

**INFLUENCE OF MICRO-FINANCE INSTITUTIONS ON SMALL-SCALE BUSINESS
DEVELOPMENT IN KITALE TOWNSHIP IN TRANS-NZOIA COUNTY, KENYA.**

By

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DECLARATION

I declare that this project report is my original work and has not been presented to any university.

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DEDICATION

I dedicate this work to my wife Edna Mwambu not only for her deepest and most enduring support but also for her most helpful criticism and to my daughters Praise and Hope for their company and encouragement.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACCION-Premier Micro-finance organization

GDP-Gross Domestic Products

MDG – Millennium Development Goals

MFI-Micro-finance institutions

MSE – Micro and small Enterprises

MSMEs- Micro, small and medium enterprises

NGO- Non-governmental organization

NPP- National Peace Prize

SDG – Sustainable Development Goals

SHG – Self Help Groups

UN- United Nations

UNFPA – United Nation Population Fun

WEF – Women Enterprise Fund

ABSTRACT

The purpose of the study was on how micro-finance institutions have influenced the entrepreneurial growth of small scale businesses in Kitale Township, Trans-Nzoia County, Kenya. This was guided by the following four objectives; To determine whether loans extended to small scale businesses influence business growth; To establish how the provision of training by microfinance institutions influences entrepreneurial growth; To establish whether financial advisory services offered by Micro-Finance Institutions influences entrepreneurial growth; To determine how business idea generation by Micro-Finance Institutions influence entrepreneurial growth. The study was of crucial importance to micro-finance institutions because it will enable institutions to assess their influence on entrepreneurship growth. The study will further enable microfinance banks head offices to compare the cost benefit of outsourcing of services like micro credit loans distribution, direct sales representatives' services and customer care. The study employed the descriptive survey research design. The study adopted probability and stratified sampling to identify the respondents. The study deployed research questionnaires so as to extract valuable first hand data from the groups of respondents. The data collected was presented using frequency distribution tables, ratios and percentages. The research findings indicates that loan provision, training, financial advisory service and business idea generation have some influence on the growth and development of small scale businesses. Micro finance institutions services should be closely monitored and that quality entrepreneurship skills and training be advanced to small scale business on timely basis so as to spur business growth in remote regions. The findings revealed that the trainings offered were not enough to spur business growth and development. This was shown by 63% and 55% who disagreed with the statement on the questionnaire. It also revealed that the loans offered were inadequate and that the time for repayment was not enough to spur any business growth and development as shown by the responses from the respondents. 53% and 59%. Advisory services though important were inadequate and untimely and that the MFIs did not support the business people adequately to influence business growth and development. This was as shown by 67% and 71%. On business idea generation, 64% and 68% disagreed to some of the statements. Hence the researcher concluded that without new ideas, there can be no business growth and development and that the loans and advisory services were in vain. The researcher therefore recommended that enough training that is relevant to the times be advanced to the business people to ensure business growth and development. The researcher also recommended that loans be enough and the repayment period be extended to ensure maximum benefits of the loans to the entrepreneurs. It was further recommended that the advisory services be timely and on a continuous basis to ensure that the business people are guided throughout the project life cycles until they reach maturity. However of grates importance was the recommendation that the business people be helped to come up with new business ideas as a way of solving societal problems through critical thinking.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The history of microfinance institutions dates back to early 1970s. In the 1970s and 1980s, micro-finance institutions were started and began providing small loans to poor people around the world. An economist, Muhammad Yunus, the winner of the Nobel Peace Prize in 2006, pioneered microfinance institutions in Bangladesh with the aim of providing financial services to low-income customers. The world is full of many poor and near-poor households and provision of microfinance credits shall be an act of empowering the poor to gain economic independence and get out of poverty. Yunus set up a project testing the idea of lending small amounts of money to the poor. The project showed that the poor are very well able to pay back their loans. So in 1983, Yunus created a special bank for this purpose in Bangladesh, called Grameen Bank which literary stood for “village bank” in an effort to break the vicious cycles of poverty (Stoner &Wankel, 2007).

Yunus sought the assistance from government and the Grameen Micro-finance Bank was born. In order to focus on the poor, the bank only lent small loans to households owning less than a half-acre of land. Repayment rates remaining high and the bank began to spread its operations to other regions of the country. The success of the Grameen Bank was noticed. Institutions replicating its model sprang up in virtually every region of the globe. Between 1997 and 2002, the total number of microfinance institutions grew from 618 to 2,572. Altogether, these

institutions claimed about 65 million clients, up from 13.5 million in 1997 and still growing at 35% a year. The amount of money flowing to clients also continues to climb rapidly and the Grameen Bank extended over 750 million dollars worth of credit in the past two years alone (Vives, 2006). The same project was replicated in India, South America, Africa, and Caribbean region boosting the informal sector and the Gross Domestic Product (GDP) of these nations through entrepreneurial development (Mwangi et al, 2005).

In East African nations, microfinance institutions have endeavored to uplift the marginalized people with consideration of gender. The patriarchal nature of African societies degraded the position of women in society yet much is demanded from their provision to families. With the help of World Bank and other donors, microfinance institutions have vigorously spearheaded strategies mainly for ensuring women are catered for through financial loans with low interest rates. In Uganda and Kenya, agriculture forms the backbone of the economy microfinance institutions have played pivotal roles in entrepreneurial growth. The MFIs have been of great importance in East African nations especially for women engaging in the coffee sector by providing financial services and boosting their earnings and empowering the women in the rather patriarchal society (Basu, et al, 2009).

Rural finance in East Africa have been quite scarce and the presence of micro-finance institutions in these nations have filled the void that shall be left by commercial banks by providing small loans at lowest interest rate in 1990s and 2000. In this context, microfinance institutions have emerged as the viable solution to poverty and empowerment by providing credit and savings services to the multitude of smallholder producers and entrepreneurs to make up the agricultural and entrepreneurial sectors in East Africa (Matebu&Abiye, 2010).

Many rural areas in Kenya are not developed because the inhabitants of these areas are poor and cannot raise enough capital to start up businesses; and the commercial banks are adamant to give credit to poor people because it shall be seen as foolish. The poor do not provide the security that commercial banks required for one to secure loans with them. Since then, Improvements have been seen with the entrance of microfinance institutions in the banking sector.

Poor households increasingly have enjoyed access to small loans from microfinance institutions because they have significantly simplified the terms of micro credit acquisition (United Nations, 2008). Most of the poor people in Kitale Township have been given advice and training from experts and that have nurtured them with the capability to manage and mobilize resources to develop their small scale businesses over time. Financial services given by micro-finance institutions in Kitale Township have significantly played the integral role in helping the small scale entrepreneurs' leverage their initiative, accelerating the process of building incomes, assets and economic security.

Iarossi (2009) alleges a large number of small loans are needed to serve the poor people in Kenya, but the commercial banks whose presence in these areas will not be common preferred dealing with large loans in small numbers to rather minimize their administration costs. In this aspect, the commercial banks offered the rural areas entrepreneurs raw deal because of their hefty requirements. The inflexible requirements of the commercial banks plus the perception that lending money to low income households shall be bad risk contributed to the incapacitated state for the entrepreneurs to remain inept and hampered in their investment (Harper & Mwangi, 2005).

Over the last decade, however, successful experiences in providing finance to small entrepreneurs in Kitale Township by micro-finance institutions have empirically demonstrated that poor people, when given access to responsive and timely financial services at lower market rates, with proper business investment advice, could use the micro credit loans given to them to invest in small scale enterprises to increase income and assets, and later repay their loans at lower interest rates (Ong'ayo, Musinga&Hospes, 2002). Just like in KitaleTownship, micro-finance institutions around the world have demonstrated that these micro enterprise loans plus business advisory services could be profitable for borrowers and for the lenders, thus making micro-finance one of the most effective poverty reducing strategies currently.

The aim of the research study will be to make an in-depth analysis on the influence of microfinance institutions on a small scale businesses development in Kitale Township, Kenya, and the degree of progress made in achieving the objectives set by the MFIs programs. Other ideas and suggestions on how the small scale entrepreneurs in Kitale Township will enhances theentrepreneurship growth as a result of the presence of the worthwhile MFIs objectives are evaluated on how training in financial management, acquisition of MFIs loans, business advisory services, and business idea generation from the MFIs enhanced entrepreneurial growth (Gudz, 1999).

Thus, the development of MFIs in Kitale Township has not been left behind for they have significantly changed the way people in this county view micro credit loans and borrowing for small scale investment. Such examples of MFIs encountered during the study in Kitale Townshipincluded K-Rep Bank, Faulu Kenya, Kenya Women Finance Trust, Platinum Bank among others.The push towards sustainable institutions and the resulting growth of commercial

financing raise some important questions about the true mission of MFIs and how best to expand their outreach programs.

These issues are further developed in this study which highlights how the MFIs have really transformed the entrepreneurial growth in Kenya beyond reproach (Wanjala, 2001). In the Kitale Township, a region that covers 16 kilometer squared, the recent report on the population census indicated that there are approximately 300, 000 people. There shall be massive difference between the few rich people in the Township compared to the big masses that are poor, and will actually do with the micro credit loans from the MFIs in the area for entrepreneurial growth.

1.2 Statement of the Problem

Investing in business to many people has been a problem because in one way or another lack the capital, financial management skills, or the suitable ideas on the viable business. This is also a problem that faces the people of Kitale Township. Many people lack the know-how to manage finances necessary for entrepreneurial businesses so that they can sustain gradual growth. The problem of lack of micro-credit loans before the penetration of micro-finance institutions in the area in fact contributes to the inability of the small scale enterprises to grow while other enterprising people cannot do for they lack the capital to put up small businesses.

Previous studies and surveys conducted in the area indicated that the problem of low entrepreneurship have persisted because of lack of capital for investment among the aspiring small scale entrepreneurs. The challenges also affect the micro-finance institutions in the roadmap to providing sustainable financial services for entrepreneurial growth in the Township. One problem lies in the cultural mindset of the people who believe a loan may lead to auction of one's properties and resultant legal actions that may roughly affect their lives adversely. The

poor infrastructure in the Township have also made penetration of the micro-finance institutions difficult and this at large impeded their operations for financing self-sufficiency and expanding client outreach programs for entrepreneurial growth. These are problems that MFIs in Kitale Township need to overcome before they can bring significant growth in small scale enterprises.

In addition to the problems faced by the micro-finance institutions in Kitale Township is the low response to the financial services the MFIs offered to the people who have negative attitude of bank loans; hence there will be a need for holistic approach that persuades the small scale entrepreneurs to embrace the financial services extended to them positively. Previous studies where MFIs have been in effect showed positive contribution leading to entrepreneurial growth, which meant that presence of MFIs in Kitale Township will spur investment.

Microfinance institutions are the link between the people who wants to invest and rise of entrepreneurial development in Kitale Township. The problem lies in the identifying the clients and offering the financial and management training services so that the problem of low investment by small scale entrepreneurs will be a breakthrough. The essence of this study shall be to examine the influence of micro-finance institutions on entrepreneurial growth of small scale businesses in Kitale Township.

1.3 Purpose of the study.

The purpose of the study was to investigate how the micro-finance institutions influence entrepreneurial growth of small scale businesses in Kenya with special references to Kitale Township.

1.4 Objectives of the study

The study was based on the following objectives:-

1. To determine whether loans extended to small scale businesses influence business growth.
2. To establish how the provision of training by microfinance institutions influences entrepreneurial growth.
3. To establish whether financial advisory services offered by Micro-Finance Institutions influences entrepreneurial growth.
4. To determine how business idea generation by Micro-Finance Institutions influence entrepreneurial growth.

1.5 Research questions

The study shall address the following research questions:-

1. Does provision of loans by Micro-Finance Institutions enhance entrepreneurial growth?
2. How does training programs provided by MFIs enhances entrepreneurial growth?
3. How do financial advisory services provided by Micro-Finance Institutions contribute to entrepreneurial growth?
4. How does business idea generation enhanced by microfinance institution lead to entrepreneurial growth?

1.6 Significance of the study

This study will be important to micro-finance institutions because it will enable the institutions to assess their influence on entrepreneurship growth. The research study shall be of great importance to MFIs for developing competitive strategy and influence the people of Kitale Township have to develop the culture of entrepreneurial investment. It shall be expected that very important information will be obtained that eventually shall be used for analyzing the programs tailored by the MFIs for the small scale investors and how they could better these

programs for increased entrepreneurial growth in Kenya as a whole. The Kitale Township micro-finance banks will gain useful insights from the study on the Kitale Township imbalances on giving out small loans; say insufficient branches in some areas and efficiency of their lobbying sales representatives to the clients.

The study will further enable Kitale micro-finance banks head offices to compare the cost – benefit of outsourcing of services like micro credit loans section distribution, direct sales representatives service and customer care than to offer by self (Omosa et al, 2007).

It shall be envisaged that the study will ultimately help the banks gauge how their programs have influenced the people in entrepreneurial growth. The information derived will enable the microfinance institutions to assess their level of micro credit loans outreach programs, how they are contributing to their corporate objective of ensuring efficiency and effectiveness on client service delivery.

1.7 Delimitations of the Study

The study basically concentrated on Kitale Township micro-finance institutions and their influence to the area's entrepreneurial activities. Kitale Township is among the fastest growing regions in Kenya due to small scale enterprises growth and development. The study shed light on the micro-finance banks in the area that decisively endeavored to reach out to entrepreneurs through their programs. Practically, the region being vibrant in agricultural production and bordering with Uganda provided a model area where entrepreneurial growth will be important for the people to embrace the investment opportunities ever present. The study thus covers aspects involving the micro-finance banks and how the entrepreneurs in Kitale Township benefits from the interaction with the banks.

1.8 Basic assumption of the study

In the study the following assumptions were made. The sample size was a true representation of the target population, all the respondents were co-operative and provided a reliable response and data collection instruments had validity and were measuring the desired construct.

1.9 Limitations of the Study

The findings of the study were based on the openness/sincerity of the respondents feedback. This is a factor beyond the researcher's control. The researcher assured the respondents of the confidentiality with which the information presented was handled and that the research was for academic purpose. This approach was appropriate to avoid biased response with fear of being victimized.

The study was limited to Kitale Township of Trans-Nzoia County, which is characterized by Agriculture as the backbone of the economy. Given that the representative sample was selected randomly, it was therefore likely that access to some of the selected small scale business posed a challenge to the researcher. This implies that to reach some of the respondents, it cost the researcher both additional time and resources to source for the vital information.

1.10. Definition of Significant Terms

Entrepreneurial growth – refers to the increased investment in entrepreneurial activities as a result of increased entrepreneurship spirit necessitated by supportive services such as those provided by microfinance institutions. The presence of MFIs in an area is likely to spar on increased business ventures simply because the support services are available to the entrepreneurs (Gudz, 1999).

Micro-finance institutions – refers to the financial institutions formed with sole aim of giving small scale businessmen and women loans for the capital to start businesses. The MFIs have stepped in for the purposes of provision of financial services to low-income clients or solidarity lending groups including consumers and the self-shall employ, who traditionally lack access to banking and related services (Gatome et al, 2003).

Influence – The power that something or somebody has to make something or somebody behave in a particular way. It can also mean to have an effect on a particular situation and the way that it develops.

Village bank – refers to the micro-finance bank tailored to meet the needs of the poor households in rural areas. The pioneers of microfinance institutions started them to help villagers especially in Bangladesh where they could access the services of the village bank to get capital for small businesses (Yunus, 2007).

Financial empowerment – is broadly classified as giving financial ability to the poor through business loans so that the people can gain economic independence lifting them out of poverty. Empowerment itself is the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions (Ong'ayo, Musinga&Hospes, 2002). MFIs are filling this position in great way by offering micro-credit loans to small scale entrepreneurs.

Small Scale Business – is a business that is privately owned by an individual and operated with one or two employees and has relatively low volume of sales due to the low capital it is set up with. Most small scale businesses are started at very low cost and on part-time basis by the owners. Examples of small scale businesses are clothes stalls, tradesmen's stalls, saloons, small

shops and kiosks, photography studios among others. They are called small scale businesses simply because they are limited in scope or extent and are unable to borrow from commercial banks because cannot provide tangible security to borrow loans (Wanjala, 2001).

Training – Entrepreneurship training is the building of knowledge and skills in preparation for starting a business or running a business.

1.11The organization of the study

This chapter forms the basis of the study. The chapter highlighted the introduction of the study, the background of the study, statement of the problem, purpose of the study, research objectives, and significance of the study, the scope and limitations. Definition of the significant terms has also been pounded. Chapter two was a literature review, the background of micro-finance institution and origin of small scale businesses and the various services MFI extends to small scale business, conceptual framework and knowledge gap. In chapter three, the researcher introduced the research design and methodology, the target population, sampling design and sample size, data collection instruments and procedures, data analysis and ethical consideration. In chapter four was on data analysis and presentation whereby both quantitative and qualitative analysis was done. Lastly in chapter five the researcher concluded by expanding the summary of the findings, conclusion, recommendation and suggestion for further studies.

The study report will consist of three chapters. Chapter one represents the introduction, background information, statement of the problem, study objectives, scope, and significance of the study. Chapter two expounds on the literature review while chapter three accounts for the methodology to be employed in carrying out the study.

Chapter four and five will be provided in the project report. Chapter four will look at data analysis, presentation and interpretation whereas chapter five will provide the summary of the findings, discussions, conclusions and recommendations of the project report.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter of literature review provided recent others, a background analysis on the existing literature relating to the history of micro-finance institutions and the pioneers in this noble cause that have overtime has alleviated the micro credit barriers faced by the poor who would do well with small loans. The review provided general research information on history of micro-finance institutions and how they contributed to entrepreneurial growth at the grassroots, with the emphasis being on small scale businesses that provides a background for the project and controversies in the microfinance organizations contributions to growth of small scale businesses (Wennberg, 2009).

2.2 Concept of microfinance and business development

The aspects covered in this chapter includes the concept of microfinance and business development, provision of finance and small scale business development, training program by MFI and small scale, business development, advisory services by MFIs and small scale business development, and eventually the theoretical and conceptual framework.

The birth and gradual growth of MFI's around the world has decreased. Microfinance organizations played important role according to the proponents of microfinance. According to United Nations (2008) points out that microfinance institutions play three key roles in growth namely; It helps very poor households meet basic needs and protects against risks, is associated with improvements in household economic welfare, helps to empower women by supporting women's economic participation and so promotes gender equity. The aim of microfinance

according to Helms (2006) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector.

Cressy (2007) points out MFIs contribute great information that gives a background on how the entrepreneurial arena has been immensely influenced by micro-finance institutions in Kenya where provision of capital lead to setting up of more small businesses alleviating poverty, providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create financial management awareness in running up of successful businesses. Knowledge is power and ensuring the small scale entrepreneurs have financial management tips is vital for business growth. Advisory services and idea generation which are also other independent variables have been highlighted as integral programs initiated by MFIs and their importance has been seen in the viable businesses that have been started and run by small scale entrepreneurs. The variables are discussed in subsequent sub-topics.

One of the main reasons why the pioneers of microfinance institutions started them is because they wanted to ensure provision of micro-credit loans to the poor people without security that they could avail to commercial banks to secure capital loans to jumpstart business ventures. The provision of finance by the MFIs ensures a way through which small scale entrepreneurs access capital and start businesses that can ultimately lift them out of poverty.

Access to finance is vital in order to start or expands a business and economic scholars like Muhammad Yunus, Joseph Blatchford, and Friedrich Wilhelm Raiffeisen come up with the idea of village banks that offered the solution to provision of finance (Yunus, 2007). The idea of mobilizing savings and lending it in micro credit loans went well with aspiring entrepreneurs

thus it helped spar on entrepreneurial growth thus making microfinance institutions future for increased investment in small scale businesses.

2.3 Training Programs by MFIs and small scale business development

Walter and Dohse (2009) define entrepreneurship training as the building of knowledge and skills in preparation for starting a business. Thus, the purpose of entrepreneurship training is very specific. Drucker (1985) argued that entrepreneurship is a practice and that most of what you hear about entrepreneurship is all wrong. It is not magic, it is not mysterious; and it has nothing to do with genes. It is a discipline and, like any other discipline, it can be learned.

Agreeing with Drucker's concept of entrepreneurship then it follows that education and training can place a key role in its development. The level of education and training can place a key role in its developments. The level of education and training required to develop each of these skills will be highly dependent upon the levels of human capital that individuals might already possess before embarking upon their entrepreneurial journey. Indeed it has been argued that developing these skills – set through training will engender enterprising person who should be equipped to fulfill their potential and create their own future whether or not as entrepreneurs (NESTA, 2008)

According to European commission (2008), the aim of entrepreneurship education and training should be to develop economies by fostering creativity, innovation and self employment Storey (1994) argues that it is just a minimal group of enterprises germinating rapidly who provide the real increase in jobs and therefore it is these firms would which policy makers should be converging upon. However, identifying how small business can be transformed into.

The outreach programs of microfinance banks in offering financial management training is another independent variable that had significant influence on the growth of entrepreneurship in

an area. On the objective influence of training programs provided by MFIs, the training acts as the eye opener on the ways of entrepreneurs who lack the basis financial management skills to go about daily business affairs and account for every cent gained and given out from the business. For entrepreneurial growth which is a dependent variable, offering of training in financial management acted as the starting point to equip the potential business people with financial management skills. It was doubtless that gaining financial management skills will be of beneficial to entrepreneurs and would lead to increased investment in business activities and the repayment of loans taken eventually. Kauffmann (2005) points to the concept of the micro-finance union developed by Friedrich Wilhelm Raiffeisen and his supporters as aimed at raising the entrepreneurship consciousness of the masses.

Raiffeisen and company knew that if the masses are enlightened on entrepreneurship, it will definitely lead to increased investment in the business activities given the MFIs provided low interest loans. Their philanthropic action was motivated by concern to assist the rural population to break out of their dependence on moneylenders and to improve their welfare by breaking the vicious cycles of poverty by investing in businesses. Later studies acknowledge that from 1870, the micro credit unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative movement quickly spread to other countries in Europe and North America, and eventually, supported by the cooperative movement in developed countries and donors, also to developing countries.

Scholars have pointed out that by early 1900s; various adaptations of the MFIs began to appear in many parts of the world especially in rural Latin America. While the goal of such rural finance interventions was usually defined in terms of modernizing the agricultural sector, they usually had two specific objectives: increased commercialization of the rural sector, by mobilizing “idle”

savings and increasing investment through credit, and reducing oppressive feudal relations where training the clients seeking small capital loans would ensure safe investment and guaranteed return of the loans via repayments. In most cases, these new banks for the poor were not owned by the poor themselves, as they had been in Europe, but by government agencies or private banks (Omosa et al, 2007). Over the years, these institutions became inefficient and at times, abusive.

2.4 Provision of finance and small scale business development

Various scholarly literature delve in-depth analyzing the important aspects of microfinance institutions, their history as well as the phases many MFIs have undergone to accommodate the growing need for their services. (Ogbor, 2009) Micro-Finance Institutions have over the last decade proved quite crucial in the provision of formal loans for the poor; providing customers who were empirically and traditionally neglected by commercial banks. The MFIs' contributions are the independent variables for the achievement of business development (dependent variable). Provision of finances fall under the independent variables and it is where the MFIs came to the rescue of potential small scale entrepreneurs influencing them to venture in business investment. Entrepreneurial growth shall be here a dependent variable in the sense that it reflected on the influence of the independent variable (provision of finance by MFIs) to stimulate its growth (Ong'ayo, Musinga&Hospes, 2002).

According to Yunus (2007), one of the earlier and longer-lived micro-finance organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift. The idea of Jonathan Swift begun slowly but by the 1840s, it had become a widespread institution of about 300 funds all over Ireland to encourage large scale investment among the poor. Their principal purpose was making small loans with interest for short periods. At their peak they were providing loans to 20% of all

Irish households annually. In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives because of their leniency to the small scale business people (Ledgerwood, 2006).

2.5 Advisory Services by MFIs and small scale business development

Maixe-Altes (2009) contends that microfinance institutions are unmistakable in their quest to spur on growth in entrepreneurship investment with initiation of advisory services for the entrepreneurs to continue seeking and wisely using their services. Between the 1950s and 1970s, governments, non-government organizations, and donors focused on providing agricultural credit to small and marginal farmers, in hopes of raising productivity and incomes offered investment advices. These efforts to expand access to agricultural credit emphasized supply-led government interventions in the form of targeted credit through state-owned development finance institutions, or farmers' cooperatives in some cases, that received concessional loans and on-lent to customers at below-market interest rates and how they can wisely invest and repay the loans. In some cases, these subsidized schemes were rarely successful. Rural development banks suffered massive erosion of their capital base due to subsidized lending rates and poor repayment discipline and the funds did not always reach the poor, often ending up concentrated in the hands of better-off farmers. Thus the reason in many MFIs offering financial training and advisory services to the people taking up their loans for entrepreneurial activities so that there is guaranteed the loans repayment via wise investment (KIT & IIRR, 2010).

The pioneers of micro-finance Institutions whose impact remain etched in the books of history include Muhammad Yunus, Friedrich Wilhelm Raiffeisen, and Joseph Blatchford among others. Joseph Blatchford, a law student formed ACCION International whose aims was to

address poverty in the cities of Latin America. The organization began as a student-run volunteer effort in the shantytowns of Caracas where \$ 90,000 was raised from private companies. According to Yollin(2007), ACCION today is one of the premier microfinance organizations in the world with a network of lending partners that spans Latin America, Africa, and the United States. In 1972, SEWA Bank in India was formed by women as the initials stand for Self Shall employ Women Association and was registered as a trade union in Gujarat. The aim of this organization was to strengthen its members bargaining power to improve income of its members, create employment, and access social security. Scholars attribute the formation of such micro-finance organizations as propelled by the impetus to address the lack of access to financial services. This in a way explains why the members of SEWA decided to form a bank of their own. Consequently four thousand are said to have contributed the share capital to establish a micro-finance institution to provide the banking services to the marginally poor, illiterate, self-employed women (Vetrivel& Kumarmangalam, 2010).The micro-finance organizations have thus become viable financial options to many small scale clients who seek small loans as well as advices on how to wisely utilize the loans borrowed.

The contribution of Muhammad Yunus in Bangladesh through his Grameen Bank which he initiated as programme of action-research, addressed the banking problem among the poor. With his graduate students in Chittagong University in 1976, he designed an experimental credit programme to serve them. It spread rapidly to hundreds of villages. Through a special relationship with rural banks, he disbursed and recovered thousands of loans, but the bankers refused to take over the project at the end of the pilot phase. They feared it was too expensive and risky in spite of his success. Eventually, through the support of donors, the Grameen Bank was founded in 1983 and now serves more than 4 million borrowers. The initial success of

Grameen Bank also stimulated the establishment of several other giant microfinance institutions like BRAC, ASA, and Proshika among other (Yunus, 2007). In Africa, non-governmental organizations and donors initiated the MFIs where through the 1980s, the policy targeted, subsidized rural credit to the poor people. Ogbor(2009) argues that the cultural environment of entrepreneurship needs to be understood so that there is the understanding of what hinders or promotes its development in the society.

Governments in Africa have enabled the legal and the regulatory framework that encourages the development of a range of institutions and allows them to operate as recognized financial intermediaries. With the need to alleviate poverty, microfinance institutions have been initiated in Africa to broaden loans financing arena especially for the poor and marginalized people. Business-like NGOs have offered micro credit for micro entrepreneurs at low cost and risk plus advice on putting into use the loans given to them by the micro credit banks. From past MFIs interaction with small scale businesses, advisory services have immense influence on the entrepreneurs because they were advised on which actions would be drastic or beneficial to their businesses thus enable sustainable entrepreneurial growth.

2.6 Business Idea Generation by MFIs and small scale business development

Meanwhile, starting in the 1970s, the MFIs experimental programs in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses after assisting them with business idea generation. Microfinance banks right from inception endeavored in generating the viable business ideas for the willing small scale entrepreneurs. The business idea generation is an independent variable aimed at increasing entrepreneurial growth through ensuring the entrepreneurs venture in viable business so that they eventually prosper and repay the loans taken from MFIs. According to Yunus (2007), this type of micro enterprise credit

was based on solidarity group not only in lending to every member of a group but also on giving viable business ideas so that the micro-credit loans could be repaid. These “micro enterprise lending” programs have an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor (often women) borrowers.

Scholars and academicians claim that with the diversification on the other sectors rather the agricultural sector led to the emergence of small scale businesses spurred on by the micro credit organizations (Esipisu, 1996). According to survey conducted by Kauffmann (2005), many donors and practitioners today are increasingly focusing on expanded financial services in Africa to the poor in frontier markets and on the integration of micro-finance institutions in the marginalized areas for entrepreneurial growth. With the recent introduction by some donors of the financial systems approach in microfinance, which emphasizes favorable policy environment and institution-building; has improved the overall effectiveness of microfinance interventions inspiring entrepreneurial growth. But numerous challenges remain, especially in rural and agricultural finance and other frontier markets. Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty through generation of new ideas. (Sundaresan, 2008). For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others by offering policy ideas that enable the poor to empirically venture in self-employment methods that are viable to break the vicious cycles of poverty. Thus generating the right business ideas in one way or the other empowers the masses leading to increased entrepreneurial growth after all KIT and IIRR (2010) consent that for microfinance, this means viewing microfinance organization as an essential

element in any country's financial system and the push to empower the small scale entrepreneurs in Kenya has been of paramount important sparring on entrepreneurial growth.

The government policy interest regarding the microfinance institutions has significantly grown where in the last decade passage of friendly landmark Acts that has encouraged formation of various micro-finance organizations situated in rural Kenya. This has been the case in Kitale Township where micro-finance institutions have offered rapid assessment financial services and micro credit increasing the rate of entrepreneurial growth. Empirical data from the Kitale Township of number of entrepreneurial businesses that have emerged over the years point to the contributions played by the MFIs in this county. Although there was conflicting data about the true value of micro-finance institutions as development tool, empirical studies showed strong evidence that these organizations create appreciable reductions of poverty among the rural folk. In the views of Yunus (2007), the impact of MFIs has been significant on the broad segment of the rural society coupled with the entrepreneurial ability on the part of MFIs clients. Despite this emerging sense of realities on the challenges and obstacles, there was still a relatively broad consensus that providing financial services to the poor for entrepreneurial purposes has tangible economic benefits.

2.7 Theoretical framework

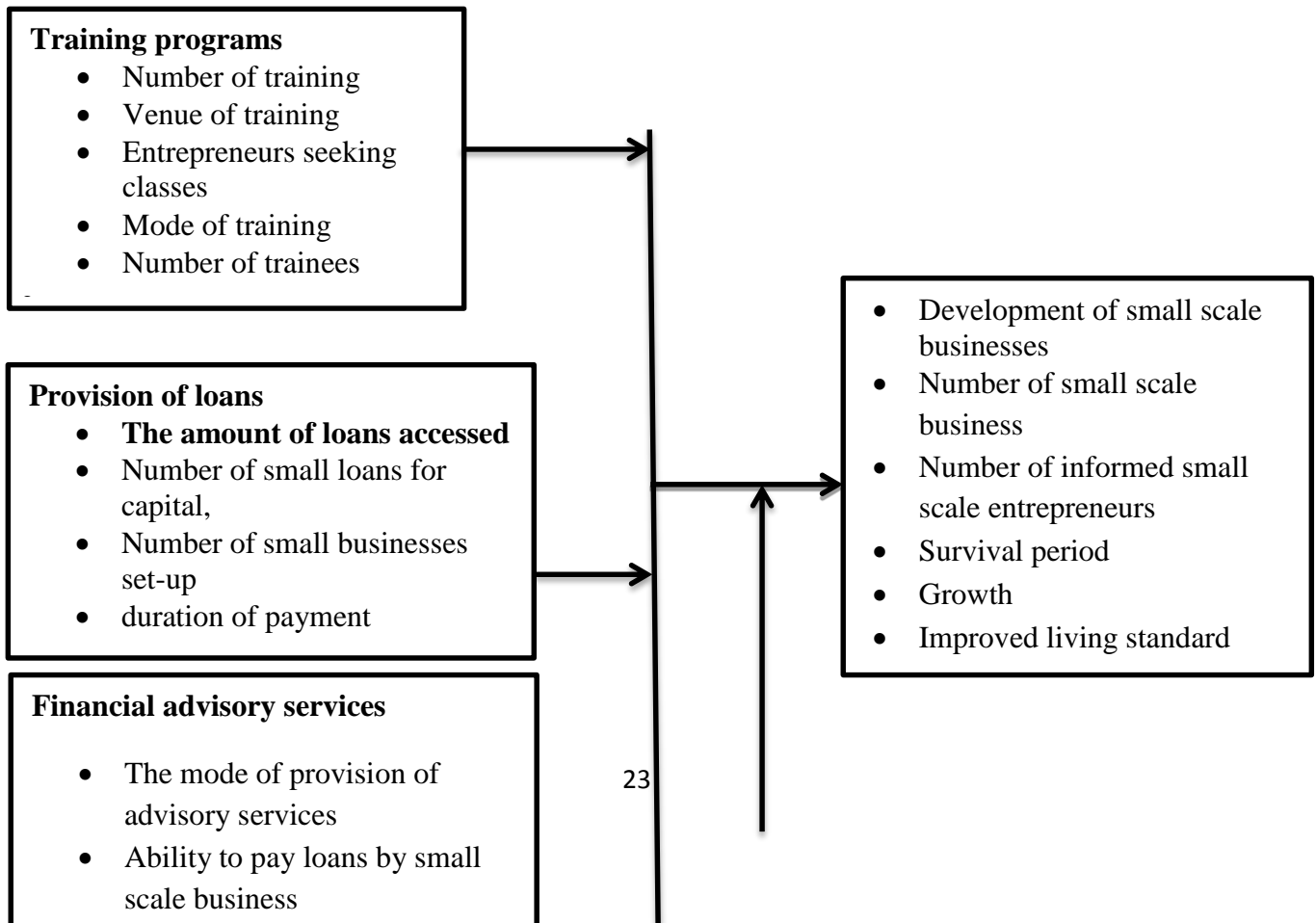
The study utilized the Lin's (2008) social capital. Theory which emphasized different aspects of social capital that tends to share the core idea. "The social networks have value". According to Wikipedia social capital plays an important role in Microfinance MFIs use the method of group lending with joint liability to reduce information asymmetries and thus increasing repayment performance. Training and business idea generations are fundamental tools that small scale business depends on for establishment and business growth. MFI training element is seen as an

effective instrument to circumvent information asymmetries it sensitizes the group members to use their social ties embedded in their social capital to screen, monitor and enforce loan repayment on their peers. As members of a borrowing group act as guarantors for each other's loans and this encourages them to collect soft information from their social networks to screen and select each other. Consequently the MFI's programmes such as provision of capital, training, financial advisory services and business idea generation are only but fundamental elements embedded in Lyn's Social Capital theory which in the long-run contributes immensely to small scale business development.

2.8 Conceptual framework

The study adopted a conceptual framework that showed the correlation between the dependent and independent variables as illustrated in the figure below

Independent Variables



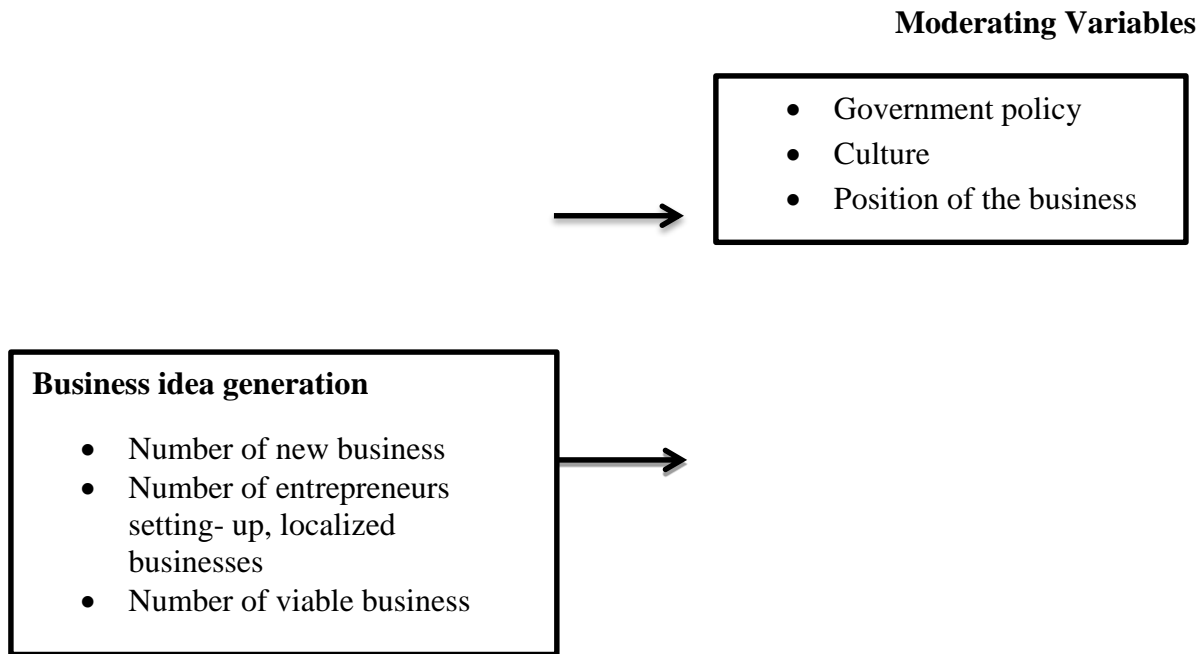


Figure 2.1 Conceptual Framework

The dependent variable is the businesses development owned by small scale business. The independent variable is the various services MFI's extends to the small scale/retail business which includes the provision of capital, training, financial advisory services and business idea generation. The gender, age, business expenses, education level, professional entrepreneurial course attended, position of the business, political and community consideration among others were the important control variables in measuring the effect of the independent variables on the dependent variable.

The conceptual framework in this research study highlights the theoretical model of how the logical sense was achieved of the relationships among the several factors that are identified with the dependent and independent variables of the problem under study. The dependent and

independent variables in the study were explored through data collected from inter interviews with the respondents, observations, and from the questionnaires data to be received. The central aim of the study shall be to examine the variables that enhance or negate the effectiveness of micro-finance institutions in their undeterred contribution to entrepreneurial growth in the case of Kitale Township. The study will focus on credit schemes and services offered, loan administration, loan recovery, and interest rates by the institutions on the one hand. Entrepreneurial growth as a dependent variable shall be influenced by the programs tailored by the micro-finance banks to the clients with the aim of equipping them with necessary skills and finances to start and operate businesses. On the other hand, the study will examine the benefits for small scale entrepreneurs, their business ventures, challenges and their impressions on these institutions (Matebu&Abiye, 2010).During the research exercise, the study expects to explore the benefits, problems and other issues related to micro-finance institutions and entrepreneurial growth in Kitale Township.

The independent variables are mainly as a result of unchanging framework at ground that enabled the presence of investment inertia, which significantly encouraged the dependent variables such as presence of microfinance institutions. The data will be analyzed basing on the themes and subthemes developed from the literature review. The information to be obtained from the microfinance institutions and their entrepreneur clients shall be about their methods and their experiences respectively; in relation to effective service delivery (Rhyne, 2009).

The underlying logic in the relationships between dependent and independent variable points to the nature of the micro-finance institutions and further indicated the direction of the resultant Influence on entrepreneurial growth in Kitale Township. Entrepreneurial growth in the Township will be thus possible if the micro-finance banks' programs were successful influencing the views

of the people and creating a conducive environment for entrepreneurial investment after all. Most of the problems that hindered micro-financial service delivery were either be administrative or as a result of the disadvantaged status that rural entrepreneurs suffered. The cultural mindset of the people as far as loans are concerned in a way contributes to the unwillingness to borrow sufficient loans for business capital fall among the intervening variables. It shall be notable that the existing and moderating variables like government policies contributed to presence of microfinance institutions that inherently tried to influence MFIs thus contributing to entrepreneurial growth in Kitale Township.

2.9 Summary of literature review

The existing literature review pointed out to the entrepreneurial inertia that comes with microfinance organizations initially started with poverty eradication as a main objective. Various scholars have brought forth different perspectives concerning micro credit institutions but all point to their ability to inspire rural entrepreneurial development and Kitale Township is no exception. Though, as depended a lot on the existing body of literature for the identification of variables as well as for developing a rigorous logical argumentation for the interrelationships among different variables in the contributions of MFIs to entrepreneurial development. The theoretical and empirical literature points to practical cases of micro-finance institutions and how they have been influential around the world leading to empowerment in small scale investment. The relationships between the dependent and independent variables indicates the factors that have been important leading to availability of MFIs and consequently influencing entrepreneurial development in general (Gatome et al, 2003).

2.10 Knowledge gap

Various scholars have researched on the topic microfinance institutions in Kenya but few have clearly elaborated of the contribution of microfinance institution services to small scale business developments. It is with this approach that the research sought to find out the influence of microfinance institution in small scale business development in Kitale Township of Trans-Nzoia County. The research also investigated the management challenges facing the MFI and small scale businesses.

Table 2.1 Knowledge Based Gap

Variable	Source	Finding	Gap
Training	NESTA, (2008)	They found out that developing these skills – set through training will engender enterprising person who should be equipped to fulfill their potential and create their own future whether or not as entrepreneurs.	It looked how the skill set sets equip the entrepreneurs with skills to fulfill their potential. The researcher was interested in finding out how the potential of the entrepreneurs influence the growth and development of businesses.

Loaning	Ogbor, (2009)	He found out that Micro-Finance Institutions have over the last decade proved quite crucial in the provision of formal loans for the poor; providing customers who were empirically and traditionally neglected by commercial banks.	He looked how MFIs have helped in the provision of loans. The researcher was however interested in finding out how the loans had helped in business growth and development.
Advisory services	Maixe-Altes (2009)	Argued that microfinance institutions are unmistakable in their quest to spur on growth in entrepreneurship investment with initiation of advisory services for the entrepreneurs to continue seeking and wisely using their services.	It insinuated that advisory services had played a role in ensuring growth and development of businesses. The researcher set out to find if this was indeed true for Kitale township.
Business idea generation	Sundaresan, (2008).	The microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty through generation of new ideas.	He looked at idea generation as a way of eliminating poverty. The researcher however looked at how idea generation contributed to business growth and development.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter of this research project report the researcher explained the research design that was used; the target population, sampling design and sample size, data collection instruments, the methods used to obtain or collect data and analyze the data. Lastly, operationalization of variables and ethical considerations that the researcher observed and considered.

Chapter three discusses the methodology to be used in gathering data, processing the data and translating the collected data into meaningful information. The process of research is primarily exploratory as it sought to find out if the MFIs have significant impact in entrepreneurial development in Kitale Township. It also encompasses the research design that takes into consideration aspects like the size of the random sample in relation to the target population, the variables under the study, and the approaches to the research and the methods to be employed in data collection. The research approach to be used by the study takes the form of a study population from which a sample will be drawn; the development of data research instruments, data gathering procedures, processing of the data and a presentation and analysis of all data shall be reviewed from which a conclusion will be drawn. The research methods will endeavor to answer the research questions about the relationship between the entrepreneurial growth and the presence of micro-finance institutions in the Kitale Township, providing meaningful and exploring the cultural setting of the study.

3.2 Research Design

The study employed the descriptive survey research design which involved collected data in order to determine the influence of MFI on business development in the town Research design is the structure of research; it is the "glue" that holds all of the elements in a research together. Francis (2010) defines research as an organized and systematic way of carrying out research. This study employed a descriptive survey design. According to Kothari (2004) descriptive survey design is suitable where the researcher needs to draw conclusions from a larger population. This survey designs were concerned with finding what, where and how of a phenomenon.

Descriptive surveys were used to develop a snapshot of a particular phenomenon of interest since they usually involve large samples which are characteristic of this study. The aim of this research was to study the influence of microfinance institutions on small scale business development in Kitale Township – Trans-Nzoia County. The design was appropriate for this study because the study sought to obtain data that enabled the researcher to describe the occurrence of events under study.

3.3 Target Population

According to Borg and Gall (2007) a target population is defined as all members of the real population or a set of people, events or objects to which research wishes to generalize the results of the study. The target population in the study involved the small scale businesses and staff from K-Rep Bank. K-Rep Bank is the micro-finance bank in the research project and ultimately represented other MFIs, the banks' staff and small scale entrepreneurs form the target population

for the study in the county. The study targeted 556 people who will comprise of 500 small scale business 36 debit/credit officers, 15 business advisors and 5 Finance analysts.

Distribution	Target population
Small scale business owners	500
Credit/ debit officers	36
Business advisors	15
Finance analysts	5
Total	556

Source : Krep financial statement 2013/2014

3.4 Sample size and Sampling procedure

3.4.1 Sample size

A sample is a smaller group or sub-group obtained from the accessible population (Mugenda and Mugenda, 2003). The sample size is 268

3.4.1 Sampling procedure

Sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements of the characteristics found in the entire group.(Orodho &Kombo, 2010). In an ideal situation, data should be collected from the whole target population in Kitale Township. Since the population was too large, it was prohibitively expensive to use the whole population in the study. Under these circumstances the sample was selected using the

Krejcie and Morgan tables to determine the sample size of each stratum of the target population. This was to ensure inclusivity of the target population.

Table 3.2 sample size

Distribution	Target population	Sample size
Small scale business owners	500	217
Credit/ debit officers	36	32
Business advisors	15	14
Finance analysts	5	5
Total	556	268

3.5 Data collection instruments

The questionnaires were used for the purpose of data collection as the data to be collected is quantitative and this was the most preferred instrument. A questionnaire is a document that consists of a number of questions that is written or typed in a definite order or a form or set of forms. This instrument was preferred because it up holds confidentiality, saves on time, lack interviewer bias and enables collection of data from a large sample and from various regions of the study. The instrument is divided into two parts. The first part A gives the respondents demographic data while the second Part B have closed-ended questions to enable the respondents to express themselves in their own words. The researcher used documents record review.

3.5.1 Piloting of the study

A pilot was done on five randomly sampled SME owners in West pokot township. A data entry screen was developed using these questionnaires and their data keyed and analyzed. Results were used to make necessary adjustments to the instruments (Polland, 2005). The main aim of piloting was to determining the accuracy and consistence of the instrument before they were used for actual data collection. This also helped the researcher to establish to what extent the instruments measured accurately the attributes under investigation.

3.5.2 Validity of the instruments

Validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested. Kothari (2004); there are three types of validity. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. The researcher ensures that the questions in the questionnaire are framed in such a way that they bring out the answers to the research questions. Criterion-related validity relates to the ability to predict some outcome or estimate the existence of some current condition. The researcher made a pre-visit to the study area in order to familiarize oneself with the location. On the other hand Construct validity is the degree to which scores on a test can be accounted for by the explanatory constructs of a sound theory.

3.5.3 Reliability of the instruments

Reliability of the instrument refers to a measure of how consistent the results from a test are. In this study, reliability is achieved by doing test re-test on the study sample in the pilot study. The following was ensured during this process. All the initial conditions is kept constant and the same test is administered to the same subjects. The respondents were then given three weeks before the same test was administered again to the same respondents. Correlations were done on the scores from both testing periods to determine the coefficient of reliability. If a high

coefficient of 0.7 were gotten this implied that the instrument would yield data with high test re-test reliability. This were done on all the sub groups of the population and ensured that the results are consistent hence reliability of the instrument. (Kathuri & Pals, 1993).

3.6 Data collection procedures

The researcher will got an approval letter from the Department of extra-mural Studies of University of Nairobi. The letter was used by the researcher to acquire a research permit from the National Council of Science and Technology. The questionnaires were hand delivered by the researcher and one hired research assistant to the SME owners and given time of around a day to respond toA the questions. The questionnaires were administered in a period of two weeks.

3.7 Methods of data analysis

The quantitative data were analyzed using statistical methods and expressed in the form of tables, frequencies and %ages. With qualitative data, categories were formed, themes established, coded and data entered in the computer.

Inferences and interpretation of the data is done using Descriptive statistical components like the Statistical program for social sciences (SPSS) was used to process and analyse the data, which were presented using frequency tables and %ages. After data analysis, the researcher compiled a final report and presented the same for approval by the Faculty Board upon completing of defence.

3.8 Ethical Consideration

Permission to conduct the study was sought from Research and Ethics Committees of the University of Nairobi and consequently obtained a permit and authorization letter from the National Council of Science and Technology, Ministry of Education Science and Technology Permission was sought from the Endebess sub county administration for entry into the research area. There was no coercion of any nature to the respondents e.g. promising what the researcher

could give to the respondents and Consent would be sought from all the participants after explaining the aims, methods, anticipated benefits and potential hazards if any. Participants were then assured that data collected from the study would be kept confidential and used only for purposes of this study. This was also on voluntary basis and participants were free to withdraw from the study at any time. Any information sought would not reveal the identities of the participants. All findings were presented without writing names or identifying the personal description, this was mainly to help preserve anonymity.

3.8 Operationalization of study variables

Through research questions and interview guide the study tested whether there was a relationship between independent and dependent variables as shown in table 3.1 below

Table 3.1 Operationalization of study variables

Objectives	Variables	Indicators	Measurements	Scale	Tools of analysis
Provision of training by microfinance institutions influences small scale businesses development.	Independent; number of trainings and informed small scale businesses Dependent; number of small scale businesses	Number of small scale trainees seeking training. Improved small scale businesses and personal savings.	Type of the training Implementation of the training Timeframe of training	Ordinal	Descriptive analysis; frequency percentage cross tabulation.
Loans extended to small scale businesses by MFIs	Independent; small loans for capital. Dependent; informed small scale businessmen.	Amount disbursed increased access to microfinance The number of small scale businesses, localized businesses.	Loan type and size Repayment terms Mode of payment Loan requirements	Ordinal	Descriptive of analysis
Financial advisory services offered by microfinance	Independent; ability to pay loans by small scale businesses. Dependent;	Improved small scale businesses. Informed small scale business entrepreneurs.	Type of the training Implementation of the training Timeframe	Ordinal	Descriptive analysis

institutions	improved small scale businesses, standards of living.		of training Results of the training		
Generation of business ideas by microfinance institutions	Independent; number of new small scale businesses. Dependent; number of viable businesses and improved standards of living.	Number of new viable businesses. Employment creation Changes in small scale businesses income	-number of new ideas Number of ideas implemented	Ordinal	Descriptive analysis

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

In this chapter, the primary data collected from the sampled population was analysed, presented, interpreted and discussed in line with the findings on the influence of microfinance institution on small scale business development in Kitale Township of Trans-Nzoia County. The questionnaires were distributed to the respective respondents; small scale businesses and interview guide to the K-Rep Bank official staffs. The information was assessed quantitatively and qualitatively through tabulation, graphs and charts for easy, simple and clear interpretation of the collected data.

4.2 Response rate

268 (100%) questionnaires were given out to the respondents in the study area to fill. Of these questionnaires, 220 (82%) were returned for analysis. However, 20 (09%) questionnaires were incomplete and therefore could not be analyzed. The remaining 200 questionnaires account for 73% response rate. According to Mugenda and Mugenda (1999) a response rate of 70% and above is sufficient and hence it allows for continuation with data analysis.

4.3 Demographic characteristics of respondents

Information about background characteristics of respondents in day secondary schools Trans – Nzoia west district is presented in this section. The researcher found it necessary to analyze. It includes gender, age education level and, teaching experience. In the first instance, the study was conducted among 03 (100%) respondents from the three organizations. The findings of the three officials were analysed and the findings were recorded and analyzed below.

4.3.1 Gender of respondents

The study found it necessary to analyze the gender of respondents as there was need to demonstrate the heterogeneity of the respondents.

Description	MFI's	%	Small business owners	%
Male	17	35	60	39
Female	31	65	92	61
Total	48	100	152	100

Table 4.1 Gender of respondents

Table 4.1 indicates that 17 (35%) of the MFI employees were male while 31 (65%) were female. This implied there were less males employed in the MFIs than men. This may have been so to ensure that the ladies handled the women entrepreneurs 92(61%) who surpassed the males 60(39%). However it also showed that although both sexes were represented the findings would mostly be generalized on the females who were the majority of the respondents.

4.3.2 Age bracket of respondents

The study found it necessary to analyze the age brackets of respondents. This was necessary because different ages would be influenced differently by the factors that influence the growth and development of business within the township.

Table 4.2 Age bracket of respondents

Description	Frequency	Percentage
Below 30 years	112	56
31-40 years	88	44

Total	200	100
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Regarding the age of respondents, Table 4.2 indicates that 112(66%) were in the youthful years of 30 and below while 88(44%) was between 31-40 years.

4.3.3 Education level of respondents

The study found it necessary to analyze the education level of respondents as education level is a factor in motivation.

Table 4. 3 Education levels of respondents

Description	MFI	%	Small business owners	Percentage
Degree	12		08	05
Diploma	30		49	32
Certificate	-		95	63
Total	42	100	152	100

The analysis revealed that 25 (25%) respondent had degrees while 85(42%) of them had diplomas. The rest which accounted for 90(45%) had certificates and below. This implied that the respondents with the certificates may have lacked some of the concepts in business and therefore relied heavily on the services of the MFIs to ensure that they got information on how to run successful businesses to influence any economic growth..

Work experience

The study found it necessary to analyze the work experience as this reflected on the number of years worked and hence the need for motivation.

Table 4.4 Work experience of respondents

Distribution	MFI	%	Small business owners.	%
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01-05 years	36	75	83	55
05-10 years	12	25	69	45
Total	48	100	152	100

Table 4.4 indicates 36 (75%) of the MFI employees had 01 – 05 years while 12 (25%) of the MFI employees had worked for 05 – 10 years. This implied MFIs were a new phenomenon that was somehow recent in Kenya and hence few people having worked in the organizations. It also implied that the earlier employees had left probably for the newly emerging MFIs hence new employees having joined the organization. On the other hand the respondents who run small business, 83(55%) had been doing it within the past 1-5 years while 69(45%) had been in business for between 5 and 10 years. This implied that many people were venturing into business as is shown by the 10% increase in the difference between the numbers of people venturing into small businesses. This therefore showed the need for many of the respondents to receive the support given by the MFIs. Consequently, the study found it necessary to investigate whether the support extended to small scale businesses influence entrepreneurial growth.

4.7 Provision of training programs to small scale business and business development.

Training is important to impart skills that are necessary for business growth. The researcher therefore analyzed the responses to the influence of training from the respondents to determine if it had any influence in the growth and development of businesses within Kitale Township.

Table 4.5 Provision of training

Statement	SA	A	UD	D	SD	Total
	F	F	F	F	F	N=200
	(%)	(%)	(%)	(%)	(%)	

The number of trainings influence the growth of small scale businesses	14 (7)	30 (15)	31 (15)	73 (37)	52 (26)	200 100
The frequency of training influences the growth of small scale businesses leading to business development.	24 (12)	51 (26)	15 (8)	71 (36)	39 (19)	200 100
The mode of training influences the growth of small scale businesses leading to business development.	20 10	41 20	22 11	65 33	52 26	200 100
The place of training influences the growth small scale businesses leading to business development.	28 14	21 11	16 8	44 22	91 45	200 100
The interest in the training influences the growth of small scale businesses leading to business development.	20 10	41 20	22 11	65 33	52 26	200 100

14(7%) strongly agreed, 30(15%) agreed 31(15%) 73(37%) disagreed and 52(26%) strongly disagreed that the number of training influences the growth of small scale business this disagrees with the findings of (NESTA, 2008) who found out that developing entrepreneurial skills – set will engender enterprising person who should be equipped to fulfill their potential and create their own future whether or not as entrepreneurs ,another 24(12%) ,51(26%) agree ,15(8%) ,71(36%) disagree ,39(19%) strongly disagreed that the frequency of training influence the growth of small scale business, 20(10%) strongly agree ,41(20%) agree ,22(11%) , 65(33%) disagree ,52(26%) strongly disagree the fact that the mode of training influence the growth of small scale business , lastly, 28(14%) strongly agreed ,21(11%) agree ,16(8%) ,44(22%) strongly disagree and 91(45%) disagree that the place of training influences the growth of small

scale business. Generally however, the findings disagree with the findings of the European commission (2008), who said that the aim of entrepreneurship education and training should be to develop economies by fostering creativity, innovation and self employment. This is because many of the businesses that are started by the small business people show little creativity and innovation and indeed if one looked around there was too much duplication of business leading to lack of sustainability of the businesses. Even though the same idea is echoed by Kauffmann (2005) who pointed out that the concept of the micro-finance union developed by Friedrich Wilhelm Raiffeisen and his supporters was aimed at raising the entrepreneurship consciousness of the masses

4.7 Provision of Loans and small scale business development

For any small scale business to funding efficiently and effective then finances must be provided.

The study found it necessary to analyze the influence of Loaning to growth of small scale business and business development. This was necessary as access to funds spurs development and growth of economic enterprises. The findings were presented in the table below, analysed and discussed.

Table 4.6 Provision of Loans

Statement	SA	A	UD	D	SD	Total
	F	F	F	F	F	
	(%)	(%)	(%)	(%)	(%)	
The amount of loan accessed affects the growth of small	50	28	17	61	44	200
scale businesses leading to business development.	24	14	9	31	22	100

The number of the loans accessed influence the growth of small scale businesses leading to business development.	20	41	22	65	52	200
Duration of loan repayment, influences growth of small scale businesses leading to business development.	10	20	11	33	26	100
Loaning leads to growth of small scale businesses leading to business development.	24	39	21	65	51	200
	12	19	11	33	25	100
	30	48	17	60	45	200
	15	24	8	30	22	100

50(24%) strongly agreed ,28(14%) agree, 17(9%), 61(31%) disagree,44(22%)strongly disagree that the amount of loan affects the growth of small scale business, another 20(10%)strongly agree,41(20%) agree, 22(11%), 65(33%)disagree and 52(26%) strongly disagree that the number of loans influence the growth of small scale business, 24(12%) strongly agree, 39(19%) agree, 21(11%), 65(33%) disagree and 51(25%) strongly disagree that the duration of loan repayment ,increases economic project success of businesses, another 30(15%) strongly agree,48(24%) agree, 17(8%), 60(30%) disagree and 45(22%) strongly disagree that loaning leads to growth of small scale businesses and hence business development. This agrees with the findings of (Ogbor, 2009) who found out that Micro-Finance Institutions have over the last decade proved quite crucial in the provision of formal loans for the poor; providing customers who were empirically and traditionally neglected by commercial banks. (Ledgerwood, 2006). Also found out that these institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives because of their leniency to the small scale business people. However, whereas the dispute is not whether they receive the funds or not, the issue has shifted to the amounts of money received as not being enough to spur any business growth as shown by the 53% who disagreed with the

same. It is also about the terms of repayment as shown by the 58 % who disagreed. This problem is even compounded further with the lack of training.

4.8 Provision of financial advisory services to small scale business and business development.

Financial advisory services are of great importance if any business is to thrive. This help the business owners to determine how best to minimize the expenses as they maximize on the profits so as to realize any form of business growth. Hence the researcher found it necessary to analyze the advisory services given to the respondents to determine if they would influence any business growth amongst the small business owners in Kitale Township.

Table 4.7 Provision of financial advisory services

Statement	SA	A	UD	D	SD	Total
	F	F	F	F	F	N =200
	(%)	(%)	(%)	(%)	(%)	
The mode (internal/external) of financial advisory services influence the growth of small scale business	28	21	16	44	91	200
The financial advisory services influence the ability to pay loans and hence the growth of small scale business	14	11	8	22	45	100
The timing of financial advisory services influence the management of finances leading to the growth of small scale business	25	25	10	63	77	200
	12	12	5	32	39	100
	07	17	27	87	62	200
	04	08	13	44	31	100

Financial advisory services influences increased	25	28	7	62	78	200
clients hence the growth of small scale business	12	14	4	31	39	100

28(14%)strongly agree,21(11%) agree, 16(8%) , 44(22%) disagree and 91(45%) strongly disagree that the mode (internal/external) of Provision of financial advisory services influence the ability to pay loans and hence the growth of small scale business. This is in direct contrast to the findings of Maixe-Altes (2009) who contends that microfinance institutions are unmistakable in their quest to spur on growth in entrepreneurship investment with initiation of advisory services for the entrepreneurs to continue seeking and wisely using their services. This indicates that the small business people who are mostly the unschooled lack the advisory services that they require to enable them forge ahead in the world of business. 25(12%) strongly agree, 25(12%) agree, 10(5%) , 63(32%) disagree, 77(39%) strongly disagree that the timing of financial advisory services influence the management of finances and hence the growth of small scale business,7(4%) strongly agree , 17(8%) agree, 27(13%) , 87(44%) disagree this also contrasts with the findings of (KIT and IIRR, 2010). Who say that the reason in many MFIs offering financial training and advisory services to the people taking up their loans for entrepreneurial activities is so that there is guaranteed the loans repayment via wise investment however an investment whose timing as based on the advisory services is incorrect leads to poor investments and consequently, fails to achieve its purpose. and 62(31%) strongly disagree that the timing of Provision of financial advisory services in the project life cycle influence the growth of small scale business and on the other hand 25 (12%) strongly agree, 28(14%) agree, 7(4%) , 62(31%) disagree and 78(39%) strongly disagree that financial advisory services influences increased clients hence the growth of small scale business. This is in agreement with the findings of

(Vetrivel & Kumarmangalam, 2010) who found out that the small business people have contributed the share capital to establish a micro-finance institution to provide the banking services to the marginally poor, illiterate, and self-employed women. However, for this to have more success the training and the advisory services, and amount of loans need improving upon.

4.9 Provision of business idea generation

Societal problems lead to new ideas on how to solve them consequently leading to innovation. Innovation further leads to new businesses as entrepreneurs seek to fill the gaps created by the new ideas. However, to do this it needs critical thinking and creativity.

Table 4.8 Provision of business idea generation

Statement	SA	A	UD	D	SD	Total
	F	F	F	F	F	N =200
	(%)	(%)	(%)	(%)	(%)	
Business idea generation leads to new businesses and	19	26	8	68	79	200
hence influences the growth to small scale business	9	13	4	34	40	100
and business.						
Business idea generation increases the number of	25	32	7	66	70	200
entrepreneurs and hence influences the growth of	13	16	3	33	35	100
small scale business and business.						
Business idea generation influences the growth of	30	22	13	65	70	200
new small scale business and business.	15	11	6	33	35	100
Business idea generation minimizes duplication of	13	20	10	90	67	200

business projects to small scale business.	7	10	5	45	33	100
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19(9%) strongly agree, 26(13%) agree, 8(4%) , 68(34%) disagree and 79(40%) strongly disagree that business idea generation leads to new businesses and hence influences the growth to small scale business and business 25(13%) strongly agree , 32(16%) agree, 7(3%) , 66(33%) disagree and 70(35%) strongly disagree that the business idea generation increases the number of entrepreneurs and hence influences the growth of small scale business and business.,30(15%) strongly agree, 22(11%) agree , 13(6%), 65(33%) disagree and 70(35%) strongly disagree that business idea generation influences the growth of new small scale business and business 13(7%) strongly agree, 20(10%) agree, 10(5%) , 90(45%) disagree and 67(33%) strongly disagree that business idea generation minimizes duplication of business projects to small scale business

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter discusses summary of findings, conclusions and recommendations. It also gives contributions to the body of knowledge and suggested areas for further research in the following sub themes;

5.2 Summary of findings

Based on the data and other information obtained and analyzed to answer the research questions of the study, a number of research findings were presented in chapter four. The findings are summarized in this section

Provision of Training by MFI's and Small Scale Business Development.

On the influence of Provision of training by MFIs and small scale business development, Training is a skill and knowledge that is imparted to trainees in order to equip them with viable ideas to help them start or cope up with their daily business. The study found out that training is a crucial prerequisite to any investment. It was clear that very few small scale businesses had their staff been trained or to say attended training to equip their business. This is a very worrying trend in any investment arena. This is so because client's needs are ever changing and so satisfy them, it does need constant training programmes that are geared towards sustenance of the business, creation of wealth and satisfying the customers' needs. The findings further revealed that the number of trainings offered to the small business were not adequate to transfer enough skills set to the entrepreneurs to influence growth in Kitale Township. This was as evidenced by

the findings that 14(7%) strongly agreed, 30(15%) agreed 31(15%) 73(37%) disagreed and 52(26%) strongly disagreed that the number of training influences the growth of small scale business. On whether the frequency of the training had any influence on the growth of the small businesses in Kitale township, the findings revealed that 24(12%), 51(26%) agree, 15(8%), 71(36%) disagreed, 39(19%) strongly disagreed. This showed that a majority of the respondents felt like the frequency of the training did not have an influence on the growth of small scale businesses in the town ship. On the other hand 28(14%) strongly agreed, 21(11%) agree, 16(8%), 44(22%) strongly disagree and 91(45%) disagree Finance is the basis and muscles necessary to any small scale business.

Provision of Loans and Small Scale Business Development

On the Provision of Loans and small scale business development, the findings showed that some small scale businesses agreed that the amount of loan influences business growth 38% with 43 % disagreeing about the same. This showed that the business people had different perceptions on the amount required to ensure business growth. It also showed that whereas some had succeeded with the finances the received as loans there were those who felt the money was not enough. 58 % of the respondents also disagreed that the repayment plans of the loans accessed to the small business holders in trans Nzoia town ship did not influence the growth in the businesses. This explains why about 50% of the businesses started close down before the end of 6 months period.

Provision of Financial Advisory Services by MFI's and Small Scale Business.

As concerns the Provision of financial advisory services to small scale business and business development, it was found out that indeed the microfinance institution provided financial advisory services to small scale businesses. It was also established that the mode of financial advisory services influenced the business growth to a certain extent. This is shown by 25% who

agreed while the majority 47% disagreed. 69 % further disagreed that the timing of the advisory services did not help in the growth of the enterprises and hence business development. 79% disagreed that financial advisory services increased the number of clients in the businesses leading to business growth. Only 26 % agreed to this statement.

Business idea generation by MFI's and small scale business development.

On the Provision of Business idea generation by MFIs and small scale business development, The study found out that the mode of business idea generation did not lead to business growth and development. Only 35 % agreed to this. This was attributed to the lack of understanding on how a new idea can be different from the other normal businesses hence more sustainability leading to business growth and development. On the timing of the increase of entrepreneurs due to idea generation, 29 % agreed while 68% disagreed. Most small scale businesses were simply a copy paste of the next business and they lacked originality, uniqueness, innovativeness and viable business ideas. The fear here is that the lack of viable business idea is the very reason that kills innovativeness and originality in the business sector and this poses a danger in future. On the other positive side, it was found that business ideas generation by MFIs had really done a lot to small scale businesses and this inculcating a spirit of entrepreneurship.

5.3 Conclusions

This study concluded that all factors namely finance, training, financial advisory services and business idea generation have some influence on the growth and development of small scale businesses. These factors create a vicious cycle where if one is not met then all are not met.

On the provision of training services the researcher concluded that the timing of the training was as important as the content of the training. The mode of the training was also necessary

considering that these were adult learners who already had set mindsets about certain beliefs. The place of training was also necessary as a conducive atmosphere was important to ensure high knowledge retention rate if it was to have any impact on the growth and development of business in the township. Interest was also supposed to be aroused in the trainees and possibly the benefits of the training explained for the trainees to take it with all the seriousness it deserves so as to realize an impact in the growth of businesses.

On the provision of loaning services the amount of loan offered was important .however loans should be given after the training otherwise the loans could be diverted to other needs and hence not serve the purpose it was intended for. This influenced the repayment schedules and therefore affected the development and growth of businesses. Generally though, if the loans are given after proper training, regardless of the amount the n I can influence the growth of businesses leading to business development.

On the provision of financial advisory services, both internal and external advisory services to the business people can help to spur business growth. Hence if both methods were not exploited then it did not get to its full potential. This if well done then it would have positively influenced the business engagement leading to easy loan repayment and eventual business growth. This is because the advisory services would have led to proper record keeping and financial management . it would have also ensured that the monies are not diverted and the expenses are kept at a minimum for ease of loan repayment. Eventually this would have led to subsequent loans and eventual business growth and development.

On the provision of business idea generation services, business ideas are the back bone of any business growth and development. Lack of which may have influenced the lack of business

growth within the township. Consequently, this would have increased the number of entrepreneurs as there would be diversity leading to growth and development of business within the township. Consequently of all the factors above business idea generation is the one factor that can influence the growth and development of small scale businesses within the township.

However, the extent of the influence and importance of these factors differ. Most small scale businesses are turning to microfinance institutions for an array of financial services. Further, start up finance for an enterprise is the biggest hurdle that many small scale businesses go through. Other challenges included lack of viable business idea and financial sustainability.

5.4. Recommendations

On the provision of training services the researcher recommended that the trainings be relevant and regular to the current needs with the aim of filling the gaps where societal problems abound. The researcher also recommended that the training be carried out in a conducive environment and that the appropriate methodologies be used considering their ages. Where possible they should be given an opportunity to think critically on how to solve everyday problems in innovative ways. This form of training would then encourage the trainees to come up with new business ideas.

On the provision of loaning services the loaning policies and procedures should be explained to the business owners to encourage them to understand why they would qualify for a given amount of money and not what they expect. They should also be allowed ample time before being asked to repay the money to enable them grow in their businesses. Otherwise, most business people would find themselves returning the loan money in the name of loan repayment. This hampers business growth and development to a great extent.

On the provision of financial advisory services, they should be timely to ensure that before they embark on the business ventures they have adequate advise and skills to help them grow and develop the businesses. Advise should also continue through out to ensure that the businesses grow and expand. Otherwise, initial advisory services and letting the business people to try and err may not be of help in the growth and development of the businesses in the township.

On the provision of business idea generation services, this should be a mandatory service that guides the business people through a critical thinking process to enable them see the problems in society and guide them on how to come up with business ideas by trying to solve the problems. This is because, ideas are not a monopoly and the MFIs do not have all the ideas. The assumption that all the ides should come from leads to a dependency syndrome hence hampering business growth and development.

Based on the research findings and empirical discussions and evidence, the following recommendations for the staff are made;

All services provided by MFI to small scale business should be closely monitored and evaluated because the importance of these can be adulterated or watered down by poor and corrupt implementation and management

Quality entrepreneurship thawing should be advanced to small scale business on timely basis and such extension officers should reach out to remote regions. It was observed that for effective development such funds should be extended to the remotes regions of Kitale Town to spur up growth and development. Loan repayment also influenced the

MFI institution should devise other mechanism of loan provision to its Oclients so that the same loans are serviced with fine bonds to avoid stale loans. This can be for instance trough group lending mechanism (Joint liability).

Political, culture and community consideration among others should not be a yardstick to measure the capability of clients who are advanced/ accessed to loans and services on well established business, but also need to review their training to focus more on business idea generation and change from one business of another. Entrepreneurial capacities and mind-sets that benefit economies by fostering creativity business idea generation and self employment.

5.5 Contribution to the body of knowledge

Based on the knowledge gaps determined in chapter two, the researcher sought to show the contributions to the body of knowledge through this study. The study had the following contribution to the body of knowledge;

Objectives	Contribution
To establish how provision of training by micro finance institution influences business growth.	NESTA, (2008) They found out that developing these skills – set through training will engender enterprising person who should be equipped to fulfill their potential and create their own future whether or not as entrepreneurs. The findings however revealed that the training did not offer enough skills to spur the growth and development of businesses within the township.

<p>To determine whether loans extended to small scale business influence business development.</p>	<p>Ogbor, (2009) He found out that Micro-Finance Institutions have over the last decade proved quite crucial in the provision of formal loans for the poor; providing customers who were empirically and traditionally neglected by commercial banks. The researcher however found out that the loans provided did not offer enough opportunity to spur growth and development. This was based on the amounts received, and the time before repayment was short and could not spur the growth sought after.</p>
<p>To establish whether financial advisory services offered by MFI institution influences business development</p>	<p>Maixe-Altes (2009) Argued that microfinance institutions are unmistakable in their quest to spur on growth in entrepreneurship investment with initiation of advisory services for the entrepreneurs to continue seeking and wisely using their services. The researcher however found out that the advisory services were not timely and not adequate to spur any growth and development of businesses within all the entrepreneurs in the township.</p>
<p>To determine how business idea generation</p>	<p>Sundaresan, (2008). The microfinance industry</p>

by MFI influences business development	and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty through generation of new ideas. The researcher determined that business idea generation was scarce and hence there was a lot of business duplication leading to slow business growth and development within the township.
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5.6. Suggested areas for further research

The researcher suggested the following further areas of study;

1. A similar study should be carried out in a different township to determine if the findings would be similar to the findings in Kitale Township.
2. A study should be carried out on the influence of idea generation on the growth and development of businesses within the major municipalities. This is based on the idea that municipalities and townships have different challenges and hence a different solutions to the problems which are the precursors to businesses.
3. Since not all stake holders in the business fraternity were included among the respondents, the researcher therefore suggests that further research should be conducted using a larger sample size
4. Also the same research should be conducted in areas such as group lending mechanisms, youths and rural women. This will help the country to realize the influence of micro finance institution in the society.

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APPENDICES

APPENDIX I: Small Scale Businesses

DATA COLLECTION INSTRUMENT

The response herein is for academic purposes and will be treated confidentially with respect it deserves. Thanks for your participation and cooperation in giving factual data which will help in concrete recommendations of this case study.

Tick in the box or write your answer in the spaces below the questions.

SECTION A (Personal information of small scale businesses)

1. (a) Gender of the respondent

Male Female

(b) The age range of the respondent

- i. 18 – 25 years
- ii. 26 – 30 years
- iii. 31- 35 years
- iv. 36 – 40 years
- v. 41 years and above

2. Respondent's highest level of education

- A. Primary school
- B. Secondary

- C. College
- D. University
- E. None

3. How long have you been running your small scale business?

- (i) 0 – 3 years
- (ii) 4 – 6 years
- (iii) 7 – 10 years
- (iv) 11 – 15 years
- (v) 16 – 20 years
- (vi) 21 years and above

SECTION B (General information on the objectives)

Part 1 Provision of loans

4. Kindly indicate the source of your first capital for starting the business

- i. Personal savings
- ii. Sacco loan
- iii. Loans from microfinance banks
- iv. Loan from commercial bank

5. If you get loans from micro-finance banks, how would you rate the following in the scale of excellent, very good, good, poor, very poor?

MFIs services Loan interest rates

Excellent **Very good** **Good** **Poor** **Very poor**

1. Loan processing charges

Excellent **Very good** **Good** **Poor** **Very poor**

2. Loan processing speed

Excellent **Very good** **Good** **Poor** **Very poor**

3. Penalties charged

Excellent **Very good** **Good** **Poor** **Very poor**

6. Have you sought the services of the microfinance banks in your small scale investment other than credit loans?

Yes No

(b) Which among the following services offered by microfinance institutions other than provision of finance have you been able to access?

Services by Microfinance banks Tick here

a. Financial management

b. Training programs

c. Advisory services

d. Business idea generation

7. Rate the following statement(s) relating to the influence of microfinance institutions on entrepreneurial growth of small scale businesses in Kitale Township County.

1. Micro credit loans from MFIs have helped increase entrepreneurial growth of small scale businesses.

a) Agree b) Strongly agree c) Disagree d) Strongly disagree

2. Loans application and approval process at microfinance banks are fast enough to my satisfaction.

a) Agree b) Strongly agree c) Disagree d) Strongly disagree

3. Loan interest rates at microfinance banks are higher than at commercial banks.

Agree b) Strongly agree c) Disagree d) Strongly disagree

4. MFIs training programs have helped small scale businesses gain business management skills increasing their profits in the long run.

Agree b) Strongly agree c) Disagree d) Strongly disagree

5. Small scale businesses have increased tremendous as a result of services especially loans offered to entrepreneurs by MFIs.

Agree b) Strongly agree c) Disagree d) Strongly disagree

Part 2 Training Programs

8. Have you been attending or training in the microfinance banks training programs?

Yes No

9. Would you like microfinance banks to continue offering the training services they offer in your area, and why?

Yes No

(a)

(b)

(c)

Part 3: Financial Advisory Services

10. (a) Has the advisory services given by microfinance banks been beneficial to your small scale business?

Yes No

(b). If Yes, do you agree or disagree with the statement that advisory services offered to you small scale business development by microfinance banks has relatively influenced entrepreneurial growth?

A. Agree B. Disagree

11. Which other areas do you need to be given advice on so that your small scale business can flourish?

I. Management of finances

II. Venturing into new businesses

III. Savings

IV. Securing loans

V. Changing from one business to another

Part 4 Business Idea Generation

12. (a) Have you ever sought the services of microfinance banks on business idea generation?

Yes No

(b) If Yes, how long ago was the last consultation with microfinance bank on business idea generation?

I. In the last one month.

II. In the last three months.

III. In the last six months.

IV. In the last one year

V. I can't remember.

(c) Was it beneficial to you?

Yes No

13. In which of the following ways was the idea generation from MFIs beneficial to you?

(a) Setting up viable business

(b) Dealing with your clients well

(c) Suitable location of your business

(d) Ensuring affairs of running the business are in order

Appendix II: Interview Schedule (Micro-Finance Institutions Staff)

Part 1: Demographic information

Instruction: *Please tick or fill in the spaces provided with appropriate answer.*

1. Gender of the respondent.

A. Male B. Female

2. Age bracket

i) 18-25 years ()

ii) 26-30 years ()

iii) 31-35 years ()

iv) 36-40 years ()

v) 41 and above ()

3. Level of education

i) Primary ()

ii) Secondary ()

iii) Tertiary college ()

iv) University ()

4. Marital status

- i) Single ()
- ii) Married ()
- iii) Separated/divorced ()
- iv) Widowed ()

5. For how long have you been working with this microfinance bank?

I. 1 – 3 years

II. 4 – 6 years

III. 7 – 10 years

IV. 11 – 15 years

6. What is your position in the micro finance bank you work in (Indicate)?

- (a) Business advisors ()
- (b) Cashiers ()
- (c) Finance analyst ()
- (d) Debit /Credit officer ()
- (e) Others (specify).....

Part 2 Provision of Finance

7. Is provision of finance the main objective of your microfinance bank in providing cheap loans to small scale entrepreneurs in this area?

Yes

No

8. If yes, how has the bank been able to inform the people in this county so that they can seek loans from the bank for setting up businesses?

I. Through meetings.

II. Sending out leaflets.

III. Outreach programs.

IV. Information desks.

V. None of these ways.

9. Rate the following statement by either strongly agreeing or disagreeing with them.

I. That microfinance banks have made it easier for small scale entrepreneurs to access loans without tangible security as required by other banks.

a) Agree b) Strongly agree c) Disagree d) Strongly disagree

II. Training programs by MFIs are tailored to improve management of the finances and running of small scale businesses.

a) Agree b) Strongly agree c) Disagree d) Strongly disagree

III. Small scale entrepreneurs in this area have been quite receptive of the MFIs services to boost their businesses.

a) Agree b) Strongly agree c) Disagree d) Strongly disagree

IV. The MFIs management has opened doors to the small scale entrepreneurs without reservations.

a) Agree b) Strongly agree c) Disagree d) Strongly disagree

V. Some of the small scale entrepreneurs have been turned away from seeking advisory services from microfinance bank.

a) Agree b) Strongly agree c) Disagree d) Strongly disagree

Part 2: Training Programs

10. Does your bank hold training programs to the entrepreneurs who seek micro credit loans?

Yes No

(b) If yes, how is the response of the entrepreneurs to these training programs?

A. Very Good B. Good C. Poor D. Very Poor

Part 3: Advisory Services

11. How would you rate the microfinance bank's advisory services in influencing the small scale businesses development in this area?

A. Very strong B. Strong C. Not strong D. Not influence at all

Part 4: Business Idea Generation

12. Do you agree or disagree that business idea generation by microfinance banks has enabled small scale entrepreneurs in Kitale Township choose businesses that are viable and run them at a profit?

A. I Agree

B. I Disagree

APPENDIX 3: LETTER OF CONSENT TO PARTICIPATE IN THE STUDY.

STEADY MWAMBU WAMELA

P.O BOX 396

KITALE

11/05/2015

Dear Sir/Madam,

RE: REQUEST FOR YOUR CONSENT TO PARTICIPATE IN THE STUDY

My name is Wamela steady Mwambu. I am a student at University of Nairobi – Kitale Extra Mural Centre undertaking a Master studies project planning and management. As part of the course requirement, I am carrying out a research entitled ‘Influence of Micro-finance Institution on small scale business development in Kitale Township Trans-Nzoia County, Kenya. I am requesting you, to participate in the research by responding to questions on the Questionnaires and interview guide. In case you accept to participate in the study I will keep confidential all information which all information which you will provide, and will not have to use the information for another purpose. You are free to participate in the study if you do wish to.

Further, if after starting to participate in the study, along the way you do not want to continue, you will be free to terminate your participation at any stage.

If you accept to participate in the study, please let me know.

Thank you.

Yours faithfully,

Steady WamelaMwambu.