The impact of microfinance services on the growth of small and medium enterprises in Kenya

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Abstract:

This study was conducted to establish the impact of microfinance services on the growth of small and medium enterprises in Kenya. A self-administered questionnaire was used as a sole means of collecting data from a targeted sample of fifty small and medium enterprises in Nairobi. However, data was collected from forty respondents giving a response rate of eighty percent. Qualitative data was analyzed using quantitative analysis. Sales level was used as the dependent variable for the study. Microcredit, micro insurance, and training were used as the independent variables. The researcher predicted that there was a strong positive relationship between microfinance services and the growth of small and medium enterprises in Kenya. A regression analysis was performed to establish the impact of microcredit, micro insurance, and training on the growth in sales level. The regression analysis conducted established that the three independent variables have a positive correlation with the dependent variable. Each of the independent variables: microcredit; micro insurance and training contribute positively to sales growth. It is also evident from the study that without the services provided by MFIs most of the SMEs would struggle with their growth objectives or eventually collapse. The study concluded that microfinance services have a strong positive impact on the growth of SMEs in Kenya. SMEs in Nairobi depend on micro financing for growth. The study also established that micro finance services have assisted enterprises to change their status through growth in sales level from micro to small and from small to medium. Most of the SMEs in Nairobi do not utilize micro insurance services. Notwithstanding, micro insurance helps SMEs to manage their business risks well thus; resulting in a positive impact on the growth in their sales level and profitability. The study also established that the level of training offered by micro finance institutions to SMEs was found to be minimal.