question on terms of sale was raised to investigate how these respondents carried out their business in terms of cash flow. An enterprise choice on its payment system to the supplier will have an effect to the enterprise cash flow. Cash payment system from the enterprise customer will cause the flow of supply for goods relatively unrestricted. On the contrary, non cash payment (credit) will reduce the goods that are used as input in production.

The result obtained show that most respondents choose cash and the mix between cash and credit as their payment system with their customers. Actually none of the respondent purely used credit as the terms of sales to their customers.

Table 4.9 Respondent grouped by payment system

Distribution		
Payment system	Frequency	Percentage
Cash	8	26.67
Credit	0	0
Cash and credit	22	73.33
Total	30	100

4.6.3 Sustainability of business without credit.

The question was raised to establish whether the enterprises could sustain themselves without micro-credit finance. The result obtained show that majority of the businesses depended on business loans to boost them. Therefore the respondent said they would require a loan of some kind as it was hard to retain profit for expansion of their businesses. Actually only 10% said YES whereas 90% said NO.

4.6.4 Insurance

The question about insurance was asked to establish the mitigation the respondents were taking against the risks which may occur. The result obtained show that 90% of the respondents have not insured their businesses. Only three people (10%) had insured their businesses against risks. This is a clear indication that if anything went wrong with the business then it will fail completely, and they may not be able to repay the loans they had acquired from the lending institutions. When this happens, the lenders will try by all means to recover their money leaving the borrowers worse than before; the entrepreneurs should always be encouraged to take mitigation measures in securing their businesses.

4.7 Training by micro-credit finance institutions influence the growth of small scale women enterprises

4.7.1 Training on how to run a Business.

The question on training was raised to assess whether the people in business had any skills of managing a business. The result obtained show that 86.67% of the respondents have never attended any formal training on how to run and manage a business. Only 13.33% said they have been trained. However, even the ones who had been trained, none of them know how to draw a business plan. A business plan is a road map for the business and without which, the business may not have any direction.

Table 4.10 Respondents grouped according to training.

Training	Frequency	Percentage
Trained	4	13.33
Untrained	26	86.67
Total	30	100

4.7.2 Management of women enterprises.

The question was raised to investigate how management of the small businesses is done. It was established that majority of them are managed by the owner, which is actually characteristic of sole proprietorship. About 80% said they manage the businesses by themselves, while 20% said they get assistance from family members or they have employed a few employees. Among those with employees only 10% had more than four to five (4-5) the rest 90% had between one and three (1-3).

Table 4.11 Enterprise management

Management	Frequency	Percentage
Sole	24	80
Family	3	10
Employee	3	10
Total	30	100

4.7.3 Performance in Terms of Growth.

The question was raised to establish whether the loans taken had assisted the business to expand. The result obtained show that 100% of the respondents had gone in for a loan. However, of the 100% only 60% said the Loan had assisted their business to grow by varying margins. Out of the 60% respondents who had experienced growth, it was of varying percentages. Out of 18 respondents 3 experienced 10% growth, 10 experienced 20% growth whereas 5 experienced 30% growth.

Table 4.12 Grouped according to growth

Growth	frequency	percentage
Experienced	18	60
Did not experience	12	40
Total	30	100

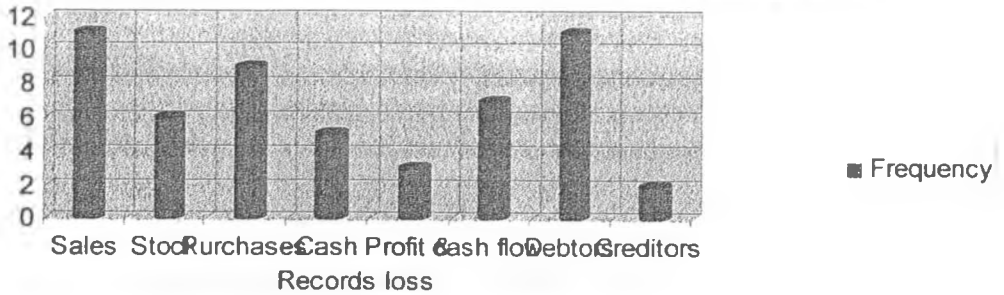
4.7.4 Why Growth was not experienced

Asked this question, the respondents came up with varying answers. Some said they depended wholly on the business and therefore there was no way the business would grow. Others said there was competition and therefore stock turnover was low hence low profit margins. Others said they did not separate business money from theirs and so there is over spending. Others said because of poor savings, there was no money for further investment to expand their business.

4.7.5 Keeping Business Records

The question was raised to establish whether there were any records kept by the respondents. The result obtained show that majority kept debtors records. The other records that are kept include daily sales purchases, profit and losses, creditors, cash flow records, records of stock. The data was analyzed as shown below.

Figure 4.1 Keeping business records



Asked whether they knew how to make the financial records they had mentioned, 70% of the respondents said yes and 30% said no.

4.8. Summary

Chapter four has analyzed and presented the detailed result findings of the study. Tables, charts and graphs have been used to present the results and findings. The chapter has presented the results and findings of loan access procedures, the influence of amount of finance allocated, the influence of loan repayment duration and the influence of micro-credit finance trainings on growth of small scale women entrepreneurs. The results and findings have been explained and analyzed in this chapter. The next chapter summarizes the major findings of the study. It also makes conclusions and recommendations for improvements and future study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECCOMENDATION

5.1 Introduction

This chapter presents a summary of the major results and findings based on the main research of the study the chapter also draws conclusion arising from the summary of the results and the findings. Recommendations for improvement and future research are also presented in this chapter.

5.2 Summary of the findings

The purpose of was to investigate the influence of micro-credit finance on growth of small scale women entrepreneurs in Mosocho Division , Kisii Central District with the aim of recommending viable intervention by stakeholders. The following research objectives were used.

To investigate the extent to which access to loan influence growth of small scale women enterprises .To establish how amount allocated by micro credit influence the growth of small scale women enterprises ,to determine the extent to which repayment of loan from micro credit influence the growth of small scale women enterprises ,to establish the extent to which training by micro credit finance institutions influence the growth of small scale women enterprises.

A survey research design was used in this study. The sample of this study comprised of 30 small scale enterprises in three small markets in Mosocho division of Kisii cental district namely; Ruga, Mosocho Lower - Upper and Nyakoe. Simple random sampling was used to determine the right elements of the sample study. A questionnaire was used to collect the required data. The findings were analyzed manually; Tables and figures were also used to present the results and findings of the study.

5.2.1 The extent to which access to loan procedures influence the growth of small scale women enterprises

The findings of the study revealed that the entrepreneurs needed finance to start and boost their businesses. These finances however, are not easily available as the entrepreneurs are needed to give collateral and other forms of security to secure loans. It was revealed in the study that most of them were not comfortable with the lengthy procedures followed before one acquired a loan.

5.2.2 How amount allocated by micro credit influence the growth of small scale women enterprises

The study also revealed that most of the entrepreneurs who received the loans did not get enough as expected. However, they always went in for more loans as soon as they completed repaying the first. It was cited in the literature review that the poor are always bankable. IFAD recognizes the importance of micro credit finance as a key of empowerment tool in ensuring improvement in incomes and sustainable household food security. These entrepreneurs always go in for loans even at high interest rates, so long as money was made available for them.

5.2.3 Repayment of loans from micro credit influence growth of small scale enterprises

In other major findings of the study was that most of the entrepreneurs had a poor saving habit as majority of them wholly depended on the proceeds from the business. This reduced their cash flow and hence made them strain in repaying the loan extended to them. This made some of the businesses not to have any retained profits which can be ploughed back into the business for expansion. The study further revealed that most of the entrepreneurs were not comfortable with the repayment period. They needed grace

period before starting repayment of the loan. Most of them said that in most cases they paid back the same money without making any profits and this therefore forced them to go in for more loans in order to sustain their businesses.

5.2.4 Training by micro credit finance institutions influence the growth of small scale women enterprises.

One other major finding of this study was that most of the entrepreneurs had never been trained on how to run a business. Most of them relied on trial and error method, it also revealed that lack of training and poor management and skills and negative influence in the effective management of the businesses. The study further revealed that majority of the women had not come up with proper marketing strategies and therefore had a very small market segment with stiff competition. Insecurity was mentioned as another major challenge in all the three markets under study. Time management was also cited as a challenge. The study further revealed that majority of the women who had borrowed capital did not properly invest the money in business as they didn't separate business money from their own, therefore, their businesses had not expanded most of them had dependants other than their nuclear family.

5.3 Conclusion

The findings of this study have revealed that majority of the women involved in business have several challenges that affect the management of their businesses effectively and efficiently. Most of the women entrepreneurs in their responses agreed that most of the problems faced such as lack of training, poor managerial skills, lack of finances, competition, time management and insecurity are mostly short to mid term problems if relevant stakeholders can make serious commitments.

5.3.1 Loan access procedures to micro credit finance

It was revealed in the literature review that several financial institutions and other agencies are trying to come up with programs on how small enterprises can be assisted financially. Financing small enterprises as considered as key strategic approaches necessary in a competitive environment. The major findings of this study have indicated that financing small scale enterprises has had positive influence for the benefit of the entrepreneurs .among the positive influence revealed by this study are that start-up capital can be accessed although through lengthy procedures, there is a sense of ownership in the business, the entrepreneurs depend on their businesses in their financial aspects and are therefore able to provide for their families. This sense of ownership and the returns have particularly motivated the entrepreneurs to stay in business for their day-to-day support

5.3.2 Amount allocated by micro-credit influence the growth of small scale enterprises

Majority agreed that although there are long procedures in accessing loans and that the money given as loans was not always enough as required, they could still go in for more loans because their businesses can't do without the said loans. This means that most of the businesses can not sustain if credit is withheld .So most of this women try as much as they can to stay in business because they have to provide for their families. It is also revealed that money acquired as loans from local groups have seriously affected the borrowers. They charge 15% to 20% interest and if one defaults she ends up losing everything they have as a family.

5.3.3 Repayment of loan from micro credit influence growth of small scale enterprises

The study further revealed that most of the entrepreneurs are not comfortable with the repayment period. They feel that if the repayment period is extended they may benefit from the loan acquired. they also feel that the amount paid as monthly installment is very high compared to their returns as this affects their cash flow .Some say the end up paying the whole loan without realizing any profits and instead the interest rate reduced there capital. Others say that because of poor saving habit, there is no money for further investment. The study also reveals that majority of the entrepreneurs have other dependants other than their nuclear family and this makes the dependency ratio high.

5.3.4 Training by micro credit finance institutions influence the growth of small scale enterprises

The other major finding of this study is that most of the enterprises have not experienced growth and if they have it is of small percentage as stated in the abstract, influence is either positive or negative. The negative influence revealed in this study is that most of this women haven't attended training on management of business .there are many aspects of management which range from financial, marketing ,human resource etc. most of the entrepreneurs are in business by trial and error method which at times lead to business failure. Wide ranges of modern day strategies approaches are not employed by these entrepreneurs in addressing management system requirements.

However, with the help of the government and other financial organizations who are providing funds, the women are still encouraged to stay in business. Therefore with enough capital, proper acquisition of knowledge and skills through regular trainings these

women can be able to manage their businesses properly to benefit not their house holds alone but also able to bring the economic growth for the country .it is revealed in the literature review by world bank (2009) that women re-invest 90% of their returns and are able to employ other women top work for them hence creating capital for those other women. For that reason assistance of any kind to these women is of great importance, to enable them survive in this competitive environment.

5.4 Recommendations

This study has revealed many different results and findings that have been covered in chapter four. A summary of the major result and findings have been cited in the forgoing sections of chapter five. This section makes recommendations that the researcher feels are key for effective management of their small business for economic growth.

Based on the findings there is need for the government to set up centers that can train entrepreneurs in rural areas on how to run businesses. Good business management includes all the operations of an organization. In most cases these training are carried out in urban centers hence too expensive for small businesses to afford .if the trainings can be setup at lower levels and at lower costs then majority of these women will be able to afford them and therefore make improvement in effectiveness and efficiency. Administration need to urgently address the issue of insecurity that targets business enterprises. Frequent patrols should be carried out to provide security at all costs because the affected normally suffer the losses as most of the businesses are not insured.

There is need for the government and the lending institutions to give out money at very low interests rates so as to assist the small businesses to expand and grow. There should be grace period before repayment so as to give the entrepreneurs time to adjust themselves.

The government should also pass to govern the local lending groups as they normally charge very high interest rates on their capital and defaulters suffer substantial losses.

5.5 For Further Research

i) There is urgent need to do further research on insecurity which was mentioned as a major problem to all the business enterprises as a way of enhancing continuity of enterprises.

ii) Further research should be carried out on the local lending groups to find out their pros and cons in the rural areas.

5.6 Contribution of the study to knowledge

The researcher feels that the findings of this study can be very useful to business entrepreneurs if made available to them this may only be possible if the information contained herein can be availed through seminars conducted by the micro credit lending institutions in conjunction with the government and any other NGO's . Entrepreneurs who may go through the findings may have the insight on to the influence of micro credit finance on business thus enabling them to obtain credit or avoid

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P.O BOX

TO WHOM IT MAY CONCERN

Dear Madam,

I am a graduate student at the University of Nairobi where I am under taking a Master Degree in project planning and management. It is Mandatory that before graduating we must have to submit a written project in partial fulfillment for the award of a Masters Degree.

I am currently taking a research project on the topic: The influence of micro credit finance on the growth of small-scale women entrepreneur in Kenya. A case study of Mosocho Division, in Kisii central District.

I kindly request you to assist in filling the questionnaire attached to the best of your knowledge. The information provided will be treated with strict confidentiality and only for the purpose intended.

Thanking you in advance.

Yours sincerely

Mary Monday Pius

APPENDIX II

QUESTIONNAIRE

THE IMPACT OF MICRO-CREDIT FINANCE ON WELFARE OF SMALL-SCALE WOMEN ENTREPRENEURS.

Instructions

Please tick (✓) or fill the spaces provided.

Your responses should be honest as possible. The information you give will be kept in strict confidence and will only be used for nothing rather than this research.

SECTION A

Background information

1. What is your marital status?

Married

Single

Other (specify) _____

2. What is your academic qualification?

Primary

O. Level

Diploma

Graduate

3. Other than your nuclear family, do you have other dependants?

YES

NO

4. What do you do for a living?

Self Employed

Employed by other sectors

5. A) If self employed, What type of business are you carrying out ?

Tick appropriately

i) Crop Faming

ii) Animal faming

- iii) Salon
- iv) Tailoring shop
- v) General stores
- vi) Boutique
- vii) Bar
- viii) Others specify _____

B) How long have you been in this business

- 3-5 years 6-10 years Above 10 years

Where is your business situated?

- Ruga Mosoch Lower
 Mosoch upper Nyakoe

Do you operate the business alone?

- YES NO

IF NO, where do you get assistance from?

Family Members

Employees

Others specify _____

9. If you have employees, how many do you have?

- 1-3 4-5 6-10
 Above 10 (specify) _____

10. Do you experience any problems in running your business?

- YES NO

11. If yes, please name them.

SECTION B

12. How did you raise the money to start your business?

Self

Family

Bank Loan

Merry go round

Others (specify) _____

13. Is it easy for you to acquire a loan whenever you need it?

YES

NO

14. If No, what are the problems? Please state:

15. What do you think should be the solutions to the problems you have stated?

16. In case of a loan from Bank or other lending institutions, how do you pay?

Weekly

Monthly

17. (a) How much loan were you given?

Please specify _____

(b) How long will it take you to complete the payment of the loan?

Less than 1 year

One year

Two years

Three years

Other specify _____

18. (a) Did you secure the amount of loan you had applied for from the lenders?

YES

NO

(b) If no what do you think are the reasons why you didn't receive the amount you required? _____

19. Do you belong to any group

YES

NO

20. If yes which one?

Marry go round

Business group

21. Have you ever been trained on how to run a business

YES

NO

22. If yes, how many times have you attended trainings?

Please specify _____

23. Have Loans assisted your business to grow

YES

NO

i) If yes, by what percentage

10%

20%

Above 30%

ii) If NO, What do you think the reasons are?

Please state them

SECTION C

24. Do you depend wholly on your business in all your financial aspects?

YES

NO

25. What size of the market (Customers) do you serve?

Small

Medium

Large

26. What are your terms of sale?

Cash

Credit

Both

27. Do you keep records of your debtors?

YES

NO

28. What other records do you keep?

Please specify _____

29. Do you know how to make the records you have mentioned above?

YES

NO

30. Is your business able to sustain itself without micro-credit finance?

YES

NO

i) If NO, please give reasons

31. Is your business insured?

YES

NO

3.9 OPERATIONALIZATION TABLE

Research Objectives	Types of variables	Indicator	Measures	Level of scale	Data collection	Type of analysis
1. To investigate the extent to which access to loans influence the growth of small scale enterprises.	Independent -Loan access	-Steps -Documents needed	Number of steps -Number of documents	Nominal	Survey	Quantitative
	Dependent Growth of small-scale women entrepreneurs.	Profitability size of business Cash flow	Amount in 1 year Number of employees Floor area covered Amount in 1 year	Ratio	Survey	Quantitative Qualitative
2. To establish how amount located by micro-credit influence the growth of small scale enterprises.	Independent - Amount allocated	Amount given in Kshs.	Amount in Kshs	Ratio	Survey	Quantitative
	Dependent - growth of small-scale women entrepreneurs.	Profits Size Cash flow	Amount in 1 year Floor area covered Amount in 1 year	Ratio	Survey	Quantitative
3. To determine the extent to which repayment of loan from micro-credit influence the growth of enterprises.	Independent Duration of repayment	Duration	Duration in - Months - Years	Nominal	Survey	Quantitative Qualitative
	Dependent - growth of small scale women entrepreneurs.					
4. To establish the extent to which training by micro credit finance institutions influence the growth of small scale enterprises.	Independent - Trainings	Number of trainings Duration	Number who attended Length of time	Nominal	Survey	Quantitative Qualitative
	Dependent growth of small-scale women entrepreneurs.					

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Date:

21st July, 2010

Mary Monday Pius
University of Nairobi,
P. O. Box 30197,
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Influence of Micro-Credit Finance on the growth of Small-Scale Women Entrepreneurs in Mosoch Division-Kisii Central: Kenya*". I am pleased to inform you that you have been authorized to undertake research in **Kisii Central District** for a period ending **30th September, 2010**.

You are advised to report to the **District Commissioner, the District Education Officer, Kisii Central District** before embarking on the research project.

On completion of the research, you are expected to submit two copies of the research report/thesis to our office.

A handwritten signature in black ink, appearing to read 'P. N. Nyakundi'.

P. N. NYAKUNDI
FOR: SECRETARY/CEO

Copy to: The District Commissioner
Kisii Central District

The District Education Officer
Kisii Central District