

UNIVERSITY OF NAIROBI
INSTITUTE FOR DEVELOPMENT STUDIES

**THE ROLE OF MICROFINANCE CREDIT IN ENTERPRISE GROWTH: A STUDY OF
WOMEN MICROENTREPRISES IN OL KALOU TOWN, NYANDARUA COUNTY.**

BY
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DECLARATION

I, Caroline W. Nderitu do hereby declare that this project paper is my original work and has not been submitted for a degree to any other university

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This project paper has been submitted for examination with our approval as university supervisors.

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DEDICATION

To my mother Mwihaki, for your unending love, financial and moral support, prayers and interest in my education.

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LIST OF ACRONYMS AND ABBREVIATIONS

KADET	Kenya Agency for the Development of Enterprise and Technology
MFIs	Microfinance Institutions
MSEs	Micro and Small Enterprises
KWFT	Kenya Women Finance Trust
WEEC	Women Economic Empowerment Consort
WEDCO	Women's Economic Development Corporation.
NGOs	Non Governmental Organizations
BRAC	Bangladesh Rural Action Committee
K-REP	Kenya Rural Enterprise Programme
SACCO	Savings and Credit Cooperative
KIs	Key Informants
ROSCAs	Rotating and Savings Credit Associations

ABSTRACT

Microfinance is recognised as a catalyst for enterprise growth in the World. In Kenya, the microfinance industry has experienced robust growth. The country has over 5000 institutions that offer microfinance services. Since institutions that offer credit services are increasing, it is expected that women are tapping into them for the growth of their microenterprises. Nonetheless, credit utilization in enterprises varies as a result of internal and external factors hence eliciting different effects on respective enterprises. In Kenya, data that shows the influence of microfinance on women microenterprise performance is scarce.

The study sought to investigate the role of microfinance in enterprise growth. The basic argument is that credit may influence growth positively or negatively depending on the internal and external characteristics of an enterprise. The study examined the influence of credit sourced from KADET on women microenterprise growth in Ol Kalou town. To achieve the study objectives, a field survey, key informant interviews and focus group discussions were applied.

The study found that women microenterprise owners in Ol Kalou town have diverse uses of credit. The use ranges from promoting business growth to meeting household needs. Enterprise growth was manifested more in terms of product diversification, sales growth and profit growth. The higher number of loans incurred had greater effect on enterprise growth. Characteristics such as the age of the business owner and enterprise age were found to influence enterprise growth.

The study concludes that microfinance influences enterprise growth in terms of sales, product diversification and profits. Apart from credit, other factors that determine enterprise growth include the age of the enterprise as well as the owner's age. The study recommends that in regulating the microfinance sector in Kenya, the interest rates should be lowered. It also recommends that to promote enterprise growth, microfinance institutions should review their institutional requirements such as weekly repayment periods and loan grace periods.

CHAPTER ONE

INTRODUCTION

1.1 Study Overview

Enterprise growth is a catalyst for economic development. Improved enterprise performance translates to improved wellbeing, employment creation and poverty alleviation (Richardson, 2004). While women microenterprises are often characterised as survivalist and devoid of growth intentions, Stevenson and St-Onge (2005) identify aspects of their growth and attribute the growth of women enterprises in Kenya to sufficient capital to meet working capital needs.

While microfinance is seen as strategy of promoting enterprise growth, utilisation of credit in enterprises may differ, yielding varying growth rates. McCormick (2001) argues that social and economic institutions affect the amount and utilisation of inputs available to an entrepreneur. Further, Masakure *et al.*, (2009) observe that microfinance may impact positively or negatively on enterprise performance depending on entrepreneurial and organizational resources. This implies that credit may be necessary but not sufficient to promote enterprise growth. It is the contention that microfinance may or may not contribute to enterprise growth that necessitated this study. Moreover, Duvendak, *et al.*, (2011) asserts that impact studies of microfinance are inconclusive. This study therefore sought to establish the role of microfinance in women microenterprise growth in Ol Kalou town. This was achieved by examining characteristics of women and their enterprises, forms of credit received by the owner and how the credit received was utilized in the enterprises.

This study is discussed in six chapters. The first chapter covers the background of the study, the problem statement, the research questions, the research objectives and the significance of the study. The second chapter covers literature review which comprises of theoretical and empirical literature. Chapter three presents the research methodology which is subdivided into five parts explaining research design, study site, unit of analysis and sampling procedure, data sources and analysis. Study findings with regards to the

role of microfinance in women microenterprise growth are discussed in chapters four and five. The last chapter covers summary findings, conclusions and recommendations.

1.2 Background

1.2.1 Microfinance Overview

Microfinance is increasingly recognized as an effective tool for poverty reduction (Morduch, 1999; Johnson, *et al.*, 2002; World Bank, 2005). It is argued that giving the poor credit gives them an opportunity to start microenterprises, expand them and hence improve their economic wellbeing (Ssendi and Anderson, 2009). The poor were over the years excluded from formal banking majorly due to lack of physical collateral (Khawari, 2004). Recognizing this challenge among other challenges faced by the poor in accessing credit, Professor Muhammad Yunus established the Grameen Bank in Bangladesh in 1983. The bank embraced the group lending approach where members of a group act as collateral for loans incurred by individual members.

Owing to favourable lending terms, microfinance outreach has increased in developing countries over the last decade (Sengupta and Aubuchon, 2008). Statistics suggest that 133 million people are served by microfinance programs globally; 20 million being from Africa (Microcredit Summit Campaign Report, 2005). Moreover, 84.2 percent of those receiving microfinance globally are women (World Bank, 2005:3). Khawari (2004) also argues that women constitute the largest proportion of the poor in developing countries and constitute a high percentage of microfinance borrowers.

Kenya's microfinance institutions history can clearly be traced to the 1980s when K-Rep and Kenya Women Finance Trust (KWFT) were established. Currently there are over 200 microfinance institutions (MFIs), excluding Savings and Credit Cooperatives (SACCOs) operating in the country. However the sector was thriving in a non regulated environment until 2006 when the Microfinance Act was enacted (GoK, 2006). It was necessary to regulate the industry since microfinance operations were shifting from poverty alleviation to profit making (FSD, 2012).

Kenya Agency for the Development of Enterprise and Technology (KADET) was purposively selected for this study. KADET is a credit-only MFI under the World Vision. It was started in 2000 with an aim of reaching the rural people that have limited or no access to credit facilities for small and micro businesses. KADET uses two lending approaches: group based and individual based. The group based approach requires social collateral while individual lending is guaranteed by an asset (<http://www.kadet.co.ke>).

1.2.2 Microfinance and Growth of Women Microenterprises

Microenterprises dominate the MSE sector in developing countries. Research shows that 99 per cent of the MSEs in developing countries are microenterprises (Liedholm, 2001). Generally, women are active participants in the microenterprise sector. In Kenya, it is estimated that women microenterprises account for 60 percent of all microenterprises and 47.4 per cent of all MSEs (CBS *et al.*, 1999:18).

Despite their immense participation, literature suggests that women microenterprises experience minimal or no growth (Parker and Torres, 1994) due to an array of factors, insufficient capital (Green, *et al.*, 2006) being prominent. In developing countries, the poor of whom are women often do not access formal credit due to lack of physical collateral (Khawari, 2004). Furthermore, Rhyne & Otero (1994) argue that women enterprises are considered risky to invest in, hence they do not qualify for formal credit. The situation remains worse in rural areas since most formal banks are not established there. In response to the crisis of minimal credit access among the poor, microfinance institutions embrace the group approach to lend women microenterprise owners. The group lending approach allows women to access small loans with the group acting as collateral (Satish, 2005).

Provision of microfinance to women is increasingly perceived as a way of promoting microenterprise growth, as a result enhancing their overall wellbeing. It is argued that the credit obtained empowers women economically. The benefits accruing from the empowerment also trickle down to boost the family welfare (Littlefield *et al.*, 2003) cited in Satish (2005).

In Kenya, KADET is among the leading MFIs that have increased credit access among women microenterprise owners. While it is expected that women who access microfinance should invest in the growth of their enterprises, it is not absolutely clear how credit in particular has influenced women enterprise performance in Kenya (Kibas, 2001). This study therefore sought to investigate the role of microfinance in women enterprise growth in Ol Kalou town.

1.3 Problem Statement

Women microenterprises in Kenya play a major role in the economy. The enterprises offer employment to an estimated 60 percent of women in the microenterprise sector (CBS, *et al.*, 1999). In addition, women microenterprises contribute significantly to the improvement of household welfare therefore addressing poverty. The sector has gained prominence in the country due to declining formal employment amidst a growing labour force (Akoten, 2007). Further, agricultural productivity in the country has declined as a result of reduced size of farmland, erratic climatic conditions, reduced land productivity and overpopulation, among other factors. These factors have pushed more women to the microenterprise sector.

Enterprise growth is believed to be very critical for MSEs to remain competitive and productive in the economy (KIPPRA, 2010). Access to credit has been recognized as an important catalyst for women enterprise growth. Stevenson and St-Onge (2005) show for instance that the growth of women enterprises in Kenya is determined by sufficient credit to meet working capital needs. In a bid to promote enterprise performance, microfinance institutions provide credit to women microenterprise owners. However the role of microfinance in women microenterprise growth has remained scarcely investigated and documented. Nichter and Goldmark (2005) assert that there is little evidence showing a positive link between microfinance and microenterprise growth. This implies that the growth of women microenterprises requires further investigation in view of increased credit access among women microenterprise owners.

Most microfinance institutions in developing countries assume that women need credit to increase their business performance. This assumption fails to consider the fact that woman microenterprises have diverse characteristics and are affected by the environment

in which they operate. Storey (1994) argues that different demographic and enterprise characteristics influence enterprise growth in varied ways. Empirical studies on microfinance solely analyze the impact of credit on enterprise growth but fail to consider the interplay of other factors within an enterprise. For instance, while the Kibas (2001) multiple case study shows that credit has a positive impact on women microenterprises, it does not provide a conclusive understanding on how demographic characteristics and enterprise characteristics together with credit influence women microenterprise performance.

This study therefore sought to examine the role of KADET microfinance on women microenterprise growth in Ol Kalou town. This was achieved by profiling demographic and enterprise characteristics and how they influence enterprise growth. In addition the study investigated utilization of credit received and its impact on enterprise growth.

1.4 Research Questions

The study sought to answer the following questions:

Overall question

What is the role of microfinance in the growth of women-owned microenterprises in Ol Kalou town?

Specific questions

1. What are the characteristics of women-owned microenterprises that received credit from KADET in Ol Kalou town and their influence on enterprise growth?
2. What are the characteristics of microenterprise owners and their influence on enterprise growth?
3. How is credit from KADET received by women microenterprise owners in Ol Kalou Town utilized?
4. Has credit from KADET led to the growth of women-owned microenterprises in Ol Kalou town?

1.5 Research Objectives

Overall objective

To examine how microfinance affects women microenterprise growth in Ol Kalou town.

Specific objectives

1. To profile characteristics of women-owned microenterprises that have received credit from KADET in Ol Kalou town and how they influence enterprise growth.
2. To profile characteristics of microenterprise owners and the implications on enterprise growth.
3. To analyze utilization of credit from KADET received by women microenterprise owners in Ol Kalou town.
4. To determine whether credit from KADET received by women results into microenterprise growth.

1.6 Significance of Study

Microfinance institutions have gained popularity as a move towards financial inclusion of the poor, notably women, who were traditionally excluded from formal financial institutions. In 2005, the United Nations acknowledged the importance of microfinance in fostering MDGs in developing countries. It is argued that provision of microfinance to the poor gives them an opportunity to invest in enterprise development and growth which results to increased wealth. In Kenya, efforts promoting enterprise growth are evident with the growing microfinance industry. This study will therefore contribute to understanding the extent to which microfinance has influenced women microenterprise growth. Although the study was done in Ol Kalou town, the findings will assist KADET and other MFIs to improve their services to women. Moreover, the findings will highlight

on what needs to be done to promote enterprise growth in Ol Kalou town and elsewhere in the County.

Despite the enactment of the Microfinance ACT in 2006, credit taking MFIs remain unregulated. This exposes both the lender and the client to risks that may threaten the sustainability of the sector. This study has information that would be useful to the government in regulating the microfinance industry in Kenya in a bid to protect the customers.

Research on microfinance concentrates on credit as a factor of promoting enterprise growth. This study will contribute to the body of knowledge by incorporating enterprise and demographic characteristics in understanding the role played by credit in women microenterprises.

This study is also justified on the basis that there are few studies of this kind probably in Ol Kalou town. It attempts to fill gaps in research by focusing on the role played by credit from KADET in women microenterprise growth in Ol Kalou town.

CHAPTER TWO

LITERATURE REVIEW AND THEORY

2.1 Introduction

This chapter presents literature review which is in three sections. The first section presents a theoretical framework which is based on theory of firm growth and open system approach of an organization. The conceptual framework is discussed in the second section. Lastly, empirical literature presents studies on microfinance and women microenterprise growth.

2.2 Theoretical Framework

2.2.1 Theory of Firm Growth

The theory of firm growth provides useful insights on the characteristics of a firm and the firm owner's capabilities that influence the performance. In this study it explains women enterprise growth based on the internal characteristics of the firm.

The theory of firm growth is based on the premise that firms are heterogeneous and therefore have varying levels of growth. Heterogeneity of firms is explained by characteristics such as age, size and market coverage. In addition, firm owners have different experiences, management skills and levels of education that influence firm growth. Penrose (1995) further characterizes heterogeneity in terms of tangible resources such as finance and intangible resources such as managerial ability. Storey (1994) categorizes the factors into three groups: characteristics of the owner, characteristics of firm and development strategies of the firm.

The theory of firm growth as earlier advanced by Gibrat (1931) cited in Akoten (2007) offers that rate of firm growth is independent of initial size. This implies that all firms grow at the same rate despite their size (Sutton, 1997). This argument is however rejected by Jovanovic (1982) who argues that firm growth and age are inversely related, thus young firms may grow at higher rates than larger firms.

Young enterprises may lack the ability to use available resources hence impacting negatively on the performance of their enterprises (Jovanovic, 1982). Their owners may however learn from past experiences, successfully take advantage of opportunities and grow in the long run (Jovanovic, 1982 and Penrose, 1995).

The study applies the theory of firm growth because it recognizes that women enterprises are heterogeneous in structure and experience varying enterprise growth rates. These growth rates do not accrue from access to credit only but a combination of factors that are heterogeneous. This implies that credit accessed by women enterprises may influence growth differently owing to different characteristics.

The theory of firm growth however has its short comings. Critiques of this theory argue that it does not consider the external environment in which an enterprise operates (Berger and Udell, 1995). External factors such as costs of external finance, government regulations, location of the enterprise and economic crisis, for example, impact on firm growth. The theory assumes that it is only the internal characteristics of a firm that influences its growth. Empirical studies on firm growth shows that enterprise growth depends on both internal and external factors. The theory is also criticized for assuming that all enterprises aim at growing (Elhiraika and Nkurunziza, 2006). In reality, most women microenterprises are geared at earning livelihood for respective owners as opposed to growth (Mitchell, 2004). Richardson *et al.*, (2004) argue that women engage in microenterprise activity because they have limited income generating options. Other microenterprises remain small due to the perceived extra costs such as higher taxation of larger enterprises.

2.2.2. Open System Approach of an Organization

According to the open system approach, the operation of an organization is an interaction of various components (Shukla, 1996). Organizations thus do not operate independently but interact with the environment to achieve their set goals. Daft (2009) argues that an organization is influenced by both structural and contextual components which interact with one another. Internal and external environment are therefore key to the performance of an organization. Forlag (2010) characterizes the internal environment of the firm in terms of size, age, specialization, professionalism and hierarchy of authority. External environment of an organization is characterized by: political-legal factors, socio-cultural factors, economic factors and technological factors (Daft, 2009).

Unlike classical organizational theorists, this approach views organizations as open systems that interact with the environment. According to Katz and Kahn (1978) cited in Shukla (1996), organizations adapt to the changes that happen in their environment. To survive, organizations therefore adopt new strategies to counteract the changes in the environment and remain competitive in the market (Scott, 2003).

The open system approach assumes that there is feedback among organizations and their environment to enable a dynamic equilibrium. Emirbayer (1997) further argues that the components of a system are constantly changing therefore influencing one another's performance. This implies that organizations need constant interaction with the environment to enhance their efficiency.

In this study, women microenterprises are considered as sub-systems that have interrelated parts working together to achieve a common goal. The components of women microenterprises interact with each other as well as with external elements such as political, technological and economic factors for effective operation.

The open system approach recognizes that women microenterprise growth does not occur in isolation but within and alongside an internal and external environment which influences enterprise performance. Since women enterprises are heterogeneous in structure, their response to change may differ hence spurring different growth rates..

Despite the fact that the approach offers useful insights on the interaction of women microenterprises and their environment, Shukla (1996) criticizes it for assuming that all

organizations adapt instantly to the changes in the environment. Since women microenterprises vary, they may choose what changes to adapt to and therefore a variation in their performance.

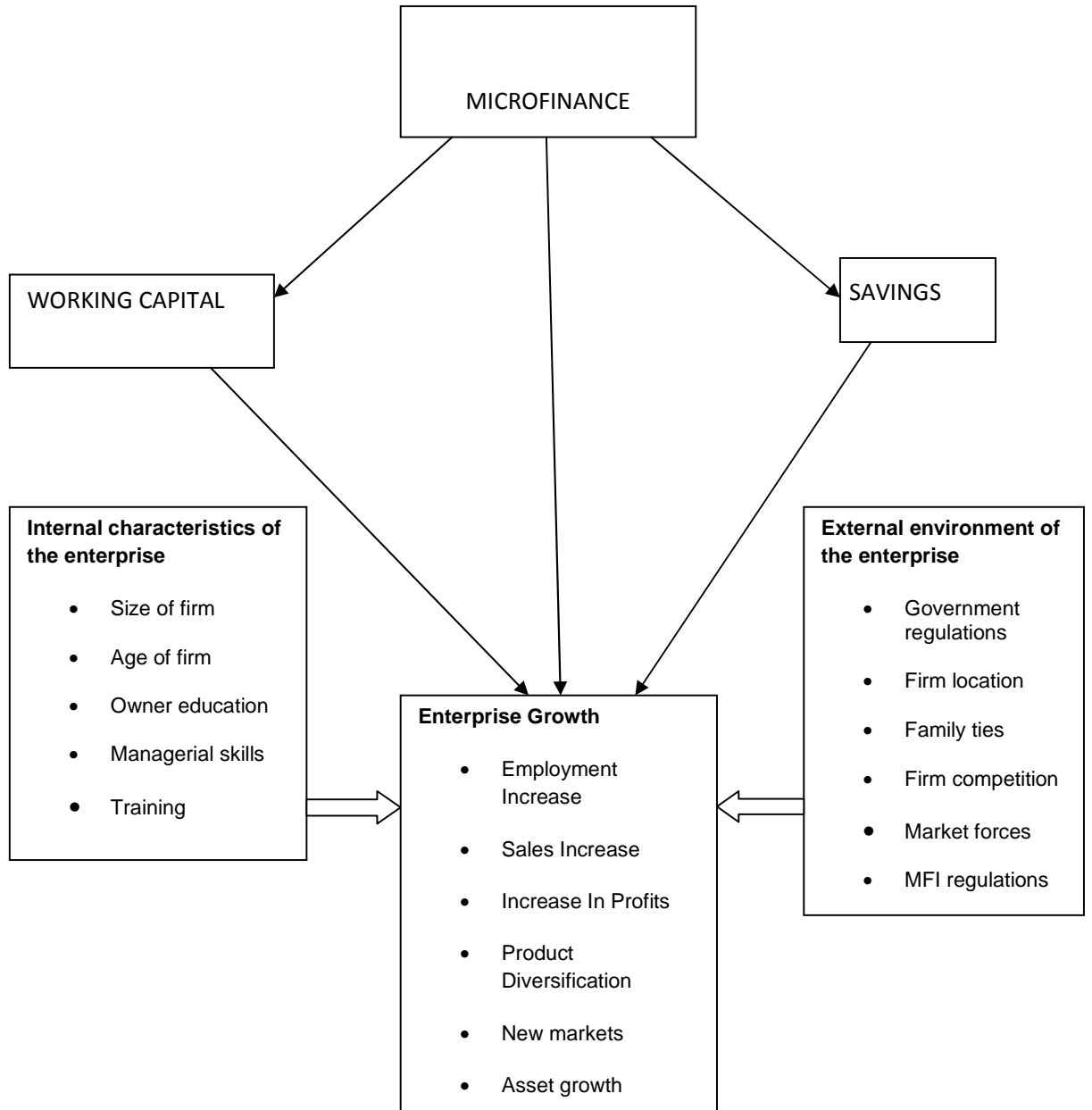
In summary, theoretical literature reviewed shows that women enterprises have different characteristics which can be broadly categorized into three: characteristics of the owner, characteristics of the firm; and development strategies of the firm (Storey, 1994). The external environment in terms of location and institutions also influences business performance. Heterogeneity therefore influences use of credit accessed amongst women enterprises hence affecting growth rates.

2.3 Conceptual Framework

The independent variable is microfinance. Microfinance is operationalized as amount of credit and number of loans from KADET received by women microenterprises. The dependent variable is women microenterprise growth. Microenterprise growth is conceptualized as increase in employment size, sales and profits; product diversification and the improvement of business premises. Microenterprise growth is based on the first credit received from KADET.

Credit received by women microenterprises may be used as working capital or saved for future use. The effectiveness of credit in promoting enterprise growth is influenced by a number of factors found within or outside the enterprise. The factors include: firm size and age, owner experience, managerial ability, cost of external credit, MFI regulations, government regulation and location among others. Therefore the ability of credit to spur growth of women microenterprises in Ol Kalou town depends on the internal and external environment of the enterprises.

Figure 2.1: Conceptual Framework



Source: Author`s conceptualization.

2.4 Empirical Literature

2.4.1 Characteristics of Women-Owned Microenterprises

Women microenterprises have diverse characteristics. Literature suggests that microenterprises are characterized by ease of entry therefore encouraging more women participants (ADB, 1997). This is attributable to low start-up capital compared to small and medium enterprises. Further, women microenterprises are flexible in terms of location therefore easy to start by the roadsides or in/around the homesteads (McCormick, 2001).

In terms of ownership and employment, most women microenterprises are sole proprietorships being owned by individual women (CBS *et al.*, 1999). While enterprises run by men are likely to create employment, women microenterprises tend to employ the owner only. Some of the enterprises make use of a family member. Liedholm and Mead (1995) while evaluating the dynamic role of MSEs in the development process across six countries (Botswana, Kenya, Malawi, Swaziland, Zimbabwe and the Dominican Republic), argued that women owned microenterprises were less likely to create employment. Their findings show that only 15 per cent of female owned microenterprises added a worker while 23 per cent of the male owned enterprises added a worker. The study attributed this to the fact that women enterprises are generally less productive than men's. There are no recent statistics on MSEs at a national level in Kenya. The available 1999 MSE baseline survey indicates that women owned MSEs create 4 per cent employment as opposed to 17 per cent employment created by the men owned MSEs.

Literature suggests that women are likely to conduct enterprise activities at home. According to McCormick (2001), women enterprises are more likely to be located at home while men enterprises are twice as likely as women enterprises to be conducted in trading centres and commercial districts, among other places. ADB (1997) argues that family responsibilities as well as traditions that seclude women from the public contribute to enterprise location in the homesteads. In addition, tax evasion due to the informal

nature of most women microenterprises encourages most women to operate their businesses from their homes.

In Kenya, literature suggests that women owned enterprises are trade oriented (CBS *et al.*, 1999). Women are involved in trading activities like, small shop keeping, vegetable vending, hair salons, home based garment making, retail of second hand clothing, and boutique shops (Aguillar, 2006 and McCormick, 2001). Unlike women, men engage in more labour intensive enterprises such as metal work, wood work and vehicle repair. In addition, men-owned enterprises require more skills and technology as compared to women enterprises (ADB, 1997).

Women microenterprise activities are characterized as survivalist other than entrepreneurial in nature (Cotter, 1996). Gomez (2008) observes that most women are pushed into microenterprise activity out of necessity as opposed to business acumen. This has an implication on their enterprises since the returns are used on household welfare such as buying food, paying school fees and other basic needs, instead of reinvestment in the business to accumulate capital (Mitchell, 2004). As a result, most women microenterprises remain micro with no remarkable growth (Parker and Torres, 1994).

A study carried out by ILO (2004) on the enabling environment for growth-oriented women entrepreneurs for three East African countries found that women enterprises rarely grow above five workers. The study attributed this to the dominance of gender based inequalities. Analyzing gender in small enterprise development in Kenya, McCormick (2001) observes that male owned enterprises grow at an annual average rate that is 4 per cent higher than women enterprises. The author further argues that women spend lesser time in their businesses compared to men due to family obligations thus impacting negatively on business growth.

Further, other characteristics of women enterprises have been shown to influence growth. For instance, Parker and Torres (1994) argue that women microenterprises start small and are therefore less likely to grow. The smaller the enterprise; the smaller the return, and the minimal likelihood of expansion compared to larger enterprises (Gomez, 2008).

Kimuyu (2001) analyzed the relationship between enterprise age and performance using a sample size of 1806 enterprises. He found that enterprise productivity increased with enterprise age. This was because older enterprises had more growth capacity owing to proper structures and experienced personnel than younger enterprises. A survey of 221 micro credit borrowers of PRIDE in Tanzania by Tundui (2012) found that business age had a negative effect on profit growth of women microenterprises. The author argued that women with younger enterprises were possibly motivated to improve business performance in order to repay their loans to qualify for larger amounts.

A study by Hospes *et al.*, (2002) on the impact of KWFT on women enterprises revealed that there was a difference in performance between rural based and urban based enterprises. The findings show that rural based enterprises employed more workers than urban based enterprises. The authors argued that there could be higher unexploited potential for growth in rural areas therefore credit enabled women to seize growth opportunities. In their study, Kiraka *et al.*, (2013) found that location was a significant determinant of enterprise growth. Comparing rural and urban enterprises, they show that the former had higher growth in turnover, profits and employment size. The authors argued that urban based enterprises were mainly found in informal settlements and were faced by high competition therefore limited growth potential.

Demographic characteristics such as age, gender, education level and marital status may influence the performance of an enterprise. Tundui (2012) observes that the age of an entrepreneur is a representative of business experience and expertise in managing an enterprise. In a study evaluating the influence of entrepreneurial factors on the growth of small firms (Ferreira *et al.*, 2009) found that gender, age and education level of the entrepreneur were not significant factors in determining enterprise growth. Kiraka *et al.*, (2013) study on the role of Women Enterprise Fund in growth and innovation of MSEs in Kenya showed that age, marital status, education level and family size were poor determinants of enterprise growth.

Education level was shown to influence business performance in a study by Hospes *et al.*, (2002). The study showed that education level influenced profitability of women

enterprises as they received more KWFT loans. The authors argued that women with higher levels of education were able to manage the loans wisely. According to Moti *et al.*, (2011) education level influences amount of assets invested by women microenterprise owners. This study shows that enterprises with owners who had post-secondary school education had more assets than those with owners who had secondary school education and below.

A study by Cheserek *et al.*, (2012) shows that business training improves enterprise performance. The study shows that marketing skills offered by KWFT increased the sales of women enterprises. In addition, the planning and management skills gained during training improved the general business operation. Similar findings were recorded by Kuziliwa (2005) in a study examining the role of credit in generating entrepreneurial activities in Tanzania. The study found that enterprises with owners or managers who had undergone business training performed better than those with operators who were not trained.

The empirical literature reviewed in this section indicates that women microenterprises have diverse characteristics that may influence respective enterprise performance differently. In addition, the demographic characteristics of owners such as age, education and training have been shown to influence enterprise growth. It can be concluded therefore that enterprise growth is a result of many factors revolving around enterprises and owners.

2.4.2 Microfinance

2.4.2.1 Microfinance Overview

World Bank (2005) defines microfinance as provision of financial services such as micro savings, microcredit, micro insurance and money transfer to the poor and those excluded from formal financial services. The system originated from Bangladesh where economist and university professor Yunus Muhammad established the Grameen Bank in 1983 (Jain

and Moore 2003). Microfinance has gained prominence since then and has spread all over the world.

Literature indicates that women are the major clients of microfinance in the world (World Bank, 2005). In Bangladesh for example, a country that was traditionally conservative and male dominated, statistics indicate that women are the largest recipients of microfinance (Khandker, 2005). The group lending approach adopted by MFIs has made loan access easy especially to women who may lack physical collateral (Rhyne & Otero, 1994; Kuziliwa, 2005).

Microfinance programmes around the world have evolved over time. Initially, microcredit dominated micro financial services (Sengupta and Aubocho, 2008). The minimalist approach has been criticized for excluding important components such as savings, insurance and money transfers that are needed by the poor (Fischer and Sriram, 2002). Hulme and Mosley (1996) cited in Johnson *et al.*, (2002) argues that some recipients of microcredit were made worse off therefore it was important to incorporate other services to microfinance so as to avert poverty. Currently, microfinance services are broad including microcredit, micro savings and micro insurance among others.

2.4.2.2 Microfinance Institutional Arrangement

Microfinance institutions have better lending terms compared to commercial banks that have over the years left out the poor, especially women. As a result microfinance has become popular with women in Kenya and other developing countries (Kapila, 2006). MFIs offer small loans to women, a practice that commercial banks shied away from due to the risk of non repayment (Kiiru, 2007). In addition, formal banks consider small loans more costly to administer than bigger loans.

While banks used physical collateral, MFIs started using social collateral as security for the loans disbursed to women. According to Mayoux (2001) cited in Mayoux (1995), the group lending approach has offered an easier way for women micro entrepreneurs to access credit. In the group lending approach, each member is liable for the debts of

others. Literature shows that most MFIs tap into existing social capital thereby reducing the social costs incurred during the screening of members (Shreiner and Woller, 2003).

However, the group lending model has limitations that impair enterprise performance. In a study on credit and investment by women traders, Okumu (2010) shows that the formation of groups that consist of people with common interest is a major challenge for women. The study found that women viewed group formation as a time consuming activity which delayed credit access, thus missing profitable opportunities for investment that would lead to business expansion. Further Pitamber (2003) in a study evaluating microfinance in Malawi and Ethiopia revealed that the group lending approach hindered enterprise growth of some members. This is because members who were better off financially repaid their loans before the stipulated deadlines but could not get additional loans until all the members in the first loan cycle had serviced their loans.

Research on established MFIs such as the Grameen Bank and BRAC has shown high loan repayment rates (Khandker, 2005). This is attributed to peer monitoring within the groups (Satish, 2005; Khawari, 2004). Nonetheless, there is evidence from some literature indicating that the rate of loan defaultment is high (Pretes, 2002). In Kenya, loan default cases have been reported forcing MFIs to auction the assets of the borrowers to recover the credit. This has been attributed to low returns from the enterprises and credit diversion to other uses (Kiiru, 2007).

Unlike loans from commercial banks, some microfinance loans have no grace period and repayments are made regularly, for instance weekly or bi-weekly (Khawari, 2004). As a result, some women obtain credit from other sources such as money lenders and ROSCAs to offset microcredit (Rahman, 1998; Goetz *et al.*, 1996). This leaves the respective women in a cycle of debt which is aggravated by the fact that loan repayment begins before credit has been utilized. Okumu (2010) in a study on credit and investment found that women in Busia town had a growing need for cash to repay debts instead of investing in the growth of their enterprises.

Despite easier access to credit, women pay more for microfinance. This is attributed to high interest rates and other administrative costs compared to other lending institutions

(Pretes, 2002). For instance, in Kenya, the lending rate of commercial banks is between 18 percent and 23 percent whilst microfinance institutions lend at 25 percent to 30 percent. Therefore, the aim of promoting enterprise growth among the poor may be marginal thus challenging the initial goal of microfinance.

Donors and national governments have put much emphasis on microfinance programmes as a support strategy for women enterprises. Microfinance credit is expected to empower women through expanded individual choices and capacities for self reliance (Ssendi *et al.*, 2009). Research shows that other than business development, there are other competing needs that divert microfinance. Kiiru (2007) study on the role of microfinance on entrepreneurship and rural development in Makueni district, found that women used credit on basic needs such as education, health and food. This was attributed to the role played by women in the household. Similarly, Kibas (2001) found that about 16 percent of women micro entrepreneurs in Uasin Gishu district used micro credit intended for business growth in meeting domestic needs.

Literature reviewed in this section highlights the microfinance lending approach and the inherent limitations that may hinder enterprise growth. The effectiveness of credit utilization in an enterprise may be influenced by other factors apart from those related to the institutional arrangement of microfinance, for instance, the borrowing intentions. Moreover, the assumption by MFIs that women need microcredit to promote enterprise growth overlooks the dynamics of respective enterprise firms. The study analyzed credit utilization in view of the mentioned institutional arrangement and intended credit uses vis-a-vis the actual credit uses.

2.4.3 Microfinance and Growth of Women Microenterprises

Studies on the impact of microfinance on MSE growth show mixed results. Omorodion (2007:489) acknowledges that “findings on effectiveness of micro credit programs on improving the economic situation of women are inconclusive.” Some studies indicate positive growth while others show no significant growth on women enterprises upon receiving micro loans.

The growth of microenterprises is influenced by the number of loans as demonstrated by (Copestake *et al.*, 2000). The study utilized a sample of 420 respondents who comprised of PULSE micro credit borrowers and non borrowers in Zambia. The study established that there was significant difference in profit growth between borrowers and non-borrowers although the average business profit between the two was not significant. Moreover, second loans were found to have more effect on profit growth than first loans. Profits were raised by 4.5 percent for every Kw.100, 000(\$55) received as second loan. The study also found that those who had two loans diversified their businesses more rapidly. About 50 percent of those who received only one loan were made worse off.

Hospes *et al.*, (2002) similarly found that respondents with more loans recorded more enterprise growth. The study examined the impact of KWFT credit on women enterprises performance and economic welfare of the household. The study found that those with more than 5 loans recorded gross monthly sales that were 4 times greater than those with one loan. Gross monthly profits of respondents with more than 5 loans were 3 times higher than those with one loan. Further, the study showed that enterprises with 5 loans and above increased employment size by 22.5 percent while those with 2 to 4 loans recorded employment growth of about 13.4 percent. The authors argued that the increased number of loans enabled women to expand their businesses resulting to more enterprise growth compared to those whose owners had few loans.

Kiraka *et al.*, (2013) studied the growth and innovation of MSEs after accessing Women Enterprise Fund in Kenya. The study was carried out in fourteen constituencies in four Counties (Nairobi, Nyeri, Kakamega and Nakuru).The study established that the age of the loan had a positive effect on growth on the number of employees, total worth and turnover levels. In terms of total worth, the study highlighted that an enterprise was 1.8 times likely to increase in total worth if the loan duration was increased with 12 months. Increasing loan amounts was found to diminish the likelihood of growth. This was attributed to the fact that the loans were probably invested in expansion, hence the business' apparent minimal growth in turnover. The authors argued that the growth of women enterprises that were accessing the Women Enterprise Fund was attributed to low interests rates, the three month grace period and business training.

Empirical studies show that women microenterprises on receiving microfinance are likely to increase sales and profits as opposed to creating employment and investing in assets. Ssendi and Anderson (2009) investigated the impact of microfinance on women microenterprises in Tanzania. The study found that more than three quarters of the respondents recorded better business performance after accessing credit. Further, the impact of microfinance was highest on stock and profit compared to acquisition of fixed assets and new business activity. The study attributed this to the volatility of sales to external and internal changes. Comparing loan beneficiaries with non beneficiaries, the study established that profit growth was higher among those without loans. In addition, only a quarter of the respondents indicated improved social wellbeing after accessing the loan.

A study conducted by Kibas (2001) in Uasin Gishu district also shows that impact of credit on women microenterprises is manifested more in terms of sales and profits than in employment. Using a multiple case study of three microfinance institutions to examine the impact of credit on women microenterprises, the study found that more than three quarters of the respondents recorded growth in sales and profits. About 28 percent created employment while 72 percent showed no employment growth.

Despite the fact that financial capital has received much attention in enterprise growth literature, critics challenge the popular notion of microfinance as a powerful tool for growth. It is argued that other than financial capital, there are other internal and external factors in a firm that influence enterprise growth. For instance, Berge *et al.*, (2011) in their study on human and financial capital for microenterprise development argue that other than focusing on microfinance, a more holistic approach is needed to promote the growth of women enterprises.

This argument is supported by Kuziliwa (2005) in a study on the role of credit for small business success in Tanzania. The study found that while there was an increase in output on receiving credit, those who received business training performed better than those who did not. Using the Scott and Twomey model in his study, Kuziliwa (2005) concluded that enterprise performance is influenced by multiple factors other than financial capital alone. The model identifies three factors: predisposing factors, triggering factors and

constraining factors, key to enterprise growth. The author argues that predisposing factors explain the owner's background while triggering factors affect the demand of a commodity. On the other hand, constraining factors hinder the growth of an enterprise.

Microfinance institutional arrangement has been depicted by Akande (2012) as a hindrance to enterprise performance. In his study conducted in Nigeria's Oyo State over a period of five years, he observed that women microenterprises recorded slight changes in gross turnover. The study attributed this to high interest rates, weekly obligatory savings and deduction of first instalment from the loan. The author argued that in order for micro credit to be effective among women, there is need for a reasonable repayment schedule and a grace period to allow room for the loan to generate income.

Empirical evidence shows that microfinance has more impact on better-off clients than the poorer whom it is believed to target. A study by Hulme and Mosley (1996) cited in Johnson *et al.*,(2002) found that loan recipients who were better off financially earned more income after accessing microfinance than the poorer borrowers. The study argued that the poorest were more risk averse therefore limiting their ability to increase income. The study concluded that microfinance was more appropriate for the poor other than the poorer.

The empirical literature reviewed in this section highlights how microfinance influences women enterprise growth. It is evident that microfinance has a positive impact on enterprise performance especially on sales and profit growth and that the amount of loan and repayment duration also determines enterprise growth. Nonetheless, the studies fail to put into consideration other factors such as enterprise and demographic characteristics that would influence enterprise growth. This study therefore sought to contribute to the knowledge on the impact of microfinance using firm dynamics view by investigating how credit has influenced growth of women microenterprises in Ol Kalou town.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research method applied to achieve the study objectives. The study applied both quantitative and qualitative methods to establish whether credit obtained from KADET resulted into enterprise growth. The chapter describes the research design, study site, sampling procedure, data sources and data analysis.

3.2 Research Design

The study sought to investigate the influence of credit obtained from KADET on women microenterprises in Ol Kalou town. To achieve the objectives, the study applied both quantitative and qualitative approaches in data collection and analysis. The rationale for using the two approaches was to cancel out any discrepancy that may arise from using a single approach (Creswell, 2009).

Quantitative methods involve collecting numerical data and analysing using statistical techniques while qualitative methods involve collecting and analysing narrative information (Teddlie and Tashakkori, 2009). The quantitative methods involved a field survey of 100 women microenterprise owners who were selected using the simple random sampling technique. The field survey provided information on the impact of KADET credit on women microenterprises in Ol Kalou town. The qualitative approach involved key informant interviews and focus group discussion. Five key informants were purposively selected to provide in-depth information on microfinance and women microenterprise growth. The key informants comprised of the credit officer KADET Ol

Kalou branch, an official from KADET head office, a ministry of Gender and Social services official and chairpersons from two KADET solidarity groups. Ten women microenterprise owners were selected for the focus group discussion using the systematic random sampling method.

Key informant interviews and focus group discussions were conducted first to gather information on the status of microfinance arrangement in Ol Kalou town and women microenterprise growth. This was followed by the survey of women microenterprises to obtain information on enterprise performance once they access credit.

The study was informed by both primary and secondary data sources. Primary data was obtained from the selected women microenterprise owners, key informants and focus group discussion. Secondary data was obtained from published and unpublished materials.

3.3 Study Site

This study was conducted in Ol Kalou town, the headquarter of Nyandarua County. The town is located along the Nakuru-Nyahururu highway. The town is centrally located within the county and is accessible owing to the tarmacked Dundori-Ol Kalou road and Njambini-Ol Kalou road.

The spread of trade related microenterprises in Ol Kalou town can be attributed to reduced agricultural productivity experienced in the region leading to livelihood diversification (GoK, 2002). In addition; population increase amidst declining formal employment has also pushed more women to the sector. There are several MFIs in Ol Kalou town targeting women microenterprises. However it is not clear how credit has influenced enterprise performance.

Ol Kalou town was selected for this study purposively for two reasons. First, its geographical position in the county provides a strategic area for trade related activities. Owing to its improved road network in the region, many people are able to access the town hence increased business activity. Finally, the researcher is conversant with the town.

3.4 Unit of Analysis, Population and Sampling Procedure

Babbie (2012) describes a unit of analysis as an element about which information is collected and analysed. The unit of analysis for this study was individual woman owned microenterprise that received credit from KADET in Ol Kalou town. According to the KADET credit officer in charge of Ol Kalou town, there were 325 clients borrowing from the institution. About 140 of them borrowed business loans. The population of this research entailed all clients who received business loans in Ol Kalou town.

Sampling began by purposively selecting nine solidarity groups out of eleven that accessed business loans. The nine groups were selected because they had more women members and were located within Ol Kalou town. Simple random sampling was used to identify twelve women microenterprise owners in each group. Members of each group were listed down and assigned numbers. The researcher wrote the numbers on pieces of paper, folded, mixed and randomly selected twelve numbers. The women selected using the lottery method were then interviewed.

Five key informants were purposively selected to inform the study. They were selected based on their knowledge of microfinance and women microenterprises in Ol Kalou town. The study had proposed the following as KIs: an official from the ministry of Gender and Social services, the credit officer at KADET Ol Kalou branch, an official from the KADET head office and chairpersons of two KADET loan groups. The researcher was able to interview the head of KADET credit unit (head office), the KADET credit officer (Ol Kalou branch) and two chairpersons of solidarity groups. The researcher could not get an official from the Ministry of Gender and Social services in Ol Kalou's district commissioner's offices since he was on study leave and had not relocated fully from Nyahururu (the former district headquarter). The key informants provided information on KADET microfinance arrangement and women microenterprises in Ol Kalou town.

Ten women microenterprise owners were selected using the systematic random sampling technique for the focus group discussion. To select a random start, the researcher selected a number between one and fourteen using the lottery method. Using the sampling frame

developed, the researcher selected every 6th element in the sample until ten women were selected.

3.5 Data Collection

This section presents the data sources and the process of data collection.

3.5.1 Data Sources

The study used both primary and secondary data. Qualitative and quantitative techniques were used to collect primary data. To complement primary data, secondary data sources were used. The information was obtained from both published and unpublished materials. Published materials included: books, reports and electronic journals while unpublished materials used were thesis and working papers, among others. The secondary data provided the theoretical and empirical literature of the study.

3.5.2 Key Informant Interviews

The key informant interview was used to collect in-depth information on the role of microfinance in women microenterprise growth. In addition, the KIs provided the background information on microfinance institutional arrangement in Ol Kalou town. Key informant interviews were conducted face to face by the researcher using interview guides (See Appendices 2&3).

The first key informant interview was conducted on 1st October, 2012 with the head of KADET credit unit in the institution's head office. The interview provided the background information on the regulatory framework of KADET and paved way for the field research since the key informant approved the study. The other three key informant interviews were conducted on 23rd and 25th October 2012. The interviews were found to be useful for this study because they provided information on the requirements for joining KADET, terms and conditions of KADET credit and the impact on women microenterprises in Ol Kalou town. The interviews took a period of 20- 25 minutes each.

3.5.3 Focus Group Discussion

A focus group discussion was conducted with ten women microenterprise owners in Ol Kalou town who were selected using the systematic random sampling technique. The researcher moderated the discussion while the research assistant took notes. According to Krueger (1994) cited in Onwuegbuzie (2009), a moderator facilitates the discussion and ensures participation by all members while an assistant moderator records the emerging issues of the discussion. The main issue of discussion was the effectiveness of credit obtained from KADET in promoting enterprise growth in Ol Kalou town. The focus group discussion took one hour and fifteen minutes.

3.5.4 Survey

A survey questionnaire was used to collect data from individual women microenterprise owners (see Appendix 1). The questionnaire had both open and closed ended questions to collect as much information as possible. According to Royse (2008), open ended questions yield more details than close ended questions. It is therefore important to combine the two for effectiveness. The questionnaires were administered through face to face interviews in order to maximise on response rate and allow further probing. The questionnaire had several sections namely: demographic information, enterprise characteristics, KADET credit and enterprise growth.

The questionnaire was pretested before the actual field work to ascertain its efficiency in collecting the information required. The pre-test was conducted between 27th and 29th September, 2012. Ten women microenterprise owners in Ol Kalou town were sampled purposively for the pre-test. Useful information gaps identified during the pre-test aided in shaping the final questionnaire. More questions were added into the instrument while others were revised to capture relevant information. Some questions were removed and taken to the interview guide.

The actual field work took place between 3rd December, 2012 and 12th January, 2013. The researcher and the research assistant conducted face to face interviews with the sampled respondents. Some interviews were conducted in the businesses while others were conducted after group meetings. During group meetings, the researcher was introduced

by the credit officer to the members. This helped the researcher to win the confidence of the respondents.

The researcher encountered a few challenges during the research. First, the KADET head office in Nairobi took a long period to approve the research. This delayed the actual field work for over a month. Secondly, interviews conducted in business premises suffered from interruptions when the respondent had to attend to a customer. Thirdly, some groups would postpone their meetings without prior knowledge of the credit officer and the researcher.

3.6 Data Analysis

Data analysis involved both qualitative and quantitative techniques. Quantitative data analysis was used to analyze quantitative data. The process began with cleaning and editing the data in the questionnaires every day after the fieldwork. This ensured that all information was captured and coded as required. After the field work, some open ended questions were coded depending on similar responses. This was followed by data entry in Statistical Packages for Social Sciences (SPSS) data sets. The data once entered was cleaned to ensure accuracy.

SPSS was used to analyse the data using descriptive, regression, chi-square tests, Fischer Exact tests and multivariate analysis. Descriptive statistics such as measures of central tendencies, frequencies and cross tabs were used to describe some sections of the data. To test the relationship between dependent variable (enterprise growth) and independent variables such as (enterprise age, education level, owners age, business training) regression, ANOVA, Chi-square and multivariate tests were used. The choice of test was determined by whether dependent and independent variables were categorical or continuous. For instance, when the two variables were categorical Chi-square test and Fischer Exact test were used to test the relationship and if the two were continuous, regression analysis was most appropriate. Multivariate analysis was used to test the relationships between an independent variable and different measures of growth. The data

was presented in tables and charts. Microsoft Excel was used to generate charts once the data was analysed using SPSS. Key informant data and focus group discussion information was summarized in Microsoft Word according to different themes.

CHAPTER FOUR

DEMOGRAPHIC AND ENTERPRISE CHARACTERISTICS AND THEIR INFLUENCE ON ENTERPRISE GROWTH

4.1 Introduction

This chapter presents findings with regard to the demographic characteristics of owners and characteristics of women microenterprises. Demographic characteristics considered are age, level of education, marital status and business training. Enterprise characteristics in consideration include: type of business, enterprise age, nature of premise, location, employment size, license and working capital.

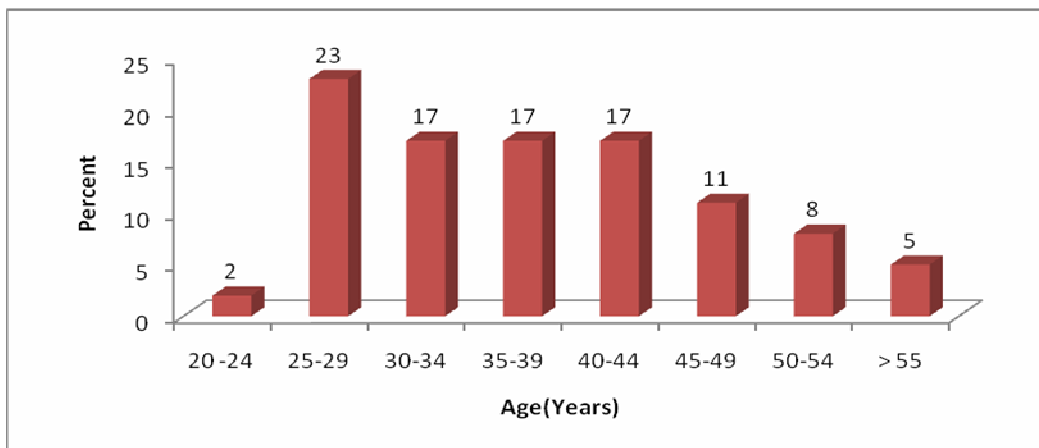
4.2 Demographic Characteristics

4.2.1 Age

The study found that most women microenterprise owners in Ol Kalou town were middle aged. Slightly over half of the respondents (53 percent or 53) were aged between 35 and 54 years. The highest frequency (23 percent or 23) was recorded in the age bracket of (25-29) years while the lowest frequency (2 percent or 2) was recorded in the age bracket (20-24) years as illustrated in Figure 4.1. The mean age of respondents was 37.5 years. The youngest woman microenterprise owner was 24 years while the oldest was 60 years.

These findings are consistent with those of Jagongo (2012) which showed that entrepreneurial activity was high among young and middle aged women.

Figure 4.1: Age Composition



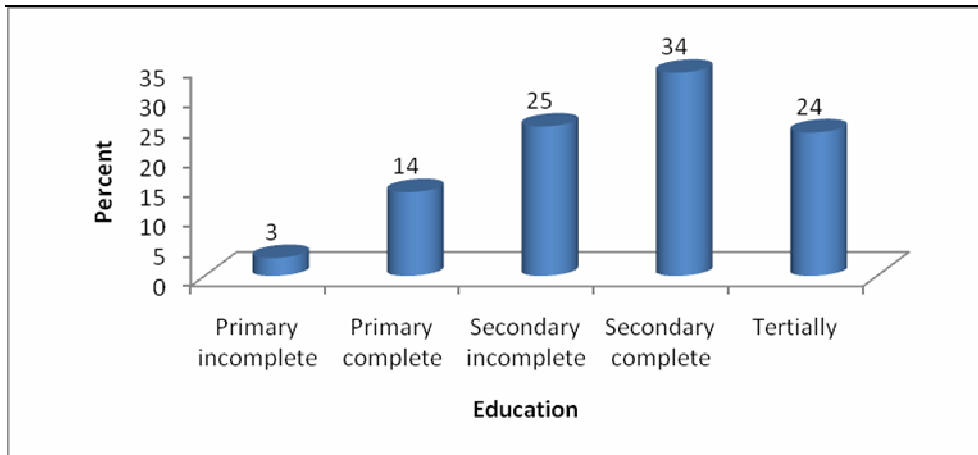
Source: Field Research, 2013.

4.2.2 Education Level

This section presents the findings of the study with regard to the education level of the respondents. Majority of the respondents (59 percent or 59) as illustrated in Figure 4.2 had attained secondary school education. Of the total respondents, 14 percent or 14 had completed primary school education. A proportion of 3 percent or 3 respondents had not

completed primary school education. About 34 percent or 34 respondents had completed secondary school education while 25 percent or 25 had not completed. On tertiary education, 24 percent or 24 respondents had completed. Similarly, Hospes *et al.*, (2002) found that majority of women microenterprise owners in their study had secondary school education.

Figure 4.2: Education Level

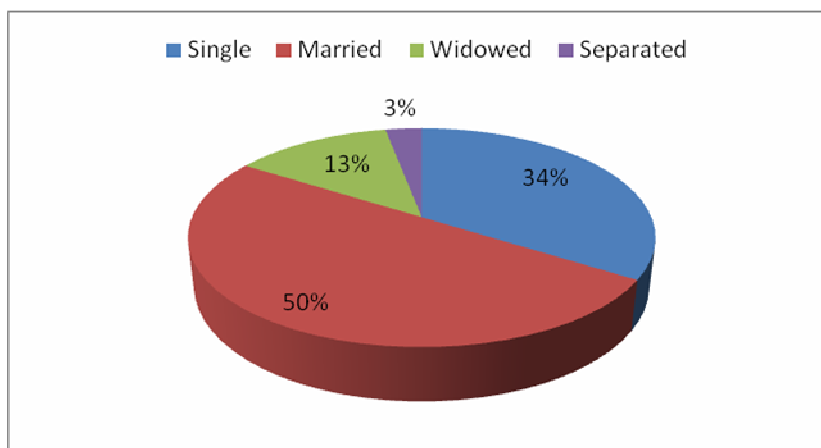


Source: Field Research, 2013.

4.2.3 Marital Status

As illustrated in Figure 4.3, half of the respondents (50 percent or 50) were married. A proportion of 34 percent or 34 respondents were single while 13 percent or 13 respondents were widowed. About 3 percent or 3 respondents were separated. Ochola *et al.*, (2013) similarly found that most women enterprise owners in their study were married and few were single.

Figure 4.3: Marital Status



Source: Field Research, 2013.

4.2.4 Business Training

The study sought to find out whether women received business training and how this influenced business performance. The study revealed that more than a quarter (29 percent or 29) of the respondents had received business training while 71 percent or 71 had not. This implies that most women relied on acquired knowledge to run their businesses. In their study, Stevenson *et al.*, (2005) similarly found that most women had no business training despite availability of business development services in Kenya.

Table 4.1: Business Training

	Frequency	Percent
Business training	29	29.0
No Business training	71	71.0
Total	100	100.0

Source: Field Research, 2013

4.3 Characteristics of Women Owned Microenterprises

4.3.1 Type of Enterprise

The study sought to find out the type of enterprises that women in Ol Kalou town were engaged in. The findings as illustrated in Table 4.2 show that women were involved in a variety of enterprises. The dominant types of enterprises were retail shops (13 percent or 13), salon (12 percent or 12), second hand clothes (10 percent or 10), boutique (9 percent or 9) and vegetable vending (8 percent or 8). About 6 percent or 6 respondents each were

dealing with cereals and dressmaking. A proportion of 5 percent or 5 respondents each were selling cosmetics and food. Other enterprises included jewelery (3 percent or 3), milk, fruits and household items (2 percent or 2 each) and cake business (1 percent or 1). The results were expected since literature suggests that there are feminized sectors such as food processing, hairdressing, dress making and retail of second hand clothes that women tend to dominate (McCormick, 2001).

Further the findings revealed that other than the feminized sectors, women were involved in other activities. From Table 4.2, other enterprises conducted by women in Ol Kalou town include, welding (1 percent or 1), hardware (2 percent or 2), wine and spirits (2 percent or 2), chemist (1 percent or 1), animal feeds (2 percent or 2), butchery (2 percent or 2) and mobile phones and accessories (1 percent or 1). Further analysis revealed that these enterprises were jointly owned with spouses. Joint ownership with men perhaps could be explained by huge capital needs for the stated enterprises. Involvement of women in non feminized sectors illustrates the current trend in Kenya where either male or female can engage in any activity. For instance, men are increasingly operating hairdressing and cloth enterprises in urban areas.

Table 4.2 Type of Enterprise Activity

Type of business	Frequency	Percent
Retail shop	13	13.0
Salon	12	12.0
Second hand clothes	10	10.0
Boutique	9	9.0
Vegetable vendor	8	8.0
Cereal shop	7	7.0
Tailor	6	6.0
Cosmetics	5	5.0
Food kiosk	5	5.0
Charcoal seller	4	4.0
Jewellery	3	3.0
Butchery	2	2.0
Fruits	2	2.0
Animal feeds	2	2.0
Wines and spirits	2	2.0
Hardware	2	2.0
Milk parlour	2	2.0
Household goods shop	2	2.0

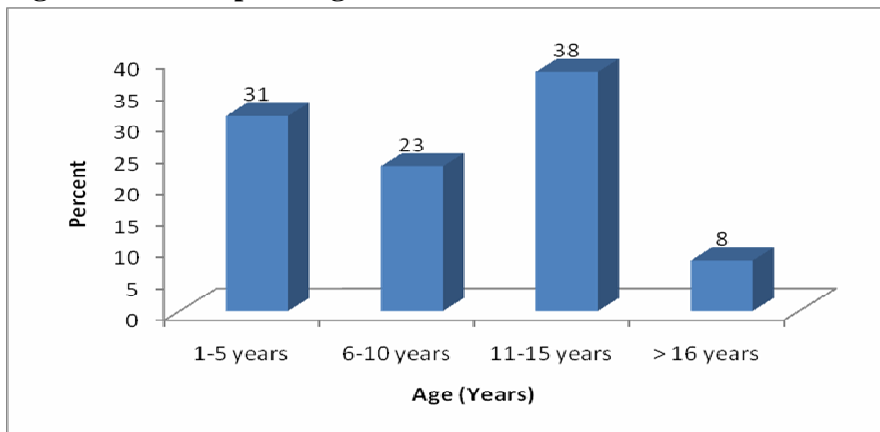
Cake	1	1.0
Welding	1	1.0
Mobile phone & accessories	1	1.0
Chemist	1	1.0
Total	100	100.0

Source: Field Research, 2013

4.3.2 Business Age

The study sought to find out the age of women microenterprises and how this influences enterprise growth. This is because literature suggests that enterprise age and enterprise growth are positively correlated (Masakure *et al.*, 2009). More than half of the enterprises (54 percent or 54) were less than 10 years in age. The highest frequency (38 percent or 38) was recorded in the age bracket of 11-15 years as illustrated in Figure 4.4. The mean age of the enterprises was 9 years. The youngest enterprise in the sample was 2 years while the oldest was 21 years.

Figure 4.4: Enterprise Age



Source: Field Research, 2013

4.3.3 Business Registration

The study found that 9 percent or 9 of the enterprises sampled were registered with the government while 91 percent or 91 were not (See Table 4.3). Therefore most of the enterprises were informal. Of the registered enterprises, 88.9 percent or 8 were sole proprietorships while 11.1 percent or 1 was a partnership. The study further revealed that most of the registered women enterprises (88.9 percent or 8) were jointly owned with husbands while only one registered enterprise was owned by a woman. The findings were similar with the ones found by (Kimuyu, 2001) who observed that unlike female enterprises, most male owned enterprises were likely to be registered.

Table 4.3 Business Registration by Ownership

Registration	Enterprise ownership	Total
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		Self	Husband	Jointly with spouse	Jointly with others	
Registered	Count	1	0	8	0	9
	% within Registration with govt authority	11.1%	.0%	88.9%	.0%	100.0%
Not registered	Count	73	2	10	6	91
	% within Registration with govt authority	80.2%	2.2%	11.0%	6.6%	100.0%
Total	Count	74	2	18	6	100
	% within Registration with govt authority	74.0%	2.0%	18.0%	6.0%	100.0%

(Chi-Sq=33.688, df=3,p=000)

Source: Field Research, 2013

The study found that most of the women microenterprises were operating with licenses. From the findings illustrated in Table 4.4 majority of the respondents (96 percent or 96) had licenses while 4 percent or 4 respondents did not.

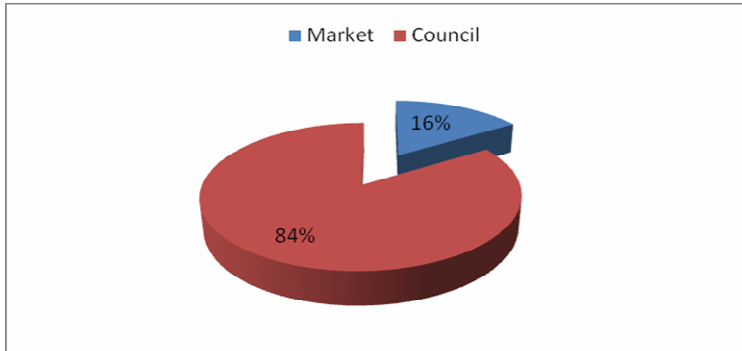
Table 4.4: Business License

License	N	Percent
Have license	96	96.0
No license	4	4.0
Total	100	100.0

Source: Field Research, 2013.

The findings as illustrated in Figure 4.5 indicate that majority of the respondents (84 percent or 84) had council licenses while 16 percent or 16 respondents were operating with market licenses.

Figure 4.5: Type of License

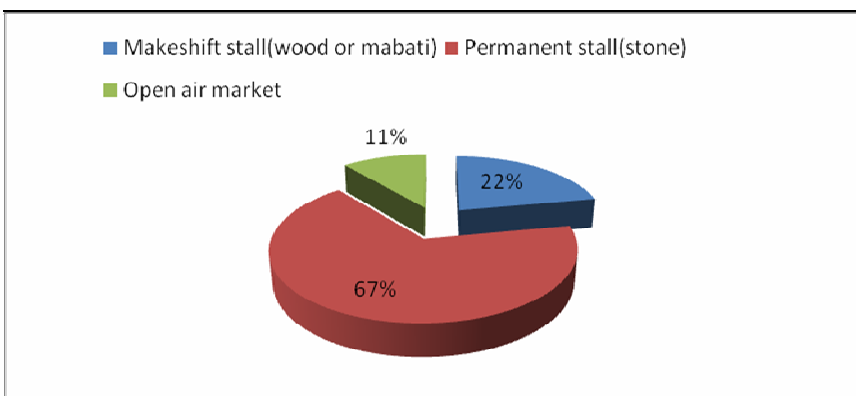


Source: Field Research, 2013.

4.3.4 Business Premises

The study established that majority of the enterprises were operated in permanent structures (Figure 4.6). From the findings, 67 percent or 67 women conducted business in a permanent premise. Of the total enterprises, 22 percent or 22 were conducted in temporary structures while 11 percent or 11 were conducted in the open air market. This was an interesting finding since research shows that women enterprises are conducted mainly in temporary structures (Richardson *et al.*, 2004). This could be attributed to many quarries in the region making building stones cheaper hence many permanent structures.

Figure 4.6: Enterprise Premises



Source: Field Research, 2013.

4.3.5 Enterprise Location

The study sought to establish the number of business locations for women microenterprises in Ol Kalou town. This is because literature suggests that women enterprises are likely to be operated in a number of locations (McCormick, 2001). The findings show that 74 percent or 74 women operated business in one location while the rest (26 percent or 26 respondents) conducted business in more than one location (Table 4.5).

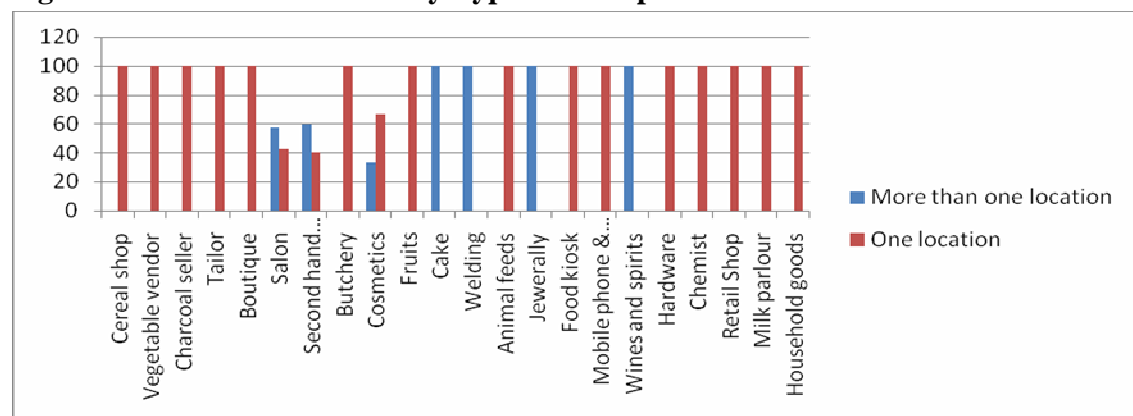
Table 4.5: Number of Business Locations

Location	N	Percent
More than one business location	26	26.0
One business location	74	74.0
Total	100	100.0

Source: Field Research, 2013

A summary of further analysis of business locations and type of enterprise carried out is provided in Figure 4.7. It was considered useful since the type of business could influence the number of operating locations. Enterprises dealing with hairdressing, second hand clothes, cakes, cosmetics, welding, jewellery and wines and spirits operated in many locations while the rest had only one location. Respondents reported that they operated in many locations to capture more customers and satisfy customers' needs.

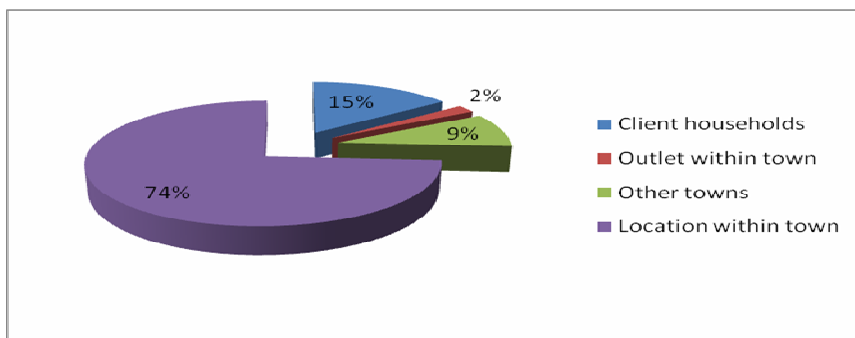
Figure 4.7: Business Location by Type of Enterprise



Source: Field Research, 2013.

Majority of the respondents (74 percent or 74) conducted business within Ol Kalou town (Figure 4.8). The study established that 15 percent or 15 respondents operated in client's homes. This was more common with salon enterprises since some clients preferred to get hairdressing services at their convenience. Further, second hand clothes and jewellery enterprises were reported to be conducted at homes during *chama*¹ meetings. A proportion of 9 percent or 9 respondents conducted business in other towns while 2 respondents had an outlet within Ol Kalou town. These towns were mainly Nyahururu, Naivasha, Njambini, Tumaini and Gilgil. Those selling jewellery and second hand clothes went to other towns during market days while alcoholic drinks business and welding enterprise had outlets in other towns.

Figure 4.8: Business Location



Source: Field Research, 2013.

4.3.6 Employment Size

The study sought to establish the employment size of women microenterprises in Ol Kalou town. Table 4.6 illustrates the findings of the study with regard to employment size. On average, enterprises were found to employ 1.88 workers. Majority of the employees comprised of owners and family members (71.8 percent or 135). These findings concur with the 1999 National SME Baseline Survey which found that about 75 percent of MSE employment involved only owners and their family members (CBS *et al.*, 1999). Of the total employees (17.6 percent or 33) were full time workers while 10.6

¹ The word *Chama* is a Swahili word for Rotating Credit and Savings groups.

percent or 20 were working on casual basis. In terms of gender, there were more female employees (79.8 percent or 150) than male employees (20.2 percent or 38).

Table 4.6: Employment Size by Gender

Employee		Gender		Total
		Female	Male	
Owners	Count	105	12	117
	% within Employees	89.7%	10.3%	100.0%
	% of Total	70.0%	31.6%	62.2%
Family workers	Count	10	8	18
	% within Employees	55.6%	44.4%	100.0%
	% of Total	7.0%	21.1%	9.6%
Full time workers	Count	16	17	33
	% within Employees	48.5%	51.5%	100.0%
	% of Total	11.0%	44.7%	17.6%
Casuals	Count	19	1	20
	% within Employees	95.0%	5.0%	100.0%
	% of Total	13.0%	2.6%	10.6%
Total	Count	150	38	188
	% within Employees	79.8%	20.2%	100.0%

Source: Field Research, 2013

4.3.7 Initial Capital

The study found that the average start-up capital was KShs 21,325. The minimum amount of initial capital was KShs 500 while the maximum was KShs 200,000. Majority of the enterprises (69 percent or 69) had an initial capital of less than KShs 20,000 as shown in Table 4.7. A proportion of 24 percent or 24 enterprises were started with capital worth KShs.21000-40000. The rest 7 percent or 7 enterprises had initial capital of more than KShs.41, 000.

Table 4.7: Initial Capital

Initial capital (KShs)	Frequency	Percent
< =20000	69	69.0
21000-40000	24	24.0
41000-60000	4	4.0
81000-100000	1	1.0
+ 101000	2	2.0
Total	100	100.0

Source: Field Research, 2013

Initial capital was sourced from multiple sources as illustrated in Table 4.8. A large proportion of the respondents (43.4 percent or 56) obtained start-up capital from relative/spouses while 41.1 percent or 53 used savings to start their enterprises. About 7.8 percent or 10 respondents sourced initial capital from *vyama* (plural for *chama*). The rest of the respondents sourced start-up capital from banks (3.1 percent or 4), retirement benefits (2.3 percent or 3) and friends (2.3 percent or 3). These findings concur with (ILO, 2004) observation that in Ethiopia, Zambia and Tanzania, majority of start-up capital for women businesses was obtained from savings and relatives.

Table 4.8: Sources of Initial Capital

Source of Initial Capital	Responses		Percent of Cases
	N	Percent	
Relative/spouse	56	43.40%	56.00%
Savings	53	41.10%	53.00%
Chama	10	7.80%	10.00%
Bank	4	3.10%	4.00%
Friend	3	2.30%	3.00%
Retirement benefits	3	2.30%	3.00%

Total	129	100.00%	129.00%
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Source: Field Research, 2013.

The study assessed the differences between initial capital and current working capital. This is because literature suggests that initial capital could be a determinant of enterprise growth (McCormick and Pederson, 1996). The Paired Sample T test was used to determine whether initial capital differed with the current working capital. The results showed that there was a statistically significant difference between the initial capital and the current working capital (MD=-28,984.7, SD=37,951.4, $t(97) = -7.6$, $p=0.000$). This finding suggests that women microenterprises experienced growth despite having different amounts of initial capital.

4.4 Influence of Demographic and Enterprise Characteristics on Enterprise Growth

This section presents findings of the study with regard to the influence of selected demographic and enterprise characteristics on enterprise growth. The demographic characteristics considered are age, education level and business training while the enterprise characteristic considered was business age.

According to Storey (1994), enterprise growth is dependent on three factors namely: the characteristics of the owner, the characteristics of the enterprise and the development strategies of the enterprise. The study therefore hypothesized that there was a relationship between the dependent variable (enterprise growth) and independent variables (business age, level of education, business training and owner's age). The enterprise growth considered in this study is based on the first credit obtained from KADET and is captured monthly.

4.4.1 Demographic Characteristics and Enterprise Growth

4.4.1.1 Entrepreneur Age

The study analyzed the influence of enterprise owner's age on enterprise growth in terms of growth in sales, growth in profit growth and asset growth. The multivariate analysis of

variance was used to test whether the age of the owner had an effect on enterprise growth. The results revealed a significant multivariate main effect of owner's age on enterprise growth (Wilks' $\lambda=0.90$, $F(4,192) = 2.53$, $p=0.042$).

4.4.1.1.1 Sales Growth

The findings of the study illustrated in Table (4.9) show that most of the enterprises (91 percent or 91) across all age groups increased sales by less than KShs. 40,000 after accessing credit from KADET. About 13.3 percent or 6 enterprises with respondents aged between 35 and 49 years recorded sales growth greater than KShs.41, 000 while 15.4 percent or 2 enterprises of respondents aged above 50 years increased sales with more than KShs.41, 000. Only one respondent aged below 34 years sold goods worth more than KShs.41, 000. This suggests that enterprise sales did not increase with the age of the enterprise owner. Based on empirical literature (Gomez, 2008) the study hypothesized that there was a relationship between the age of the owner and sales growth. Since 66 percent of the cells had Expected count of less than 5, the multivariate analysis of variance was used instead of Chi-square to test the relationship between age and sales growth. The multivariate analysis of variance results indicate that there was a significant relationship between the age of the enterprise owner and sales growth ($F(2, 97) = 4.05$, $p < 0.05$). The null hypothesis that there was no relationship between the age of the owner and sales growth was therefore rejected. These findings differ with Ferreira *et al.*, (2011) who found that there was no statistically significant relationship between the age of the enterprise owner and enterprise sales growth.

Table 4.9: Sale Growth by Respondent Age

Respondent Age		Sales Growth(Ksh)			Total
		Less than 40000	41000-80000	Greater than 81000	
20-34 Years	Count	41	1	0	42
	% within Respondents age	97.6%	2.4%	.0%	100.0%
35-49 Years	Count	39	4	2	45
	% within Respondents age	86.7%	8.9%	4.4%	100.0%
Above 50 Years	Count	11	1	1	13
	% within Respondents age	84.6%	7.7%	7.7%	100.0%
Total	Count	91	6	3	100
	% within Respondents age	91.0%	6.0%	3.0%	100.0%

(Chi-Sq=4.485, df=4, p=0.344)

Source: Field Research, 2013.

4.4.1.1.2 Asset Growth

The study sought to investigate the influence of enterprise owner's age on asset growth after receiving credit. Analysis of variance was used to determine whether there was a difference in asset growth across grouped ages. The results revealed that there was no relationship between age and asset growth ($F(2, 23) = 1.2, p > 0.05$). Those aged between 20 and 34 years recorded the highest mean asset growth of (KShs.15, 500). Respondents in the age category of (35-49) had a mean asset growth of KShs.11, 045 while those above 50 years had a mean asset growth of KShs.7, 733. This suggests that the age of the enterprise owner did not affect investment in business assets.

Table 4.10: Asset Growth by Respondent Age

Respondent Age	Asset Growth
	Mean (KShs)
20-34 Years	15500.00
35-49 Years	11045.45
Above 50 Years	7733.33

Source: Field Research, 2013.

4.4.1.1.3 Profit Growth

The study sought to investigate the influence of the age of the enterprise owner on profit growth. The results as illustrated in Table 4.11 show that majority of respondents (93 percent or 93) recorded profit growth of less than KShs.15, 000. A proportion of 7.2 percent or 3 respondents aged between 20 and 34 years had profit growth that exceeded KShs.16, 000 while 6.7 percent or 3 of those aged between 35 to 49 years increased profits ranging from KShs.16, 000 to KShs.30, 000. Only one respondent aged above 50 years increased profits with an amount of KShs.31, 000. Since more than 20 percent of the cells had expected count of less than 5, the multivariate analysis of variance was used instead of the Chi-square to test the relationship between age and profit growth. The multivariate analysis revealed that there was no relationship between the age of enterprise owner and profit growth [$F(2, 97) = 0.31, p > 0.05$]. Therefore the null hypothesis was accepted. The findings concurs with Kiraka *et al.*, (2013) who found that women's age did not influence profit growth in their enterprises after receiving credit.

Table 4.11: Profit Growth by Respondent Age

Respondent Age		Profit Growth			Total
		<15000	16000-30000	>31000	
20-34 Years	Count	39	2	1	42
	% within owner age	92.9%	4.8%	2.4%	100.0%
35-49 Years	Count	42	3	0	45
	% within owner age	93.3%	6.7%	.0%	100.0%
Above 50 Years	Count	12	0	1	13
	% within owner age	92.3%	.0%	7.7%	100.0%
Total	Count	93	5	2	100
	% within owner age	93.0%	5.0%	2.0%	100.0%

(Chi-Sq=3.943, df=4, p=0.406)

Source: Field Research, 2013.

4.4.1.2 Education Level

The study analyzed the influence of the level of education attained on enterprise growth in terms of sales growth, profit growth and asset growth. In order to establish whether credit had any impact on growth, Fischer Exact test and ANOVA were carried out and the ensuing results are discussed below.

4.4.1.2.1 Sales Growth

Education level was collapsed into three groups (primary, secondary and tertiary). Analysis of Variance was used to analyze the impact of education on sales growth. The test revealed that there was no significant difference at 5 % level of significance in monthly sales for the three education groups [F (2, 97) =0.1, p>0.05]. Those with tertiary education recorded the highest mean monthly sales of KShs 21,020. The average monthly sales of respondents with primary school education was KShs 20,853 while that of those with secondary school education was KShs 18,305. The results suggest that the level of

education attained did not influence sales growth therefore the null hypothesis was accepted.

Table 4.12: Sales Growth by Education Level

Level of Education	Sales Growth	
	Mean	Standard Deviation
Primary Education	20852.94	17793.75
Secondary Education	18305.08	28533.71
Tertiary Education	21020.83	34195.88

Source: Field Research, 2013.

4.4.1.2.2 Asset Growth

Literature suggests that education level of an individual can influence the amount of assets invested in an enterprise (Moti *et al.*, 2011). Analysis of Variance was carried out to determine whether there was a difference in asset growth across the three education levels. The results revealed that there was no relationship between the level of education attained and asset growth [$F(2, 23) = 0.2, p > 0.05$]. Enterprise owners with secondary school education recorded a mean asset growth of KShs.13, 559 while respondents with tertiary education had a mean asset growth of KShs.11, 275. The least average asset growth (KShs.10, 000) was recorded for respondents with primary school education. This implies that education level of an individual does not affect the value of assets in a business. Therefore the null hypothesis that there was no relationship between the level of education attained and asset growth was accepted. This finding differs with Moti *et al.*, (2011) who found that individuals with post secondary school education had most assets. Among the women with assets in this study, most had secondary school education perhaps to have significant effect on asset growth.

Table 4.13: Asset Growth by Education Level

Education Level	Asset Growth	
	Mean	SD
Primary Education	10000.00	
Secondary Education	13558.82	9232.89
Tertiary Education	11275.00	10489.69

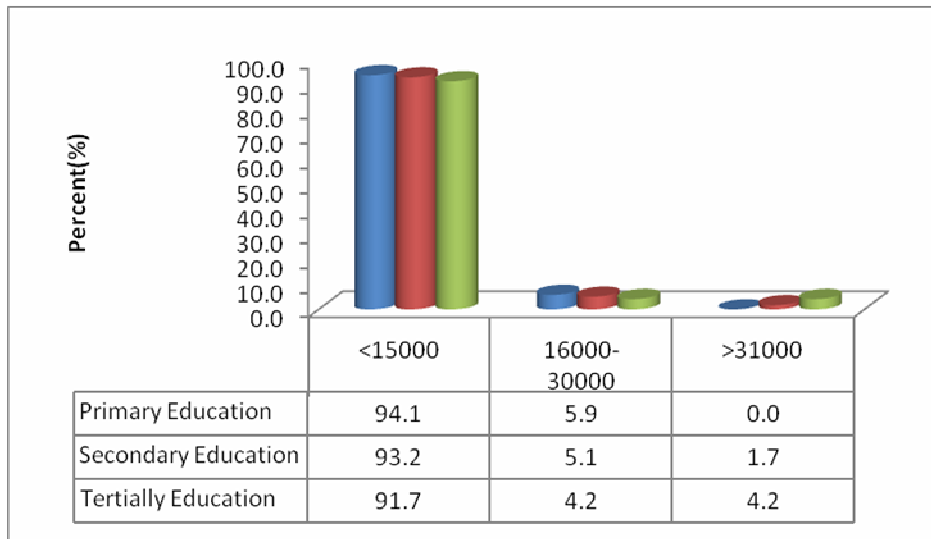
Source: Field Research, 2013.

4.4.1.2.3 Profit Growth

Majority of the respondents across all education levels recorded a growth in profits of less than KShs.15, 000 (See Figure 4.9). A proportion of 5.1 percent or 3 respondents with secondary school education increased profits by amounts ranging from KShs. 16,000 to 30,000 while only one respondent recorded an increase in profit of more than KShs.31, 000. About 5.9 percent or 1 respondent with primary school education had profit growth that ranged from KShs. 16,000 to 30,000. In the tertiary education category, 8.4 percent or 2 respondents recorded profit growth that was greater than KShs.16, 000.

Further, the Fischer Exact test was carried out to test the relationship between education and profit growth. Since the results revealed that there was no relationship between education level attained and profit growth ($p > 0.05$), the null hypothesis was accepted. These findings differ with (Hospes *et al.*, 2002) who found that there was a relationship between education level attained and the profitability of women enterprises borrowing from KWFT. This is possibly because women micro entrepreneurs in this study lacked professional training unlike those in Hospes *et al* study.

Figure 4.9: Profit Growth by Education Level



Source: Field Research, 2013

4.4.1.3 Business Training

For the purpose of analyzing the influence of training on enterprise growth, sales and profit growth were considered most reliable. This is because only 4 respondents with business training had assets. ANOVA and regression analysis were used to analyse the influence of business training on enterprise growth.

4.4.1.3.1. Sales Growth

Respondents who had business training recorded sales growth of KSh.23, 000 than those with no business training whose sales growth was KShs.17, 916.5. This suggests that business training had an impact on enterprise growth. Further Analysis of variance results revealed that there was no significant relationship between business training and sales growth ($F(1, 98) = 0.7, p > 0.05$). Therefore the null hypothesis that there was no relationship between business training and enterprise growth was accepted. Contrary, Cheserek *et al.*, (2012) found that business training improved sales performance. Probably women in this study were trained on general business operation unlike those in Cheserek *et al* study who were trained on marketing skills. Thus women in the latter study were likely to have higher sales owing to their marketing skills.

Table 4.14: Sales Growth by Business Training

	N	Sales Growth after KADET (KShs)	
		Mean	Sum
Business training	29	23000.00	667000.0
No training	71	17916.50	1272000.0

Source: Field Research, 2013.

4.4.1.3.2 Profit Growth

Literature suggests that business training influences profitability of women's microenterprises (Copestake, 2000). A regression analysis that was carried out to analyze the relationship between business training and profit growth found that there was no significant relationship between business training and profit growth [$R^2=0.01$, $F(1, 98) = 0.959$, $p > 0.05$]. Therefore the null hypothesis that there was no relationship between business training and profit growth was accepted. This finding differs with Tundui (2012) and Copestake *et al.*, (2000) who observe that business training had positive effects on profit growth. Perhaps women in this study who received business training failed to train their employees therefore no significant difference in profit growth with those who had no business training.

Table 4.15: Business Training and Profit Growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2389.024	3439.937		.694	.489
	Business training	1904.080	1944.367	.098	.979	.330

a Dependent Variable: Profit growth [$R^2=0.01$, $F(1,98)=0.959$, $p > 0.05$].

Source: Field Research, 2013

4.4.2 Enterprise Characteristics and Enterprise Growth

4.4.2.1 Business Age

The study analyzed the relationship between enterprise age and growth (assets growth, sale growth and profits growth) using regression analysis and ANOVA. Literature on firm growth suggests that age of an enterprise can affect a business positively or negatively.

4.4.2.1.1 Sales Growth

The study aimed at analyzing the differences in monthly growth in sales in relation to enterprise age after receiving credit from KADET. For the purpose of the analysis, enterprise age and sales growth were collapsed into groups. The findings revealed that nearly three quarters of the enterprises (70 percent or 70) recorded monthly sales growth of less than KShs.20, 000 across all enterprise age groups. As illustrated in (Table5.8) 13 percent or 7 enterprises aged 1-10 years had increased monthly sales that ranged from KShs. 21, 000 to 40,000 while 5.7 percent or 3 enterprises increased monthly sales to over KShs.41, 000. About 30.4 percent or 14 enterprises aged between 11 to 20 years had monthly sales growth that ranged between KShs. 21,000 and KShs.40, 000 while 13 percent or 6 enterprises had monthly sales valued at more than Ksh.41, 000. This implies that older enterprises had higher sales growth than younger enterprises after accessing financing from KADET.

Further regression analysis was carried out to determine the relationship between enterprise age and sales growth. The results revealed that there was a statistically significant relationship at 95 percent confidence interval between enterprise age and sales growth [$R^2=0.05$, $F(1, 98) = 5.06$, $p < 0.05$]. This implies that the age of an enterprise influences sales growth. Therefore the null hypothesis that there was no relationship between enterprise age and sales growth was rejected. The findings agree with Kimuyu (2001) who found out that there was a positive relationship between enterprise age and its productivity. Probably, as an enterprise matures, its business worth increases hence eliciting higher sales.

Table 4.16: Sales Growth by Enterprise Age

Enterprise Age		Grouped Sales Growth					Total
		Less than 20000	21000-40000	41000-60000	61000-80000	Greater than 81000	
1-10 Years	Count	44	7	1	1	1	54
	% within Enterprise age	81.5%	13.0%	1.9%	1.9%	1.9%	100%
11-20 Years	Count	26	14	4	0	2	46
	% within Enterprise age	56.5%	30.4%	8.7%	0%	4.3%	100%
Total	Count	70	21	5	1	3	100
	% within Enterprise age	70.0%	21.0%	5.0%	1.0%	3.0%	100%

Source: Field Research, 2013

4.4.2.1.2 Asset Growth

The relationship between enterprise age and asset growth was analysed using the Analysis of Variance. For the purpose of this study, business related assets were considered. Only 26 enterprises recorded business assets while the rest operated without assets. This was expected because most women engage in trade related microenterprises that do not require equipment. The ANOVA results indicated that there was no relationship between enterprise age and asset growth ($F(1, 24) = 0.3, p > 0.05$). Enterprises aged above 11 years had more mean monthly asset growth (KShs.13,765) than enterprises aged below 10 years (M=KShs.11,692).

Table 4.17: Asset Growth by Enterprise Age

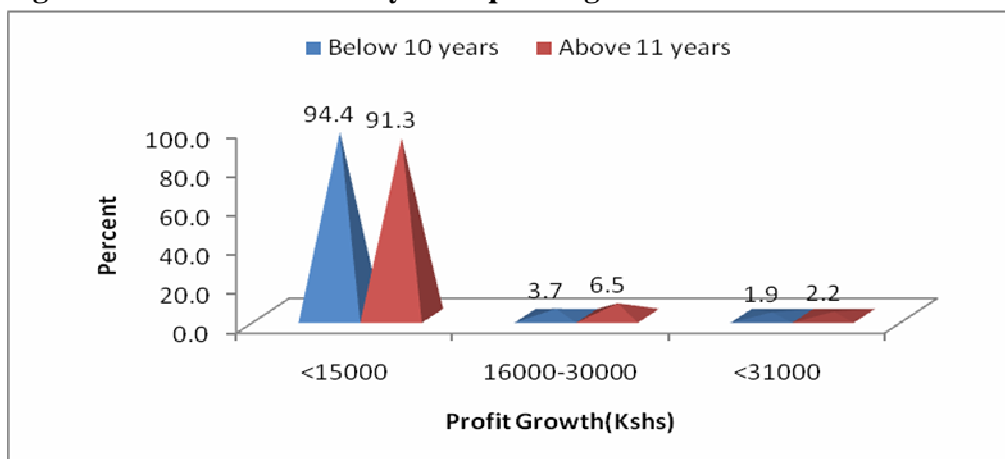
Enterprise Age	Asset Growth
	Mean
Below 10 years	11692.31
Above 11 years	13746.15

Source: Field Research, 2013.

4.3.2.1.3 Profit Growth

The study sought to investigate how the age of an enterprise influences growth in profit. According to the findings, majority of the enterprises (94.4 percent or 51) aged below 10 years had a monthly profit growth of less than KShs.15, 000 while only one enterprise had a monthly profit growth of KShs.31,000 and above. About 91.3 percent or 42 of the enterprises aged above 11 years recorded a profit growth of less than KShs.15, 000, while a proportion of 6.5 percent or 3 enterprises increased monthly profits that ranged between KShs.16, 000 and KShs. 30,000. Only one enterprise aged above 11 years increased profits by more than KShs.31, 000. The findings imply that enterprises in the two age groups recorded almost similar monthly profit growth after accessing financing from KADET. The regression results showed that there was no relationship between the age of an enterprise and its monthly profit [R^2 (F (1, 98) =1.04, $p>0.05$)]. The findings suggest that both older and younger enterprises had similar profit growth after receiving credit from KADET. The null hypothesis that there was no relationship between enterprise age and profit growth was accepted. This finding differs with Tundui (2012) who found that the age of a business enterprise had a negative effect on business profits. Perhaps enterprises in this study incurred unexpected costs thus profits were affected despite their differing ages.

Figure 4.10: Profit Growth by Enterprise Age



Source: Field Research, 2013.

CHAPTER FIVE

CREDIT, UTILIZATION AND IMPACT ON ENTERPRISE GROWTH

5.1 Introduction

This chapter presents findings on credit obtained from KADET, how it was utilised and its impact on women microenterprises. The chapter is divided into three sections. The first section describes credit received by women from KADET in Ol Kalou town. In the second section, credit utilization as well as intended uses are discussed. The third section presents findings on the impact of credit received by women from KADET on their microenterprise growth in Ol Kalou town.

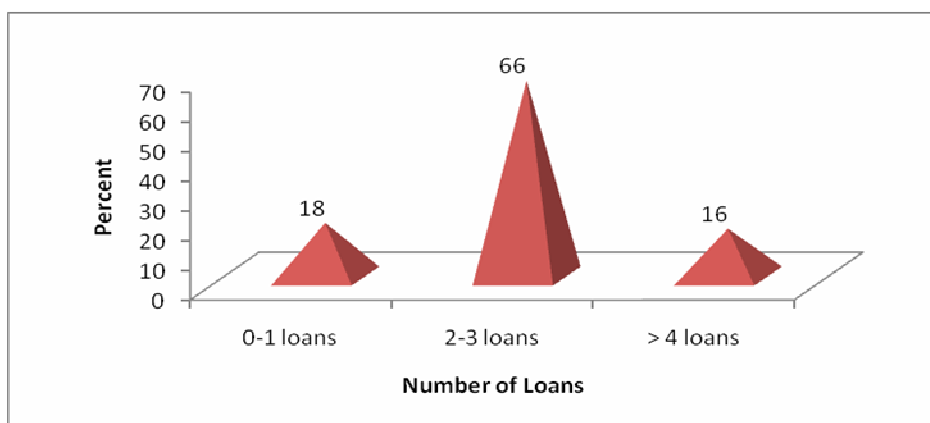
5.2 Credit

From the key informant's report, women were required to be in groups in order to access loans from KADET. The report indicated that solidarity groups were composed of both men and women. In terms of group size, the researcher was informed by key informants that a minimum of five people and a maximum of twenty five was the requirement. Credit is discussed in terms of number of loans, amount received, loan duration, collateral, loan repayment and other sources of credit.

5.2.1 Number of Loans

The study found that the minimum number of loans was 1 while the maximum was 5 loans. The mean number of loans received was 2.4. More than half of the respondents (66 percent or 66) had 2 or 3 loans as illustrated in Figure (5.1). About 18 percent or 18 respondents had received one loan. Of the total, 16 percent or 16 respondents had received more than four loans.

Figure 5.1 Number of Loans Received



Source: Field Research, 2013.

5.2.2 Amount of Loan Received

The minimum amount of first loan was KShs.10, 000 while the maximum was KShs.100, 000. More than half (57 percent or 57) of the respondents received a first loan of less than KShs.25, 000. A significant proportion (42 percent or 42) of the respondents received loans between KShs.26, 000 and KShs.50, 000. Only one respondent had a first loan whose sum was greater than KShs.51, 000. From the key informant report, the initial amount of loan depended not only on the savings but also profitability of the business. Moreover group members had to approve the amount depending on an individual's trustworthiness. The key informant report further explained that once a client repaid the first loan successfully, subsequent loans would be higher.

Table 5.1: Amount of First Loan (KShs)

Amount(Kshs.)	Frequency	Percent
<25000	57	57.0
26000-50000	42	42.0
>51000	1	1.0
Total	100	100.0

Source: Field Research, 2013

Respondents were asked to state the amount of credit received so far since they joined

KADET. From the findings (Table 5.2) it was evident that the amount of subsequent loans was higher than the initial loan. This was expected since literature offers that MFIs start with small loans that increase progressively upon successful repayment (Khawari, 2004). The mean amount of the second loan (KShs.54, 814.81) was nearly two times the mean amount of the initial loan (KShs.27, 700.00). The mean amount of the fourth loan was KShs.140, 000 while that of the third loan was KShs.71, 621.62. In terms of the total loan received, the minimum amount received was KShs.10, 000 while the maximum received was KShs.450, 000. The mean amount of the total loans was KShs.116, 800.

Table 5.2: Loan Amount (KShs)

	N	Minimum	Maximum	Sum	Mean
Amount of loan1	100	10000.00	100000.00	2770000.00	27700.00
Amount of loan2	81	20000.00	200000.00	4440000.00	54814.81
Amount of loan3	37	40000.00	200000.00	2650000.00	71621.62
Amount of loan 4	13	40000.00	250000.00	1820000.00	140000.00
Total loan	100	10000.00	450000.00	11680000.00	116800.00

Source: Field Research, 2013.

5.2.3 Loan Duration

Respondents were asked to state the loan repayment period for each loan borrowed, as a result multiple responses were recorded. A significant proportion of the loans (61.9 percent or 138) were to be repaid within 12 months. About 31.4 percent or 70 loans were repaid within 6 months while 6.7 percent or 15 loans were serviced within 24 months.

Table 5.3: Loan Duration

Repayment period	Responses		Percent of Cases
	N	Percent	
6 months	70	31.4%	70.0%
12 months	138	61.9%	138.0%
24 months	15	6.7%	15.0%
Total	223	100.0%	223.0%

Source: Field Research, 2013.

5.2.4 Collateral

The study revealed that respondents used several collaterals as surety for the loans (Table 5.4). Multiple responses were recorded on several loans thus a total of 607, although actual respondents were 100. According to one of the key informants, groups formed the major collateral system. This is because group members acted as guarantors for the loans. Household goods constituted about a third (34.3 percent or 208) of the total collateral used to get loans. Of the total, savings were apportioned 32.3 percent or 196 while group collateral constituted 26.9 percent or 163 responses. About 5.3 percent or 32 responses used land as collateral while 1.3 percent or 8 used businesses as collateral. Despite the suggestion by literature that groups are major collateral systems for microfinance loans, it is clear from this study that physical collateral is also used. The key informant report indicated that physical collateral would be used to recover the loans in case of non-payment.

Table 5.4: Type of Collateral

Type of collateral	Frequency	Percent
Household goods	208	34.3
Shares/savings	196	32.3
Group collateral	163	26.9
Land	32	5.3
Business	8	1.3
Total	607	100

Source: Field Research, 2013.

5.2.5 Loan Repayment

Respondents were asked whether they successfully repaid their loans and how they did it. The question had multiple responses totalling to 169. The findings show that those interviewed had repaid their loans but some were still repaying. One of the key informants informed the researcher that there were few cases of default. In such situations, assets used as collateral were sold and used together with savings to recover the loan. Further, the key informant report indicated that it was the mandate of group members to auction household goods and other collateral to recover the loan.

Nearly a third of the respondents (36.7 percent or 62) used business earnings to repay their loans while 23.1 percent or 39 respondents repaid their loans with farm proceeds. Use of farm proceeds to repay loans could be explained by the fact that women used part of the credit in farming. Some respondents (25.4 percent or 43) borrowed from *vyama* to repay part of their KADET loan. This was an interesting finding since women borrowed to offset other debts which could mean at least some were in a cycle of debt. The findings concur with the focus group discussion report which stated that business proceeds were not adequate to raise the weekly instalments. Consequently, women had *vyama* within KADET lending groups and in the market to raise money for business stock and loan repayment. Further, the focus group report cited high interest rates which may not be commensurate with the rate of growth hence increasing the risk of debt. Similarly Kiiru (2007) found that microfinance borrowers in Makueni incurred other debts to repay their loans. About 8.9 percent or 15 respondents had their loan paid by spouses while 5.9 percent or 10 respondents sold assets to repay the loan.

During the focus group discussion, it emerged that payments were made on a weekly basis. Weekly repayment was preferred to ensure commitment. The focus group report indicated that weekly repayment was burdensome on women due to seasonal changes in their businesses. The report further indicated that payment of loan commenced immediately before the loan could yield results.

Table 5.5: Source of Loan Repayment Instalments

Sources	Frequency	Percent
Business earnings	62	36.7
Chama	39	25.4
Farm earnings	43	23.1
Spouse	15	8.9
Sale of an asset	10	5.9
Total	169	100

Source: Field Research, 2013.

5.2.6 Other Sources of Credit

The study further interrogated other sources of credit meant to boost businesses and how the credit was used. The findings show that more than three quarters of the respondents (75.5 percent or 37) borrowed from *vyama*. These findings were confirmed by key informants' reports which stated that most women had a *chama* within the KADET solidarity groups and outside. About 18.4 percent or 9 respondents borrowed from banks while 3 percent or 3 respondents obtained a loan from MFIs.

Table 5.6: Other Sources of Credit

Credit sources	Frequency	Percent
Chama	37	75.5
Bank	9	18.4
MFI	3	6.1
Total	49	100.0

Source: Field Research, 2013.

5.3 Credit Utilization

This section presents the findings of the study with regard to uses of credit sourced from KADET by women microenterprise owners in Ol Kalou town. The study sought to find out the reasons why women borrow and how they use the credit. According to key informants, women microenterprise owners borrowed for various reasons such as increasing stock and diversifying products, among other household needs. The findings of credit utilization among women microenterprise owners are grouped and discussed in two sections namely: intended uses and actual uses. In addition, credit utilization of other sources is discussed.

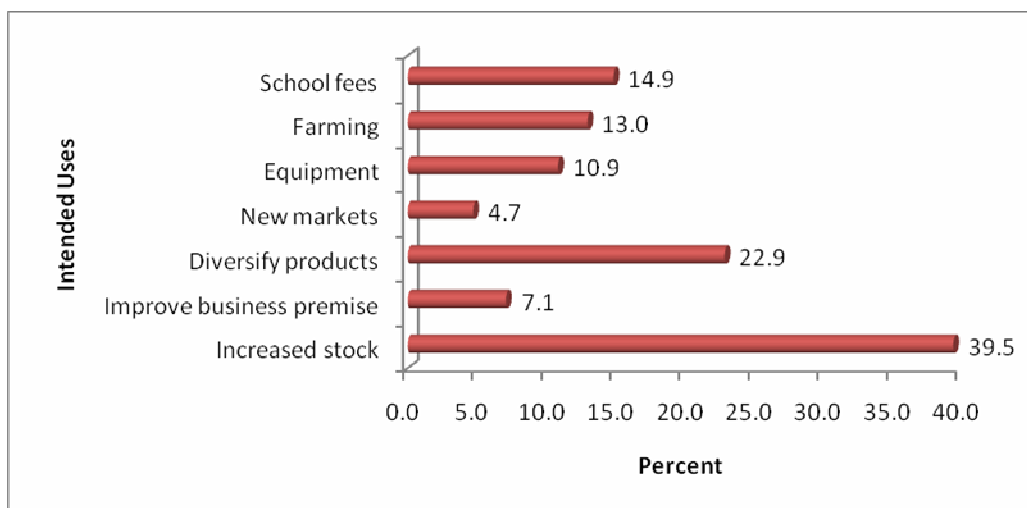
5.3.1 Intended Uses of KADET Credit

The findings show that women microenterprise owners had several intended uses of credit as illustrated in Figure (5.2). The figure shows that the dominant intended use of credit was to increase the existing stock (39.5 percent or 167) and diversify products (22.9 percent or 97). The proportion that intended to buy equipment with credit was 10.9

percent or 46. From observation, the enterprises that intended to buy equipment were involved in hair dressing, garment making, milk selling, baking and welding. Of the total, a proportion of 7.1 percent or 30 respondents intended to improve business premise. This could probably be because they rented the premises and only a few women engaged in service provision such as hair dressing that calls for an appealing working environment. About 4.7 percent or 20 of the enterprise owners intended to move into new markets.

Although the loans acquired were supposed to boost businesses, women intended to use the credit for other purposes. The findings show that about 13.0 percent or 55 planned to use the credit on farming while 14.9 percent or 63 planned to use the loan on school fees. Perhaps this could be attributed to the social responsibility of women. Further, the key informant report indicated that women preferred to borrow one type of loan and use it for various uses instead of different loans for specified purposes. For instance, one key informant informed the researcher that women borrowed business loans with an aim of paying school fees other than business expansion.

Figure 5.2: Intended Uses of KADET Loan



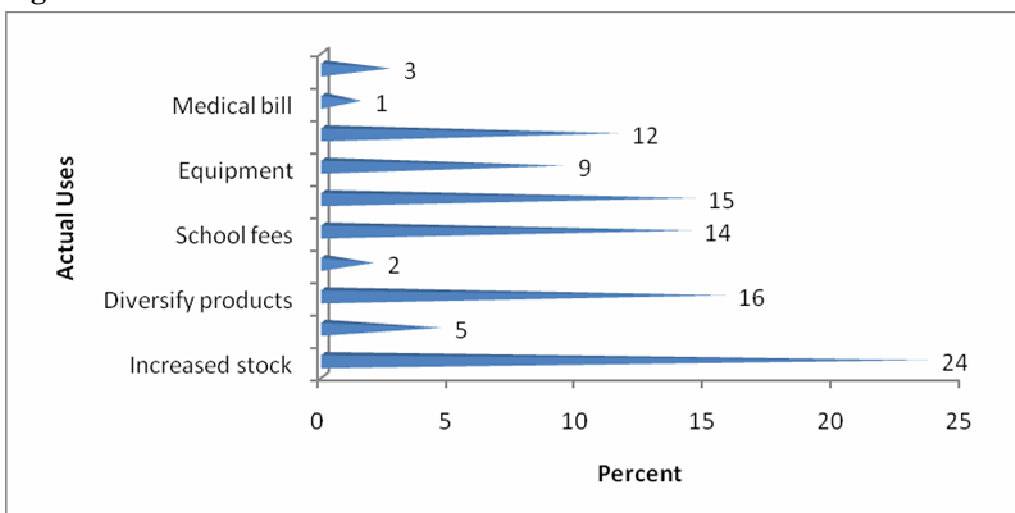
Source: Field Research, 2013.

5.3.2 Actual Uses of KADET Credit

The study sought to find out the actual uses of the loans received. Most of the respondents (24 percent or 143) used the financing obtained from KADET to increase their stock while (16 percent or 95) diversified their products. Of the total, 9 percent or 57 respondents bought business-related equipment. This was expected because few women engaged in trade related activities that required equipments. Further, 5 percent or 28 respondents improved their business premise while 2 percent or 12 respondents sold goods in new markets.

Interestingly, findings show that the loans were used for other purposes other than enterprise growth. A proportion of 15 percent or 88 of the women enterprise owners used the credit to buy food while 14 percent or 87 of the women used the money to pay school fees. About 12 percent or 70 of the women used a portion of the money on farming. A further 4 percent or 25 of the respondents used the money to pay medical bills and invested in other businesses. These findings were confirmed by the focus group discussion report which stated that loans were used for household, business and other uses. The findings concur with (Kiiru, 2007) who found that micro entrepreneurs in Makueni District used micro credit for various household needs instead of boosting businesses.

Figure 5.3: Actual Uses of Credit



Source: Field Research, 2013.

5.3.3 Use of Other Credit

From Table 5.7, majority (48.8 percent or 20) of the respondents used other credit to increase stock. A significant proportion of the respondents (31.7 percent or 13) indicated that they used a portion of the credit to repay the credit acquired from KADET. This was an interesting finding since it was expected that business proceeds would be used to pay the loan. A possible explanation would be the multiple non-business uses of financing from KADET hence low profitability putting women in a cycle of debt. The findings are similar with Okumu (2010) who found women traders in Busia town with a growing need for cash to repay debts. About 9.8 percent or 4 respondents used the money to diversify their products, to buy food (4.9 percent or 2) and to improve their business premises (4.9 percent or 2).

Table 5.7: Uses of Other Sources of Credit

Credit Uses	Responses		Percent of Cases
	N	Percent	
Increase stock	20	48.80%	74.10%
Repay KADET loan	13	31.70%	48.10%
Diversify the products	4	9.80%	14.80%
Improve business premise	2	4.90%	7.40%
Food	2	4.90%	7.40%
Total	41	100.00%	151.90%

Source: Field Research, 2013.

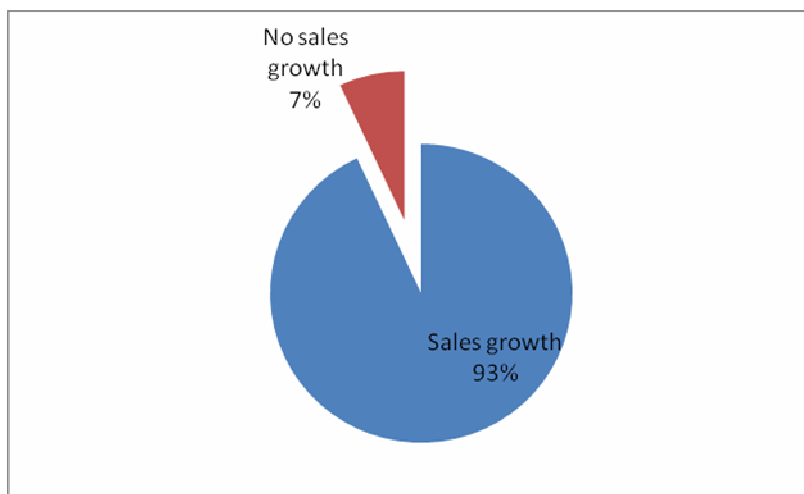
5.4 Impact of Credit on Women Microenterprise Growth

This section presents findings on whether the credit received by women microenterprise owners from KADET resulted into enterprise growth. In this section, enterprise growth is discussed as sales growth, profit growth, asset growth, employment size growth, product diversification, capture of new markets and improvement of business premises.

5.4.1 Sales Growth

The study established that majority of the enterprises (93 percent or 93) recorded sales growth as a result of KADET credit while 7 percent or 7 enterprises didn't increase sales. The maximum sales growth was KShs.165, 000 while the mean sale growth recorded was KShs.19, 390. The Paired sampled T test results revealed that there was a statistically significant difference between current monthly sales and sales at first KADET credit (MD=-16,530, $t(99) = -5.6$, $p < 0.05$). This implies that credit sourced from KADET resulted into sales growth.

Figure 5.4: Sales Growth



Source: Field Research, 2013

The relationship between the number of loans received and sales growth was analyzed to understand whether financing from KADET resulted into enterprise growth. Enterprises that received more than four loans recorded a sevenfold increase in sales as opposed to enterprises that obtained only one loan or none. On average, respondents with over four loans recorded a sales increase of KShs.47, 437.5. Enterprises with 2-3 loans had a sales increase of KShs.16,393.9, while those with one loan recorded an increase of KShs.5,444.4. These findings suggest that the increase in number of loans led to increase in sales. A possible explanation for this could be that the subsequent loans were higher than the initial amount hence increasing the capacity of women to acquire more stock. This findings were confirmed by the focus group report that stated that women increased stock as the number of loans increased because the amounts were higher thus recording more sales. Similarly, Hospes *et al.*, (2002) found that women with more KWFT loans recorded a higher monthly sales volume.

Table 5.8: Number of Loans and Sales Growth

Number of Loans	Sales Growth after KADET Credit(KShs)	Overall Sales Growth(KShs)
	Mean	Mean
0-1 loans	5444.44	14611.11
2-3 loans	16393.94	34506.06

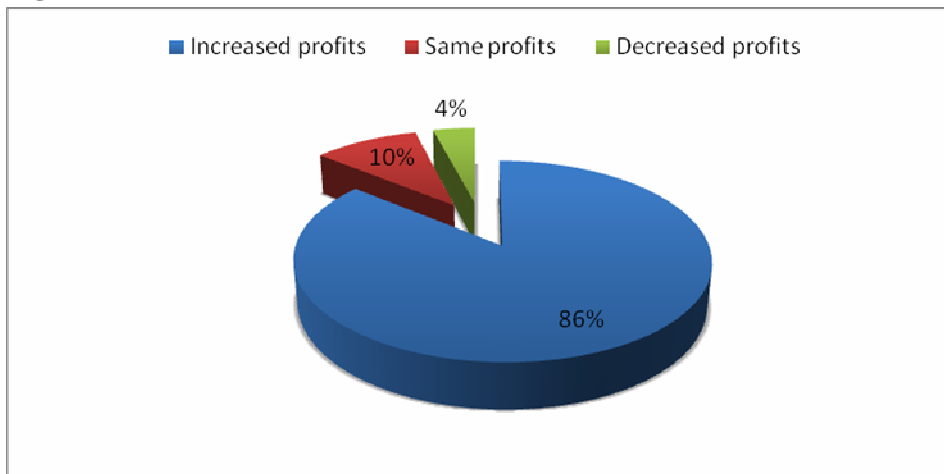
> 4 loans	47437.50	101062.50
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Source: Field Research, 2013.

5.4.2 Profit Growth

The study sought to find out whether credit resulted into profit growth. A significant proportion of the enterprises (86 percent or 86) recorded an increase in profits. About 10 percent or 10 enterprises recorded same profits while 4 percent or 4 enterprises decreased profits after accessing credit. A possible explanation for constant or decreased profits could be increased operating costs as opposed to revenue generated.

Figure 5.5: Profit Growth



Source: Field Research, 2013.

The Paired sample T test was carried out to compare profit means before and after obtaining a loan from KADET. The results showed that there was a statistically significant difference between profits before and profits after financing from KADET (MD=-5645, t (99) =-6.4, p<0.05). This implies that credit sourced from KADET was a contributing factor to profit growth.

Further analysis revealed that there was a significant difference in profit growth depending on number of loans. Those with more than four loans recorded the highest

mean profit growth of KShs.13, 750 while those with one loan recorded the lowest mean profit growth of KShs.2, 500. Enterprises with 2 and 3 loans had increased profits by a mean of KShs.4, 537. The overall results indicate that enterprises with more loans had more profit growth than those with one loan. This suggests that more loans led to growth in profits. These findings are similar with Copestake (2000) who found that monthly profits increased with increase in number of loans.

Table 5.9: Number of Loans and Profit Growth

Number of Loans	Profit Growth after KADET(KShs)
	Mean
0-1 loans	2500.00
2-3 loans	4537.88
> 4 loans	13750.00

Source: Field Research, 2013.

5.4.3 Asset Growth

The findings as illustrated in Table 5.10 revealed that more than a quarter of the respondents (27 percent or 27) had business related assets while 73 percent or 73 respondents did not have business assets. Perhaps this could be explained by the fact that most women were involved in trade related enterprises as opposed to manufacturing or service oriented enterprises that required equipment.

Table 5.10: Assets Growth

Assets	Frequency	Percent
Business assets	27	27.0
No business assets	73	73.0
Total	100	100

Source: Field Research, 2013.

Respondents were asked to explain the kind of equipment they invested in using the loan they obtained from KADET. The summary findings are illustrated in Table 5.11. Most of the respondents (44.4 percent or 12) bought salon equipment while 25.9 percent or 7 respondents acquired sewing machines. Those who purchased transportation boxes, cooling boxes and welding machine constitute 7.4 percent or 2 respondents each. The rest bought an oven (3.7 percent or 1) and a potato cutter (3.7 percent or 1).

Table 5.11: Type of Business Asset

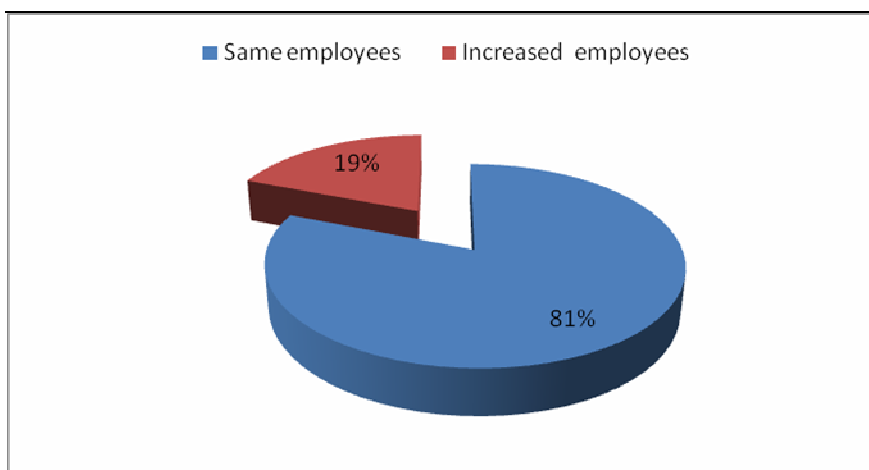
Type of Asset	Frequency	Percent
Salon equipment	12	44.4
Sewing machine	7	25.9
Transportation box	2	7.4
Welding machine	2	7.4
Cooling box	2	7.4
Jua kali oven	1	3.7
potato cutter	1	3.7
Total	27	100

Source: Field Research, 2013.

5.4.4 Employment Growth

Respondents were asked to state whether they had employed additional workers after accessing KADET credit. The study found that a large number of enterprises (81 percent or 81 of the respondents) maintained the same number of workers while 19 percent or 19 enterprises hired additional labour after receiving credit. These findings were expected since most women start microenterprises for self employment as opposed to creating employment for others. Kibas (2001) similarly found that majority of women microenterprises in Uasin Gishu district created no employment after receiving credit.

Figure 5.6: Employment Growth



Source: Field Research, 2013.

Employment growth was analysed in relation to the number of loans received and the findings are presented in Table 5.12. The findings show that enterprises that had received more than 4 loans had an average of 2.19 employees while those with 2-3 loans had 1.91 employees. Enterprises that had received the lowest number as well as low amounts of money employed an average of 1.5 employees. This implies that as enterprises received more credit, they were able to expand their activities and created more employment. Hospes *et al.* (2002) similarly found that women with the highest number of loans and amount had a higher workforce.

Table 5.12: Employment Size by Number of Loans

	Number of Loans		
	0-1 loans	2-3 loans	> 4 loans
	Mean	Mean	Mean
Mean number of employees	1.50	1.91	2.19
Mean total amount of loan received(Kshs)	26944.44	102121.21	278437.50

Source: Field Research, 2013.

5.4.5 Diversification of Products and Services

The study sought to find out whether women microenterprise owners diversified products after receiving credit from KADET. The findings revealed that over three quarters of the respondents (89 percent or 89) increased product varieties while 11 percent or 11 respondents sold the same products. Those dealing with hairdressing enterprises indicated that KADET loans enabled them to engage in other services such as ear piercing, hair styling, manicure and pedicure. Notably, respondents combined different goods in their businesses. For instance, one respondent operating a salon business sold clothes and shoes in the same shop. These findings are similar to those of Hospes *et al.*, (2002) who found that women borrowing from KWFT sold a range of products in the same enterprise as a way to spread risks.

Table 5.13: Diversification

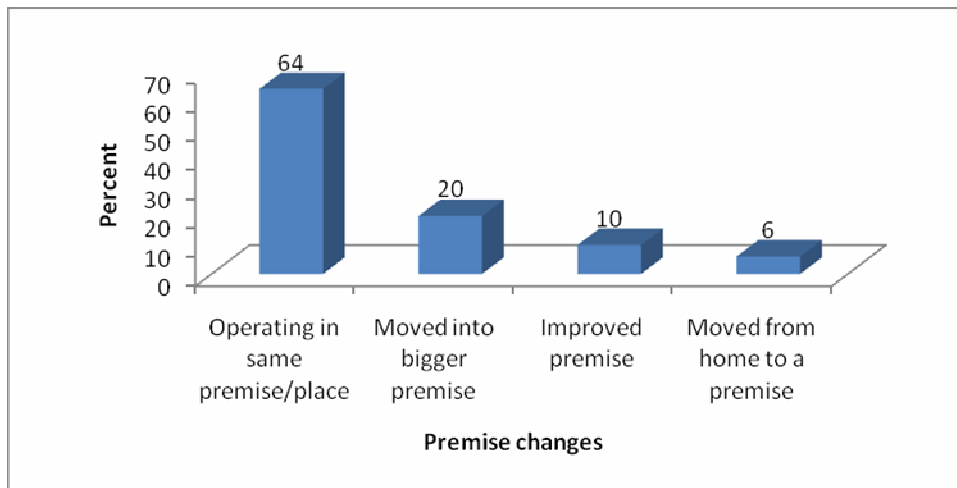
	N	Percent
Diversification		
Diversified products and services	89	89.0
Did not diversify	11	11.0
Total	100	100.0

Source: Field Research, 2013.

5.4.6 Business Premises

More than two thirds of the respondents (64 percent or 64) operated in the same premises after receiving credit. This suggests that most enterprises probably experienced minimal growth hence there was no need to move into other premises. About 20 percent or 20 respondents moved into a bigger premise after receiving KADET credit while 10 percent or 10 respondents improved their premises. The rest (6 percent or 6 respondents) stated that they moved their business away from home and located the business in another premise in town after accessing credit from KADET.

Figure 5.7: Changes in Premises

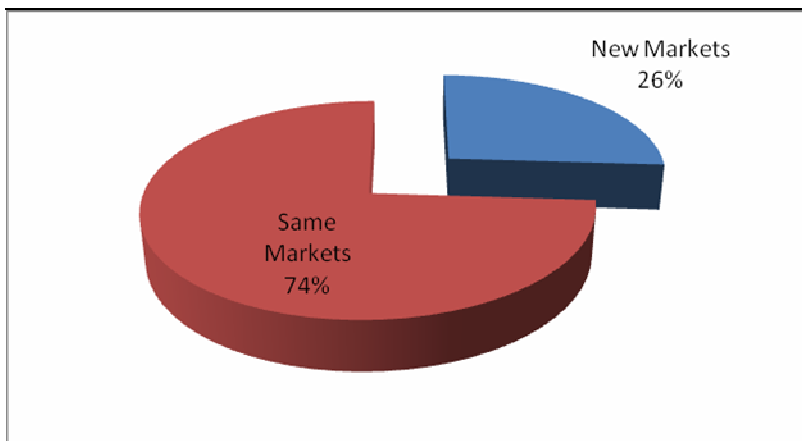


Source: Field Research, 2013

5.4.7 Market

Respondents were asked whether they were able to capture new markets after accessing credit. About a quarter of the respondents (26 percent or 26) moved into new markets after accessing KADET credit while 74 percent or 74 respondents sold in the same markets. These results were expected since women microenterprise owners engage in similar enterprises hence difficulty in accessing new markets. Kiraka *et al.*, (2012) argues that women micro entrepreneurs engage in low value markets that are crowded with a supply of similar commodities. The findings also concur with Richardson *et al.*, (2004) who found that women entrepreneurs in Ethiopia, Zambia and Tanzania operated in local markets because of gender roles that restricted their mobility.

Figure 5.8: Market Capture

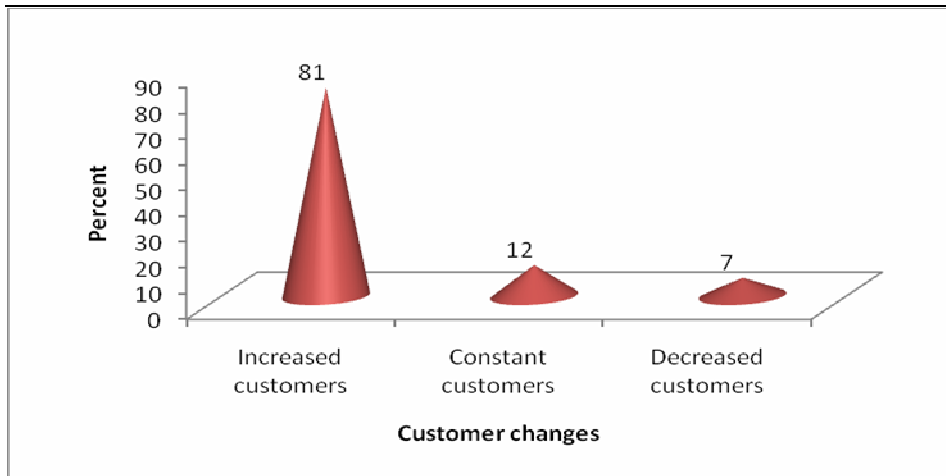


Source: Field Research, 2013

5.4.8 Customer Change

Over three quarters (81 percent or 81) of the enterprises indicated that the number of customers increased after receiving credit from KADET. Perhaps this could be attributed to increase in stock and diversification already indicated. About 12 percent or 12 respondents recorded constant number of customers while 7 percent or 7 respondents decreased the number of customers.

Figure 5.9: Customer Changes



Source: Field Research, 2013.

Further respondents were asked to explain the reasons why their enterprises experienced customer changes. Majority (67 percent or 63 respondents) of those who indicated increased customers cited increased stock as the reason for customer change. Over a third of the respondents (26.6 percent or 25) attributed increased customers to variety of goods and services while 6.4 percent or 6 respondents cited entrance into new markets.

Table 5.14: Reasons for Customer Increase

Reasons for Customer No. increase	Frequency	Percent
Increased stock	63	67.0
Variety of goods and services	25	26.6
Capture of new markets	6	6.4
Total	94	100

Source: Field Research, 2013.

Only one respondent was able to explain the reason for decreased customers. The respondent cited flooding of the market with similar goods as the main cause of decreased customers in her business.

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter provides a summary of the research findings. The study sought to investigate the role of microfinance credit on women microenterprise growth in OI Kalou town. To achieve this, the study was guided by four objectives namely: to profile the characteristics of women-owned microenterprises that have received credit from KADET in OI Kalou town and how the characteristics influence enterprise growth; to profile the characteristics of microenterprise owners and the implications on enterprise growth; to analyze the utilization of credit received by women microenterprise owners in OI Kalou town from KADET; and to determine whether financing from KADET results into women's microenterprise growth. The study applied quantitative and qualitative methods in data collection and analysis.

The first section presents summary findings with regard to demographic and enterprise characteristics and how these characteristics affect enterprise growth. In addition, credit utilization and impact on enterprise growth is discussed in this section. The last part provides conclusions and recommendations based on the findings of the study.

6.2 Summary Findings

i) Demographic and Enterprise Characteristics

Demographic characteristics such as age, education level, marital status and business training were considered important for this study. This is because demographic characteristics may influence utilization of credit in an enterprise. The study found out that most of the women traders in Ol Kalou town were middle aged. Regarding their education status, most of the respondents (59 percent) had secondary school education while the least (17 percent) had schooled up to primary school level. Half of the respondents (50 percent) were married. In terms of business training, slightly above a quarter of the respondents (29 percent) had acquired some form of business related training.

Enterprise characteristics were also interrogated in this study. Majority of the enterprises were retail shops (13 percent), salon (12 percent) and second hand clothes (10 percent). Women, contrary to well known practice, conducted businesses such as butchery, hardware, animal feeds and electronics, often associated with male entrepreneurs. In terms of enterprise age, more than half of the enterprises (54 percent) had been in operation for up to 10 years.

The study established based on registration of the firms that most of the enterprises (96 percent) were informal. Of the registered enterprises, only one was owned by a woman while 8 were jointly owned with husbands. Majority of the enterprises (84 percent) operated with council licences while only 4 percent had no licenses. About a quarter of the enterprises (26 percent) were conducted in more than one location. The results further indicated that some women sold goods in households during their *chama* meetings or other social events.

In terms of employment size, majority (79.8 percent) were female employees while 71.8 percent of the total workforce was family members.

ii) Influence of demographic and enterprise characteristics on enterprise growth

The following demographic characteristics: age, education level, business training, were analysed in relation to enterprise growth. The multivariate analysis of variance showed a significant relationship between women's age and sales growth. However there were no differences in asset growth and profit growth among the two age categories. This implied that the age of an entrepreneur was more likely to influence sales growth after credit utilization in an enterprise. The study found that the education level obtained by the enterprise owners did not influence sales growth, asset growth and profit growth. This was contrary to expectation since literature suggests that education enhances business performance. Business training was found to have no significant relationship with sales growth and profit growth. Perhaps women in this study had general business skills as opposed to marketing skills depicted in literature that would influence business growth.

Enterprise age was considered useful for the test analysis. The study found that while the age of an enterprise had significant influence on sales growth, it had no significant relationship on profit growth and asset growth. This implied that sales were more volatile to enterprise age.

iii) Credit utilization

About two thirds of the respondents (66 percent) had 2 to 3 loans. In terms of loan size, the minimum amount borrowed was KShs.10,000 while the maximum total borrowed was KShs.450, 000. Majority of the respondents repaid their loans within 12 months. The findings show that household goods (34.3 percent) and savings (32.3 percent) were the major form of collateral.

The study found that majority of the women (39.5 percent) in Ol Kalou town borrowed with an intention to increase their business stock. While a proportion of 24 percent of the women used the credit to increase stock, some women borrowed the loan with an intention of using it for other reasons other than business development. One such reason

was meeting the competing household needs. Further the study revealed that credit from other sources such as the *chama* was not only used to increase stock but also to repay KADET credit. This implied that women borrowed to offset other debts and some could be in a cycle of debt.

iv) Impact of credit on enterprise growth

The findings show that most of the enterprises (93 percent) registered sales growth as a result of credit. Comparing sales before and after credit, the results indicated that enterprises recorded sales increase after utilizing credit. Women with four loans and above experienced a sevenfold increase in sales than those with one loan. Those with more than four loans had mean monthly sales of KShs.47, 437.5. This leads to the conclusion that more credit led to increased stock and increased sales.

About 86 percent of the enterprises indicated growth in profits after receiving credit. According to the Sampled T test results, women indicated profit growth after accessing credit. Those with more than four loans recorded the highest profit growth of KShs.13, 750 which was five times more than those with one loan. In terms of asset growth, most of the respondents (44.4 percent) bought salon equipment.

The study showed that majority of the enterprises recorded a constant number of employees. Enterprises with more than four loans had a mean of 2.2 employees while those with one loan had 1.5 employees. This implies that credit may have influenced the employment size albeit marginally.

On diversification, the study found that over three quarters of the women (89 percent) indicated increased variety of products and services. Further, the women combined a variety of goods in the same enterprise and location. In one salon enterprise for example, the owner sold clothes and shoes as well as offered hairdressing services. This was seen as a way of spreading risks. This points to a conclusion that women enterprises experienced horizontal growth as opposed to vertical growth.

The study established that about 64 percent of the women remained in the same premises after accessing credit while only 20 percent moved into bigger premises. This implies that most microenterprises did not expand hence they had no need for larger premises.

Accessing of new markets was low among women micro entrepreneurs in OI Kalou town. About 26 percent indicated capture of new markets. This was attributed to the saturation of similar microenterprises hence the resultant difficulty in penetrating new markets.

The findings showed that majority of the respondents (81 percent) recorded an increase in customers. This was attributed to increased stock and variety of goods and services after receiving credit. Those that decreased customers cited competition in the market.

6.3 Conclusion

There are several conclusions that can be deduced from this study. Women engage in other activities other than the feminized sectors. The study showed women engaging in activities such as welding, butchery, alcoholic drinks, animal feeds and hardware which are associated with men. Perhaps women are realizing the benefits of operating high cost businesses instead of sticking to the saturated feminized sectors. This reflects the current trend in Kenya where anyone either male or female can engage in various economic activities across gender lines.

Credit intended for promoting business performance is put to multiple uses. Women apply for loans creating an impression that they are borrowing credit solely to improve business but at the back of their minds, it is intended for additional purposes. While most of the credit received is used to increase stock and diversify goods and services, the rest is shared between household needs and other livelihood demands.

Some women borrowing from MFIs are apparently in a cycle of debt. The findings show that they borrow from multiple sources more importantly from the *chama* to offset microfinance loans. This implies that enterprise earnings are at times inadequate to offset the loans. In addition, most of the credit is channelled to consumption rather than investment. Weekly repayments could also be a contributing factor to debt since enterprise performance may fluctuate, forcing the women to borrow in order to raise the

weekly instalments. Further, interest rates are relatively high and do not reflect the rate of enterprise growth therefore women pay more than what the loan earns.

The number of loans received has a direct impact on sales and profits. For instance, women with four loans and above increased their sales seven times more than those with one loan. This implies that more loans means huge capital that is invested in the business. Perhaps women with more credit reduce costs by buying stock in bulk thus maximizing on economies of scale.

Micro credit is likely to influence sales, profits and product diversification. This implies that microenterprises respond easily to credit through these measures of growth. On the contrary, few women microenterprises create new employment, capture new markets or move into bigger premises. This is an indication of unsustainable volatile growth that some have argued may not support transition of the informal sector into formal.

Apart from credit, other factors such as enterprise age and owner's age influence enterprise growth. However influence of the two factors is manifested mainly in sales growth. This implies that additional years of experience come with ability to manage risks. Moreover, older enterprises may have carved a niche in the market for themselves therefore more stability in turbulent times. Contrary to expectation, the study did not find evidence of education and business training influencing enterprise growth.

6.4 Recommendations

The institutional requirements for microfinance loans are not conducive for women enterprise growth. For instance, weekly repayments were cited as burdensome since business performance was seasonal. In tandem with this, microfinance institutions should consider reviewing the terms to monthly repayments. In addition, the institutions may consider increasing the grace period for the loans to allow enterprises time to use the credit.

Microfinance not only targets the poorest but also the poor. Therefore, microfinance institutions should have different products for different target groups. The study showed

that women with businesses that require huge investments benefit more than those who operate enterprises with low returns.

Larger amount of loans result into higher sales and profit growth. In a bid to promote enterprise growth, microfinance institutions could consider increasing the size of loans. This is because women could buy goods in larger volumes hence maximizing on economies of scale.

In a move to regulate the Microfinance sector in Kenya, affordable credit should be put into consideration. The study shows that microfinance is expensive and some women end up in a vicious cycle of debt which most likely cancels out the benefits accrued. Therefore the interest rates should be reviewed and regulated by the government to accomplish the desired impact of poverty alleviation.

Microenterprises contribute significantly to the Kenyan economy. Efforts to grow the subsector should factor in both internal and external environment of the enterprises. The rationale is that women microenterprises operate in a dynamic environment that require more than credit to grow. The overemphasis of credit as a catalyst for growth should therefore be coupled with other components such as financial management skills and marketing skills.

Recommendations for further study

This study concentrated on women who had received micro credit. Further research is needed to compare beneficiaries and non beneficiaries. This study considered few business characteristics in the analysis of growth. Therefore, further research could be done considering registration, location among other external factors that influence enterprise performance.

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APPENDIX—1: Survey Questionnaire

My name is Caroline Wangeci Nderitu, a postgraduate student from the University of Nairobi, Institute for Development Studies. I am carrying out a study on the role of microfinance in women microenterprise growth in Ol Kalou town. Your time and patience on answering the following questions would be highly appreciated. The information provided will be treated confidentially and used only for academic purposes.

Date of Interview..... Questionnaire No.....

DEMOGRAPHIC CHARACTERISTICS OF OWNER

1. Gender of owner [1] Female [2] Male
2. Age of enterprise owner (Years) _____
3. Marital status of the owner [1] Single [2] Married [3] Widowed [4] Separated [5] Divorced
4. Number of children _____
5. What is the level of your education?

	Education	Tick appropriately
1	None	
2	Primary incomplete	
3	Primary complete	
4	Secondary Incomplete	
5	Secondary complete	
6	Tertiary	
7	Other (Specify	

- 6a. Have you received any business training? [1] Yes [2] No

b. If yes, what is the source of training?

7a. Who owns the enterprise?

[1]Self [2] Husband [3] Jointly [4] Other specify _____

b. Who makes decision on running of the enterprise?

[1]Self [2] Husband [3] Jointly [4] Other specify _____

ENTERPRISE CHARACTERISTICS

8. Type of enterprise activity

	Type of enterprise	Tick appropriately
1	Grocery shop	
2	Cereal shop	
3	Vegetable vendor	
4	Charcoal seller	
5	Tailor	
6	Boutique	
7	Salon	
8	Second hand clothes	
9	Other	

9. When did you start the enterprise? _____

10. Why did you start this particular enterprise?

	Reasons	Tick appropriately
1	Source of income	
2	Enhance family well being	
3	Livelihood diversification	
4	For survival	
5	Build capital for future expansion	
6	Other specify _____	

11. What were you doing before starting this enterprise?

12a) What was the startup capital? KShs _____

b) What was the source of startup capital?

13a) Do you engage in other economic activities other than this enterprise? [1] Yes [2]

No

b) If yes what are the other sources of income?

	Activity	Tick appropriately
1	Farming	
2	Other business	
3	Temporary employment	
4	Other specify	

14 a. Do you have a license? [1]Yes [2] No

b. If yes, what type of license?

[1] Market

15a) Is the enterprise registered with any government authority? [1]Yes [2] No

b) Type of enterprise

[1] Sole proprietorship [2] Partnership [3] Limited liability company [4] Not registered

Business

16a) What is the enterprise current working capital /Month?

KShs _____

b) What are your sources of working capital?

	Sources	Tick appropria tely	% composition	Why this source
1	Enterprise earnings			
2	Bank			
3	MFI			
4	Spouse/Relative			
5	Friends			
6	Merry go-round			

17. On average what is your weekly earnings in this enterprise?

KShs _____

Location and structure

18. Apart from this location, do you conduct this business elsewhere? [1]Yes [2] No

If yes, which other location? _____

b. Explain why you operate the enterprise in different locations (*ask if has more than one business location*)

19. **(OBSERVE)** Nature of the enterprise premise?

	Nature premise	Tick appropriately
1	Makeshift stall(mabati or wood)	
2	Permanent stall (stone)	
3	Open air market	
4	Spill over from open air market	
5	Other specify	

Employees

20. How many employees (both unpaid and paid) do you have?

		Number	
		Female	Male
1	Owners/employers		
2	Unpaid family workers		
3	Full time workers		
4	Casuals		
5	Other specify		

KADET LOAN

21a. Have you ever borrowed from KADET? [1] Yes [2] No

b. If yes, when did you join KADET? _____

22. Who introduced you to KADET?

[1] Friend [2] Relative [3] Other Specify _____

23. Why did you join KADET?

24 What are the requirements of joining KADET?

Group composition men/women

Group size

Business age

25a) What are terms and conditions of KADET loan?

Interest rates_____

Loan duration_____

Type of collateral_____

Penalties of not paying on time_____

b). Comment on the terms and conditions of KADET loan stated above.

26 a) How many loans have you received from KADET so far?

b) How much was your first KADET loan? KShs_____

c) How did you use the first loan?

27. Please indicate the details of KADET business loans borrowed so far.

	Amount borrowed(K shs.)	Waiting period	Interest rate (%)	Repayment start	Repayment period(Months)	Collateral [1] Group collateral [2] Land [3] Shares [4] Household goods [5] Other (specify _____ _____)
1						
2						

28. How did you use the borrowed loan (**all the loans listed above**)

	Amount borrowed	Intended use of the loan 1. Increase stock 2. Improve business premise 3. Diversify the products 4. Capture new markets 5. Other specify _____	Actual use of the loan 1. Increase stock 2. Improve business premise 3. Diversify the products 4. Capture new markets 5. School fees 6. Food 7. Other specify _____
1			

2			
---	--	--	--

29 a. Were you able to successively repay the loan/Loans borrowed in the past one year?

[1] Yes [2] No

b. If able to successfully pay the loan, where did you get the finances to repay? Explain

c. If not able to pay, what were the reasons?

OTHER SOURCES OF FINANCE

30 a) Apart from KADET loan did you access any other credit to boost your enterprise performance in the past 1 year? *Include ROSCAs, banks, friends etc.*

Source of loan	Amount of loan borrowed(K shs.)	Waiting period	Interest rate (%)	Repayment start	Repayment period(Months)	Form of loan
1. Bank						1. Group loan
2. Chamber						2. Individual loan
3. MFI						
4. Friend						

b) How were the finances (stated above) used?

	Uses	Tick appropriately
1	Increase stock	
2	Improve business premise	
3	Diversify the products	
4	Capture new markets	
5	School fees	
6	Food	
7	Other Specify _____	

ENTERPRISE GROWTH

31. Enterprise performance after accessing KADET loan.

	Start of the business	First KADET loan	Currently
Monthly value of Stock in KShs.			
Employees(Number) - Female			
Male			
Monthly sales (KShs)			
Monthly profits(KShs)			
Assets (Value in KShs)			

32 a). Are there changes on type of goods and services that your enterprise is involved since receiving KADET loan? [1] Yes [2] No

Explain

33a) Have you moved premises after accessing KADET loan? [1] Yes [2] No

b) Explain _____

34a). Have you captured new markets after accessing KADET loan? 1] Yes [2] No

b) Explain _____

35a) Have you bought new equipments/machines after accessing KADET loan? 1] Yes [2] No

b) Explain _____

36. How would you rate business performance after accessing KADET loan?

	Business performance	Tick appropriately	Explain
1	Very much improved		
2	Improved		
3	Not improved/same		
4	Worse		
5	Much worsened		

37. Generally what changes have you experienced in the business since you started borrowing from KADET? _____

SAVINGS

38. What is your average monthly savings?

KShs _____

39. How do you use the savings?

	Uses	Please tick
1	Buy food	
2	Loan repayment installments	
3	Business growth	
4	Use for other family obligation	
5	Keep in savings	
6	Other specify	

40. Have your ability to save improved after accessing KADET loan? **Explain**

41. If not able to save in your business, what are the reasons?

42. What major constrains do you face in pursuit of enterprise growth?

43. What can be done to promote women microenterprise growth? **Explain**

THANK YOU

APPENDIX -2 : Key Informant (KI) Interview Guide for MFI Officials

My name is Caroline Wangeci Nderitu, a postgraduate student from the University of Nairobi, Institute for Development Studies. I am carrying out a study on the role of microfinance in women microenterprise growth in Ol Kalou town. Your time and patience on answering the following questions would be highly appreciated. The information provided will be treated confidentially and used only for academic purposes.

Name of KI _____

Name of MFI _____

Date of Interview _____

1. Do women microenterprise owners form part of your customers?

2. What are the major services in your organization that target women microenterprise owners in Ol Kalou town?

3. What are the terms and conditions of the credit accessed by women microenterprise owners in Ol Kalou town?

4. Do women microenterprise owners service their loans as expected? Explain

5. What role do credit play in microenterprise growth?

6. How do women microenterprises in Ol Kalou operate with regards to growth? Explain

APPENDIX – 3:Key Informant (KI) Interview Guide for Group Officials

My name is Caroline Wangeci Nderitu, a postgraduate student from the University of Nairobi, Institute for Development Studies. I am carrying out a study on the role of microfinance in women microenterprise growth in Ol Kalou town. Your time and patience on answering the following questions would be highly appreciated. The information provided will be treated confidentially and used only for academic purposes.

Name of KI _____

Date of Interview_____

1).How are the solidarity groups formed to qualify for KADET loans and what role does the solidarity groups play in promoting women microenterprise growth?

2. To what extent has KADET credit led to women microenterprise growth in Ol Kalou town?

3a). Do you think women microenterprises in Ol Kalou town have the potential for growth? If yes explain.

b) If No above explain

4. In your opinion what factors constrain women enterprise growth in Ol Kalou town?

5. How would women microenterprises that have accessed credit be supported to ensure enterprise growth? _____