

**ASSESSMENT OF THE IMPACT OF MICROFINANCE ON THE
GROWTH OF SMALL BUSINESSES IN KISUMU MUNICIPALITY,
KENYA**

BY

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DECLARATION

I declare that this project is my original work and to the best of my knowledge has not been presented for award of any degree in any other University.

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D61/77075/2012

This project has been submitted for examination with my approval as University supervisor.

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DEDICATION

This research project is dedicated to my mother and wife for their unwavering support financially, materially and in prayers. Moreover to my sisters, brothers, friends and the community who taught me to appreciate the fruits of hard work.

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ABSTRACT

Small scale business persons have always had challenges in investing in business due to lack of capital, financial management skills, or the suitable ideas on viable business. However, micro-finance providers have over the last decade proved quite crucial in the provision of small formal loans to small business owners. The study therefore analyzed the impact of microfinance on growth of small businesses in Kisumu Municipality which it had as the only objective. The study employed descriptive statistics involving measures of central tendency and dispersion and used person's correlation to analyze a survey of 351 randomly selected respondents from a targeted population of 4115 registered small scale businesses in Kisumu Municipality. Results were presented using tables and charts. The study findings were consistent and affirmed that availability and accessibility to micro-finance have a positive impact on the growth of small businesses. Moreover, the findings affirmed the existence of correlation between financial, training programs, advisory services and business idea generation services and growth of small scale businesses that had been suggested in the literature review. The study recommended that MFIs be given support by the government through putting in place policies that will support their establishments and suggested that further research be done to assess the influence of microfinance level of commitment on satisfaction of small scale business persons.

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ACRONYMS AND ABBREVIATIONS

AMFI:	Association of Microfinance Institutions
BRI:	Bank Rakyat Indonesia
CBS:	Central Bureau of Statistics
CIDA:	Canadian International Development Agency
CSF:	Critical Success Factor
ECLOF:	Ecumenical Loans Fund
GB:	Grameen Bank
KADET:	Kenya Agency for the Development of Enterprise and Technology
KPSOB:	The Kenya Post Office Savings Bank
KREP:	Kenya Rural Enterprise Program
KWFT:	Kenya Women Finance Trust
MCK:	Municipal Council of Kisumu
MDGs:	Millennium Development Goals
MFI:	Microfinance Institutions
MSE:	Micro Small enterprises
NGOs:	Non-Governmental Organizations
RoK:	Republic of Kenya
SMEP:	Small and Medium Enterprise
UK:	United Kingdom
USAID:	United States Agency for International Development

CHAPTER ONE

INTRODUCTION

This chapter gives an overview of the study. A background of the study is given which brings out the research problem. Research question is posed and the research objectives clearly stated. The value of the study is also highlighted. Finally, a conceptual framework depicting operationalization of the study variables and how they interact is given.

1.1 Background to the study

Providers of Microfinance play a vital role in the economic development of many developing countries. They offer small loans and/or technical assistance in business development to low-income community in developing countries (Hartungi, 2007). They have a variety of products including micro loans, savings and other deposit products, transfers, payment services, and other pro-poor products (Hoque & Chisty, 2011). They also offer advice and training to their clients. Sometimes Microfinance Institutions are used as a vehicle to provide other services and education, e.g. in the area of health awareness. The primary clientele of microfinance consists almost by definition those small businesses that face severe barriers to access financial products from conventional financial institutions. These barriers comprise mainly high operational costs, and risk factors (Holden, 2002).

The history of microfinance dates back to early 1970s. In the 1970s and 1980s, Microfinance 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 by creating a special bank called Grameen Bank with the aim of providing financial services to low-income customers. Grameen bank literary stood for “village bank” had its efforts directed at breaking the vicious cycle of poverty (Stoner &Wankel, 2007).Since its birth in the 1970s, microfinance has endeavored to develop sustainable enterprises and its innovations have been replicated from country to country, each time with renewed enthusiasm and innovation leading to international best practices that have benefited and guided the practice of microfinance credit (Rhyne, 2001). Microfinance appears to have been remarkably effective in helping the poor work their way out of poverty.

The success of the Grameen Bank did not go unnoticed. Institutions replicating its models prang 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 has extended over 750 million dollar 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 (Lafourcade, Isern, Mwangi, Brown, 2005).

In East African nations, microfinance institutions have had endeavored to uplift small businesses through provision of affordable capital. With the help of World Bank and

other donors, microfinance institutions have vigorously spearheaded strategies mainly for ensuring that small enterprises are catered for through financial loans with low interest rates. In Uganda and Kenya, small businesses form the backbone of the economy. Microfinance should have a pivotal role to play in the growth of small businesses. The MFIs have been of great importance in East African nations especially for small firms engaged in the retail sector by providing financial services and boosting their earnings and empowering the society (Basu, Blavy & Yulek, 2009). Finance in East Africa had been quite scarce and the presence of micro-finance institutions in these nations had filled the void that was left by commercial banks by providing small loans at lowest interest rate in 1980s and 90s. 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).

The emergence of the micro-finance in Kenya has played a great role in the promotion of small businesses by advancing small loans for business investments (United Nations, 2003). Young entrepreneurs are also trained in financial management especially on how to plan well and access micro credit for their small business investments. Beneficiaries of microfinance in Kisumu Municipality are given advice and training from experts who nurture 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 Kisumu Municipality significantly play an integral role in helping the small scale business owners 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. The inflexible requirements of the commercial banks plus the perception that lending money to low income businesses was bad risk contributed to the incapacitated state for the small enterprises to remain inept and hampered in their investment (Harper & Mwangi, 2005).

Over the last decade, however, successful experiences in providing finance to small businesses in Kisumu Municipality by micro-finance institutions & other players in the market have empirically demonstrated that small businesses, 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).

The aim of this research study was to make an in-depth analysis on the influence of microfinance on the growth of small scale businesses in Kisumu Municipality, Kenya. Other ideas and suggestions on how the small scale businesses in Kisumu Municipality would enhance the business growth as a result of the presence of the worthwhile microfinance objectives were evaluated on how training in financial management, acquisition of microfinance loans, business advisory services, and business idea generation from the microfinance providers enhances small businesses growth (Gudz, 1999).

1.1.1 Microfinance

Microfinance refers to the provision of deposits, loans facilities and other non-financial services to small businesses without tangible collateral but whose activities are linked to income generating ventures. "Microfinance is the supply of loans, savings, and other basic financial services to the poor." (<http://cgap.org>). Microfinance is a general term to describe financial services to low-income entities or to those who do not have access to typical banking services.

Credit unions and lending cooperatives have been around hundreds of years. However, the pioneering of modern microfinance is often credited to Dr. Mohammad Yunus, who began experimenting with lending to poor women in the village of Jobra, Bangladesh during his tenure as a professor of economics at Chittagong University in the 1970s. He would go on to found Grameen Bank in 1983 and win the Nobel Peace Prize in 2006 (<http://globalenvision.org>). Since then, innovation in microfinance has continued and providers of financial services to the poor continue to evolve. Today, the World Bank estimates that about 160 million people in developing countries are served by microfinance (<http://web.worldbank.org>). A microfinance institution (MFI) is an organization that provides microfinance services. MFIs range from small non-profit organizations to large commercial banks.

"Historical context can help explain how specialized MFIs developed over the last few decades. Between the 1950s and 1970s, governments and donors focused on providing subsidized agricultural credit to small and marginal farmers, in hopes of raising

productivity and incomes. During the 1980s, micro-enterprise credit concentrated on providing loans to the poor to invest in tiny businesses, enabling them to accumulate assets and raise household income and welfare. These experiments resulted in the emergence of nongovernmental organizations (NGOs) that provided financial services for the poor. In the 1990s, many of these institutions transformed themselves into formal financial institutions in order to access and on-lend client savings, thus enhancing their outreach." (<http://cgap.org>)

Microfinance institutions play a key role in many developing countries. They serve as important providers of credit small enterprises borrowers and thus play an important role in programs to alleviate poverty and promote economic opportunity in nations around the world (Morduch 1999; Zohir & Martin 2004). Deposit taking microfinance business means a microfinance business in which the person conducting the business holds himself out as accepting deposits on a day-to-day basis, or any other activity of the business which is financed, wholly or to a material extent, by lending or extending credits for the account and the risk of the person accepting the deposit, including the provision of short-term loans to small or micro enterprises characterized by use of collateral substitutes (The Microfinance Act, 2006). These institutions give loans to borrowers who seek relatively small amounts and who may be viewed as too risky by larger conventional lenders. Quite often, MFIs operate with subsidies from charitable or governmental agencies (Caudill, 2009).

The concept of micro financing can also be traced back to an obscure experiment in Bangladesh 30 years ago by Yunus the founder of Grameen Bank. It has since become a worldwide movement as a development activity, as a way of helping poor people & small businesses (Dicher, 2006). Micro finance is the newest silver bullet for alleviating poverty & enhancing growth of small businesses (Karmani, 2007). Greer (2008), Gupta and Aubuchon (2008) claim that microfinance shines as a proven to enhance small enterprise growth & improve lives of the poor.

1.1.2 Business Growth

The term “growth” implies an increase in the amount of output, export and sales. Secondly, it is a process of overall business development (Johnson, et al 2008). Growth has usually been considered as an essential objective for its contribution to small businesses survival and competitiveness (Rodriguez, 2003). Business growth is increased throughput through the business system. Represented visually, business growth is acceleration clockwise around the business triangle an increase in the throughput at which products and services are developed, sold and delivered (Storey, 2000). It also means migration & the age of business in terms of survival.

Business growth is often closely associated with a firm’s overall success, survival and migration (Johansson, 2009). Growth has been used as a simple measure of success in business (Storey, 2000). Also, as Brush and Vanderwerf (1992) suggest, growth is the most appropriate indicator of the performance for surviving small firms.

1.1.3 Small Businesses

It might seem difficult to obtain a precise definition of small enterprise. Several writers have propounded various definitions and explanations as to what small enterprises are. Some have defined them based on the characteristics of the business, such as size, level of operations, type of industry, assets employed, number of employees, turnover, market, and management or control of business. Thus its definition is relative and differs from industry to industry and country to country. The classification may be based on the firm's assets, number of employees or annual sales. It may also be classified on the basis of initial capital outlay, sales turnover, form of ownership or number of employees (GOK, 2007)

In Germany, a small business has 500 employees, in Belgium it is 100 (Buckley, 1998; CBS, IECG & KREP Holdings, 1999). The European Union (EU) categorizes companies with fewer than 50 employees as small (ILO, 2003; Kalleberg & Leicht, 1991; Kibas, 2004). In the United States small businesses refer to those with less than 100 employees (Keats & Bracker, 1988; Kibas, 2004). However, the traditional definition is the same as that of European Union: less than 10 employees (Abuodha & King, 1992; ILO, 2003; Kayanula & Quartey, 2000; Kibas, 2001, 2004). In developing countries, the number of employees and size of assets or turnover for small businesses tend to be much smaller compared to their counterparts in developed countries due to their relative size of business entities and economy (World Bank, 2007)

1.1.4 Small Businesses in Kisumu Municipality

In Kenya, small enterprises have from 1 to 50 workers. Censuses indicate that small enterprises comprise the lion's share of enterprises in Kenya. Kasende (2001) regards small scale businesses as those with less than 50 workers. Hayashi (2007), on the other hand, defines small businesses in Kenya as Enterprises with between 1 to 50 employees, have limited fund raising capacity, low turnover and small capital investment. This is the definition adopted for the purpose of this study.

Kisumu municipality is the headquarters of Kisumu County. It is bounded by Kisumu East, Kisumu North, Kisumu West and Vihiga districts. It lies on the Equator, with a population of 1,020,256 and a growth rate of 2.0 per annum (GOK, 2010), and a Total Fertility Rate of 5.8 children per woman. The population is mainly youthful with two thirds aged below 35 years. The youthful population has put pressure on the available employment opportunities (GOK, 2002, 2008) and led to the proliferation of small businesses as alternative avenues for job and employment (Otunga, Opata, Muyira, 2001). In spite of the government of Kenya having been engaged in providing support to small businesses so that they can survive the onslaught posed by globalization and competition from large scale firms and the availability of micro finance services, the exit rate is still high. In Kisumu Municipality, there are a total of 4115 small businesses whose operations are licensed, with a recorded 21% exit rate in the year ending 2012 (Kisumu Municipality Single Business Register, 2013). There is therefore a need to support the growth of small businesses with micro finance services so as to enable the sector to contribute meaningfully to national economic development.

Small firms in Kisumu Municipality cut across all lines of business including small trader, shop or retail service, small high standard lodging house/hotel D class, small petrol filling stations, transport, storage, and communication, groceries, printing and computer bureaus among many others. The economy of Kisumu Municipality is not as robust when compared other municipalities in the country. Abuodha and King (1992) observe that the economy of Kisumu is much weaker than the economies of Kericho, Kisii and Eldoret which are its neighbours, yet these are much younger and smaller towns than Kisumu. GOK (2002, 2005) also point out that small scale businesses in Kisumu are not as vibrant as those of the neighbouring districts. Despite the pressure and expectations, the growth of small businesses in Kisumu Municipality has not been quite sustainable. How microfinance impacts on the growth of small businesses in Kisumu Municipality was therefore the main concern of this study.

1.2 Statement of the Research Problem

Investing in business has to many a people been a problem because in one way or another of lack the capital, financial management skills, or the suitable ideas on the viable business. This is also a problem that faces the people of Kisumu Municipality. Many people lack the know-how to manage finances necessary for small 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 contributed to the inability of the small scale enterprises to grow while other enterprising people could not do so for they lacked the capital to put up small businesses. Previous studies and surveys

conducted in the municipality indicated that the problem of low level of small businesses had persisted possibly because of lack of capital for investment among the aspiring small scale traders.

The challenges also affect the providers of microfinance in the roadmap to providing sustainable financial services for growth of small businesses in the Municipality. 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 municipality had 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 small businesses growth. These are problems that MFIs and other providers of microfinance in Kisumu Municipality 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 Kisumu Municipality, there is also low response to the financial services the MFIs offers to the people who have negative attitude of bank loans; hence there is need for holistic approach that can persuade the small scale traders to embrace the financial services extended to them positively. Microfinance should in effect have a positive contribution that should lead to small businesses growth, which should mean that presence of MFIs in Kisumu Municipality should spur investment and growth.

Microfinance institutions should provide the link between the people who want to invest and rise and growth of small businesses in Kisumu Municipality. The problem lies in identifying the clients and offering the financial and management training services so that the problem of low investment in small scale businesses would be a breakthrough. The essence of this study was therefore to examine the influence of micro-finance on growth of small scale businesses in Kisumu Municipality. Does microfinance affect the growth of small businesses in Kisumu Municipality? This was the question that this research sought to address.

1.3 Research Objective

The objective of the study was to assess the impact of microfinance on the growth of small businesses in Kisumu Municipality, Kenya.

1.4 Value of the Study

This study would be important to providers of microfinance because it would enable the institutions to assess their influence on the growth of small businesses. The research study will be of great importance to MFIs for developing competitive strategy and influence the people of Kisumu Municipality to develop the culture of investment. It would help generate important information that would be used for analyzing the programs tailored by the MFIs for the small scale investors and how they could better these programs for increased growth of small businesses in Kenya as a whole. The Kisumu Municipality micro-finance banks would gain useful insights from the study on the imbalances on giving out small loans; say insufficient branches in some areas and

efficiency of their lobbying sales representatives to the clients. The study would further enable Kisumu Municipality 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 (McCormick, Alila, and Omosa, 2007). It was envisaged that the study would ultimately help the banks gauge how their programs had influenced the growth of small businesses. The information derived would 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.

The study would also form a basis for the government to formulate strategy and policy regarding small businesses development in the area given it would shed light on the shortcomings and strengths alike. The government would use the research as feasibility study on the MFIs and their ability to influence growth of small businesses and thus help alleviate restrictions that have been put in place through bureaucratic processes.

In addition, potential investors and small scale business people would use the results of the study as an eye opener in small scale business development opportunities provided by microfinance and invest wisely. The potential investors will make use of the microfinance loans, business idea generation; and other advisory services offered and push their investment dreams to fruition.

Likewise academicians and other studies in similar research would use the study to form an insight and as a starting point for further research and informed recommendations. Through this study, it would form a basis on the areas to delve deep and unearth more insights on small enterprise growth and development (Yunus, 2007)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews theoretical and empirical literature on the relationship between microfinance and growth of small businesses. Different dimensions of microfinance and their attendant are discussed. The concept of business growth has also been analyzed. Consequently, the research gap comes out clearly.

2.2 Theoretical Review

2.2.1 Business Growth Theory

Firm growth in general refers to increase in size. In research, a firm's growth has been operationalized in many ways and different measures have been used. Other explanations have also been presented (Basu et al., 2004). Business grows from micro to small to medium and to large. Previous research reveals that business growth is a multidimensional phenomenon. Business growth patterns are related to the demographic characteristics of firms such as a firm's age (Basu et al., 2004). The most frequently used measure for growth has been change in the business's turnover (Weinzimmer, Nystrom, and Freeman, 1998). Another typical measure for growth has been change in the number of employees. Migration from micro to small to medium & to large and migration in terms of the sources of finances from microfinance to other sources of funds/borrowings from financial institutions/securities market is another indicator of growth.

It has however been found that the measures which are frequently used in the small businesses context are strongly inter-correlated (Storey, 2000). Many organizations' life cycle models present growth as one stage of development in organization life cycle. Previous studies have not focused on whether microfinance could be a factor behind the longevity and growth of small businesses (Weinzimmer, et al., 1998). This study took a holistic and extensive approach to how microfinance affects the growth of small businesses.

2.2.2 Theory of Financial Intermediaries

Traditional theories of intermediation are based on the transaction costs, and asymmetric information (Diamond & Dybvig, 1983). They are designed to account for institutions which take deposits or issue insurance policies and channel funds to firms. However, in the recent decades there have been significant changes. Although transactions costs and symmetric information have declined, financial intermediation has increased. The information asymmetries generate market imperfections, i.e. deviations from the neoclassical framework. Many of these imperfections lead to specific forms of transaction costs. Financial intermediaries appear to overcome these costs, at least partially. Pyle (1971) interpreted financial intermediaries as information sharing coalitions. Diamond and Dybvig (1983) posits that banks and other financial institutions are considered as coalitions of depositors that provide households with insurance against idiosyncratic shocks that adversely affect their liquidity position. They show that these intermediary coalitions can achieve economies of scale and also act as delegated monitors

on behalf of ultimate savers, monitoring will involve increased returns to scale, which implies that specialization may be attractive. Individual households will delegate the monitoring activities to such a specialist, i.e. to the financial intermediary.

The households will put their deposits with the intermediary. They may withdraw the deposits in order to discipline the intermediary in his monitoring function. Furthermore, they will positively value the intermediary's involvement in the ultimate investment (Halt, 1995). The relevant transaction costs consist of search, verification, monitoring and enforcement costs (Benson & Smith, 1976). The financial intermediaries act as coalitions of the individual lenders or borrowers who exploit economies of scale or scope in the transaction technology. The role of the financial intermediaries is to transform particular financial claims into other types claims called qualitative asset transformation. As such, they offer liquidity (Pyle, 1971) and diversification opportunities (Hellwig, 1991). The provision of liquidity is a key function for savers and investors and increasingly for corporate customers. Financial intermediaries are active because market imperfections prevent savers and investors from trading directly with each other in an optimal way.

2.3 Provision of Finance

One of the main reasons why the pioneers of microfinance institutions started them was 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 expand 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 small scale traders thus it helped spar on business growth thus making microfinance institutions future for increased investment in small scale businesses. 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. Provision of finance in form of small loans is key independent variable for the achievement of the growth of small businesses (dependent variable). Provision of finances fall under the independent variables and it is where the MFIs come to the rescue of potential small scale businesses influencing them to venture in business investment. Small business growth is here a dependent variable in the sense that it is reflected on the influence of the independent variable (provision of finance) 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.

Their principal purpose was making small loans with interest for short periods. 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).

2.4 Training Programs

The outreach programs of microfinance banks in offering financial management training were another independent variable that had significant influence on the growth of small businesses in an area. On the objective influence of training programs provided by MFIs, the training acts as the eye opener on the ways of small business proprietors who lack the basic financial management skills to go about daily business affairs and account for every cent gained and given out from the business. For small business growth which was 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 was 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 business consciousness of the masses. Raiffeisen and company knew that if the masses were enlightened on business management, it would 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 urban poor, 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 (McCormick et al, 2007). Over the years, these institutions became inefficient and at times, abusive.

2.5 Advisory Services

Maixe-Altes (2009) contends that microfinance institutions are unmistakable in their quest to spur on growth in business investment with initiation of advisory services for the entrepreneurs to continue seeking and wisely using their services. 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 and 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.

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. The initial success of Grameen Bank also stimulated the establishment of several other giant microfinance institutions like BRAC, ASA, and Proshika among other (Yunus2007).In Africa, non-governmental organizations and donors initiated the MFIs where through the1980s, the policy targeted, subsidized credit to the poor people. Ogor (2009) argues that the cultural environment of business 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. Business-like NGOs have offered micro credit for small scale enterprises 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 small scale traders because they are advised on which actions would be drastic or beneficial to their businesses thus enable sustainable entrepreneurial growth.

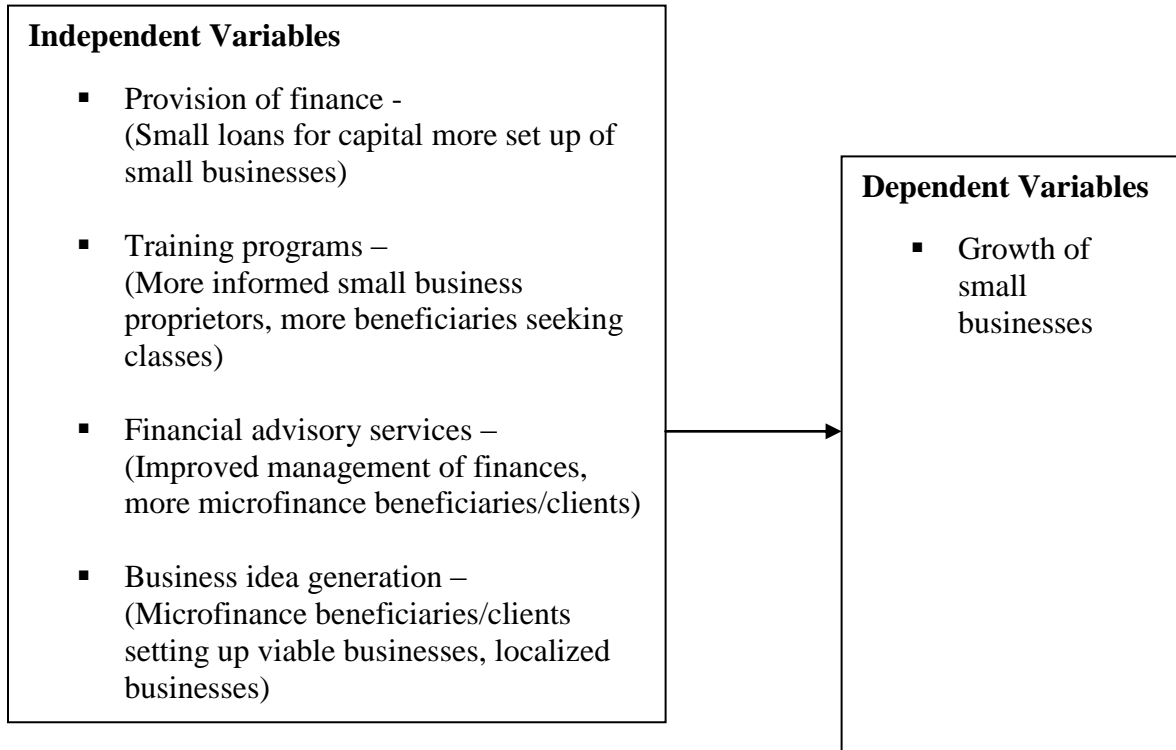
2.6 Business Idea Generation

Meanwhile, starting in the 1970s, the MFIs experimental program in Bangladesh, Brazil, and a few other countries extended tiny loans to groups to invest in micro-businesses after assisting them with business idea generation. Microfinance banks right from inception endeavored ingenerating the viable business ideas for the willing small scale entrepreneurs. The business idea generation is an independent variable aimed at increasing growth of small businesses through ensuring the microfinance beneficiaries venture in viable business so that they eventually prosper and repay the loans taken from MFIs. According to Yunus et al., (2003), 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 had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor 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 sparred on by the micro credit organizations (Esipisu, 1996).

Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty (Sundaresan, 2008). For the international community, this means reaching specific Millennium Development Goals (MDGs) 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 that should lead to increased growth of small businesses 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 businesses in Kenya has been of paramount important sparring on growth. The aim of the study was to make an in-depth analysis of the present status of the growth of small businesses in Kenya; a case of Kisumu Municipality, and the degree of progress made in achieving the objectives set by these policies. Empirical data from Kisumu Municipality of number of small businesses that have emerged over the years point to the contributions played by the MFIs in this Municipality. Although there is still conflicting data about the true value of micro-finance institutions as a growth tool, empirical studies shows strong evidence that these organizations create appreciable growth of small businesses. In the views of Yunus (2007), the impact of MFIs has been significant on the broad segment of the society. Despite this emerging sense of realities on the challenges and obstacles, there is still a relatively broad consensus that providing financial services to the poor for business purposes has tangible economic benefits.

2.7 Conceptual Framework



Source: Self Conceptualisation, 2013

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 were identified with the dependent and independent variables of the problem that was under study. The dependent and independent variables in the study were explored. The central aim of the study was to examine the variables that enhance or negate the effectiveness of micro-finance institutions in their undeterred contribution to growth of small businesses in the case of Kisumu Municipality. Growth of small businesses as a dependent variable is 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 examined the benefits for small scale business entrepreneurs, their business ventures, challenges and their impressions on these institutions (Matebu & Abiye, 2010).

2.8 Summary of Literature Review

The existing literature review point out to the business growth inertia that comes with microfinance initially geared towards 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 business growth and Kisumu Municipality is not an exception.

Though, the study was dependent 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 microfinance to growth of small businesses. The theoretical and empirical literature point to practical cases of micro-finance and how it has been influential around the world leading to empowerment in small scale investment. The relationships between the dependent and independent variables indicate the factors that have been important leading to availability of micro finance and the consequent influence it has on growth of small businesses (Gatome et al, 2003).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, population of study, data collection procedures and data analysis framework.

3.2 Research Design

This study was conducted through a descriptive survey design. According to Oso and Onen (2008) a survey design is a present oriented methodology used to investigate populations by selecting samples to analyze and discover occurrences. Cohen (1988) posited that when a researcher wants to simply describe events or opinions without manipulating variables, then survey is the best design.

3.3 Population

This study was carried out in Kisumu Municipality. The target population comprised 4115 small businesses registered with the Municipal Council (Kisumu Municipal Single Business Register, 2013).

3.4 Sample Design

The sample consisted of 351 respondents randomly selected from a list of registered small businesses in Kisumu Municipality. Since the population was less than 10, 000, Fisher et al.(1983) recommends the following formula (Mugenda and Mugenda, 1999):

$$nf = n / (1 + n/N)$$

Where nf = desired sample size (when population is less than 10,000)

n = desired sample size (when population is more than 10,000) at 95% confidence level

N = the estimate of the population size

The study had a target population of 4115, therefore $N = 4115$, $n = 384$

$$nf = 384 / (1 + 384/4115) = 384 / 1.093317 = 351$$

3.5 Data Collection

The study used both secondary and primary data. Primary data was obtained by use of semi structured questionnaires. The questionnaires were administered to the owners or their representatives. Drop and pick method was used. Secondary data was obtained through a review of the available records both financial and non-financial of small businesses selected for the purpose of this study. These records included the respondents' books of accounts, registration records and available operational data.

3.6 Data Analysis

Data analysis incorporated both qualitative and quantitative methods. Quantitative data was analyzed using descriptive statistics which was used to describe the basic features of the data in the study in the tendencies and then replicated in tabular manner. It involved use of percentages and frequencies. Person's correlation was used to establish associations between variables of the study. Presentation of data was done in the form of frequency tables and pie charts.

The qualitative technique on the other hand employed the inferential statistics to investigate open-ended responses to questions. Conclusions from inferential statistics were extended beyond the immediate data alone to the relationships that establish themes and conclusions that were arrived at further strengthening the quantitative data. This model of analysis examined the simultaneous effects of the independent variables on a dependent variable.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In chapter four, the findings and the empirical data of the study were analyzed and ultimately reported. The data for the research study collected from business owners or their representatives using questionnaires were presented, analyzed and then interpreted appropriately. The findings were presented in two sections according to tests that were done. The first section of the study was to explain the findings from business owners or their representatives while the second section explains the findings from tests of associations dependent and independent variables. Both show the reliability of the measuring methods and the response rate during the study.

4.2 Response Rate of Respondents

The study had a sample population of 351 potential respondents identified for the questionnaires. However, only 319 respondents consented to take part in the survey. During data entry and cleaning, it was realized that 8 respondents gave contradicting and inconsistent data which led to the study eliminating them from analysis of the study data. The remaining 311 respondents were thus considered valid and their responses analyzed in the study. This brought the rate of response to 88.6% which was considered sufficient for the analysis.

The responses from small scale business owners or their representatives from the study including gender, age range, education level, number of years they have been running the small scale businesses as well as their awareness on the services offered by MFIs were analyzed in order to determine whether the respondents in the study were viable members for the study and for the data information to help achieve the objectives of the study.

4.3 Demographic Characteristics of Respondents

In this section, the study classified all demographic characteristics of survey respondents by gender, age range, and education level. The aim of analyzing the demographic characteristics was to see how these characteristics influenced response to the MFIs services. The responses were presented in tables weighted to the population sample.

4.3.1 Gender of the Respondents

The data collected in the sample based on gender was to determine how gender played part in the small scale business investment in Kisumu municipality. From the responses, as shown in table 4.1 below, it was notable that men are the majority in running small scale businesses. However, more small scale businesses have cropped with women being involved as the proprietors which can be attributed to the emergence of the microfinance institutions in the area where women access loans from MFIs.

Table 4.1 Gender of the Respondents

Gender	Frequency	Percentage(%)
Male	228	73
Female	83	27
Total	311	100

Seventy three percent of the small scale business owners were male as shown in the analysis, while women accounted for only 27%.

The study sought to determine how gender influenced those who had business and how MFIs had helped to offset solutions to gender disparity in setting up businesses. This was due to the evidence that men had previous access to capital for starting the business. However, with the emergence of the microfinance institutions in the area, more people are coming up to seek its services and more especially women who previously were hampered by lack of adequate capital to startup businesses. The number of women compared to men engaged in small scale businesses was expected to increase because the microfinance institutions are providing a favorable investment climate to break the gender barriers experienced before in the area after all. As a result of capital provision through micro credit loans from MFIs, more women and men have become more involved in setting up of small scale businesses in Kisumu municipality than before.

4.3.2 Respondents' Age

An analysis of age distribution of the respondents was done considering five age ranges. This were ages between 18 to 28 years, 29 to 39 years, 40 to 50 years, and 51 years and

above whom are actively involved in operating small scale businesses. The objective was to highlight how age influenced business ownership.

Table 4.2: Age of Respondents

Age Range	Frequency	Percentage (%)
18-25 years	34	11
26-30 years	45	14
31-35 years	83	27
36-40 years	93	30
41 years and above	56	18
Total	311	100

As shown in the table 4.2 above, majority of the respondents,(30%, f=93) were aged between 36 to 40 years followed by those with an age range of between 31 and 35 years where 83 respondents accounting for 27% of the total respondents fell. Those participating in small scale businesses are mainly the mature youth in the age brackets of 31 to 40 years who have the potential to source capital from various avenues and investments. The younger population faces a difficulty in raising capital explaining their being in business.

Previously businesses were run by those who had inherited from rich parents but with the emergence of the microfinance businesses, even the young people at the age of 18 years as a result of rising unemployment are taking refuge in self-employment with small scale businesses as the last resort backed up by microfinance institutions (Sundaresan, 2008).

4.3.3 Education Level of the Respondents

In order to assess whether among other things the level of education affected participation or setting up new businesses, the respondent's highest level of education was analyzed.

Table 4.3: Level of Education of the Respondents

Level of Education	Frequency	Percentage (%)
Primary School	15	5
Post Primary, Vocational	43	14
Secondary/A-level	108	35
College	93	30
University	49	15
None	3	1
Total	311	100

The table 4.3 indicates that 35% of the respondents (f=108), which was the majority, had reached secondary level in their education. Thirty percent, (f=93) had reached college level, fifteen percent (f=49) had University education and fourteen percent (f = 43) with post primary vocational education. Five percent (f=15) had primary education while 1 percent (f=3) had no formal education.

Although most small scale business persons have attained secondary education or more, some have had only primary or vocational training and might lack the technical knowhow of managing the business. The microfinance institutions' training programs play huge role in the area to ensure entrepreneurs can set up viable businesses and effectively run

them. The study wanted to determine the influence of MFIs training on entrepreneurial growth so as to find the correlation of education level and the need for more financial and management training to the entrepreneurs.

4.4 Respondents' Experience of Running Business

The respondents were asked to state the period of time they have been running the business in order to assess whether longevity of service impact access to services provided by MFIs. As summarized in table 4.4 below most of the small scale entrepreneurs, 32% (f=98) had 7-10 years of experience in small scale businesses while 24% (f=76) had experience of 11-15 years of running small scale enterprises.

Table 4.4 Respondents' Experience in Running Business

Years of Experience	Frequency	Percentage (%)
0-3 years	32	10
4-6 years	41	13
7-10 years	98	32
11-15 years	76	24
16-20 years	49	16
21 years and above	15	5
Total	311	100

Although majorities have had experience averaging to 9 years, still many of them have been in the business for a short period. Presence of microfinance institutions thus in the area is a great boost to offer the entrepreneurs the special training, advices, and businesses ideas that they never had in running their businesses.

4.5 Provision of Finances

In order to assess the role of MFIs in small scale enterprises, the study sought to identify the sources of capital and impact of loans from MFIs in the businesses.

4.5.1 Sources of Capital

Initial capital is a vital need for any business as it determines its worth and ability to sustain itself as the business stabilizes. The respondents were asked to indicate their initial source of capital and responses were as summarized in table 4.5 below.

Table 4.5: Respondents' Source of Capital

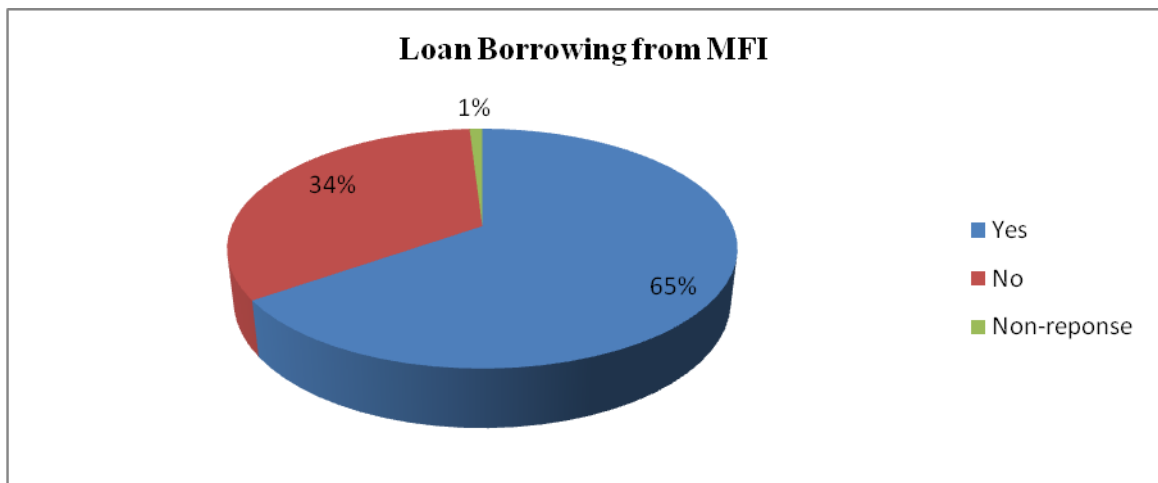
Source of Capital	Frequency	Percentage (%)
Personal savings	32	10
Sacco loan	58	19
Loans from microfinance institutions	187	60
Loans from commercial banks	34	11
Total	311	100

Sixty percent of the respondents (f=187) sourced capital from microfinance institutions in form of loans while 19% (f=58) got loans from Sacco. Eleven percent (f=34) and ten percent (f=32) got capital from loans from commercial banks and personal savings respectively. The response on the source of capital revealed that majority of business owners sought loans from microfinance banks to raise capital for their small scale enterprises in Kisumu Municipality. This number strongly points to great influence MFIs play in the entrepreneurial growth in the municipality.

4.5.2 Loans Borrowing from Microfinance Institutions

The respondents were asked whether they had previously taken loans from micro-finance institutions and results were as shown in figure 4.1 below

Figure 4.1 Loans Borrowing from Microfinance Institutions



Sixty five percent of those the respondents, (f=203) had previously taken loans from MFIs while 34 %, (f=105) said that they had never taken loans from MFIs. Three respondents representing 1% did not respond to this question.

4.5.2.1 Business Involvement before Borrowing Loans from Microfinance Institutions

Of those who responded that they had borrowed loans from MFIs, majority of them, 65% (f=137) said that they had businesses of some sort before securing their first loan while 32% (f=66) said that they were not involved in business before that as summarized in table 4.6 below.

Table 4.6 Business Involvement before Taking Loans from Microfinance Institutions

Business Involvement	Frequency	Percentage (%)
Yes	137	68
No	66	32
Total	203	100

Some of those businesses included road side kiosks, trading in second hand clothes and vending of fish.

From this analysis, persons who have businesses stand a better ground in accessing loans than those who have never had businesses because MFIs. This agrees with studies that have been done earlier for example, Ogbor, (2009), says that since MFIs can use a person’s business to assess their loan repayment ability, those with already established businesses can easily access the loans than those without any running businesses.

4.5.2.2 Business Performance before taking Loans from Microfinance

Institutions

Small scale business persons who had been involved in businesses before securing the first loan were asked to categorize the performance of their businesses before benefiting from the MFI loans. This was aimed at identifying whether loans had an impact on their current businesses. The results of the responses were as summarized in table 4.7 below.

Table 4.7 Business Performance before Taking Loans from Microfinance Institutions

Business Involvement	Frequency	Percentage (%)
Very very active	11	8
Very active	16	12
Active	21	15
Inactive	89	65
Total	137	100

Sixty five percent of the respondents (f=89) which was the majority, said that their businesses were inactive before benefiting from the loans while 20% (f=27) cumulatively said that they were very active or very very active. Fifteen percent (f=21) said that the businesses were active. Most of those who said the businesses were inactive cited one of the major reasons being inadequate capital. MFIs have boosted the businesses through the loan facilities.

4.5.3 Amount Employed in Business

An analysis on the amount the small scale business persons had employed in their businesses was done and as summarized in the following table 4.8, majority of them, 33% (f=104) had employed between Ksh 21, 000-Ksh 50, 000 while 30% (f=93) had invested between Ksh 1,001 and Ksh 20, 000. Cumulatively, only 25%(f=77) had invested Ksh 50, 000 and over in their businesses while 12%(f=37) had employed less than Ksh10, 000.

Table 4.8 Amount Employed in the Business

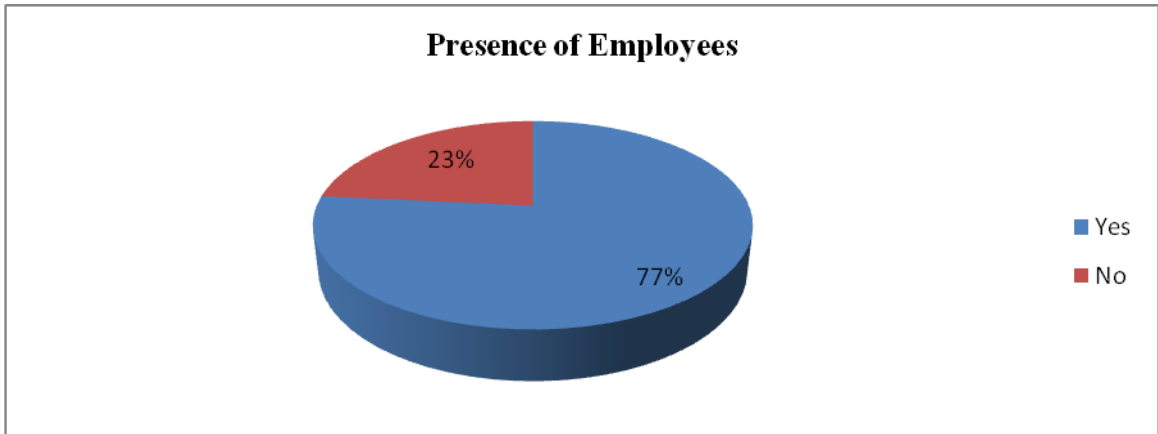
Amount Employed	Frequency	Percentage (%)
<1,000	9	3
1,000-10,000	28	9
1,001-20,000	93	30
20,001-50,000	104	33
50,001-100,000	46	15
Above 100, 000	31	10
Total	311	100

These analyses indicate a low initial capital employed in small scale businesses in Kisumu Municipality which in turns leads to low returns and gives a reason why small scale entrepreneurs should be educated on how they can increase capital through borrowing from MFIs.

4.5.3.1 Employees in the Small Scale Businesses

Majority of the business persons said that they had employed persons to help in the businesses as shown in Figure4.2 below.

Figure 4.2: Presence of Employees in the Small Scale Businesses



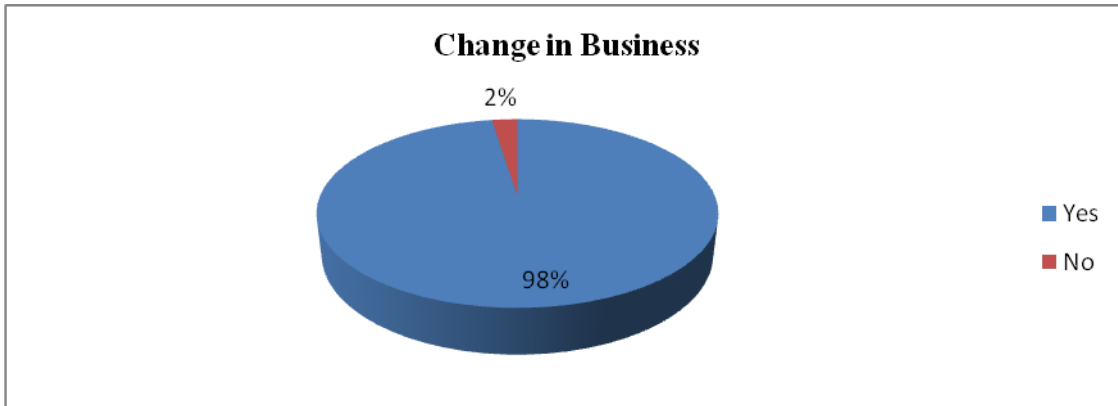
Seventy seven percent of the respondents (f=238) said that they had employees helping with the businesses while 23% (f=73) said that they did not have any employees. Majority of those whose responses were ‘yes’ had an average of three employees with most of them admitting they increased the number of employees after benefiting from MFI loans. This is an indication that the loans received by business persons from MFIs boost businesses and that presence of MFIs in Kisumu municipality is fundamental.

4.5.3.2 Presence of Change in Business after Benefiting from MFI

Loans

In order to assess the vitality of financial services provided by MFIs, the respondents were asked whether their business had changed in any way after benefiting from the loans and their responses summarized in figure 4.3 below.

Figure 4.3 Presence of Change in Business after Benefiting from MFI loans



Although 98% of the respondents (f=198) admitted to witnessing change in their businesses after benefiting from the loans, 2% (f=5) said that they had not experienced any change. Changes seen ranged from increased sales, ability to buy more stock and improvement in financial management.

4.5.4 Ratings on Loans

The respondents were asked to give opinions on various characteristics of loans provided by MFIs if they were to get the loans and their responses were as summarized in table 4.9 below

Table 4.9 Ratings on Loans

Loan Characteristic	Excellent	Very Good	Good	Poor	Very Poor	Total
Loan interest rates	0	9(3%)	52(16%)	136(44%)	114 (37%)	311 (100%)
Loans processing charges	5(%)	18(6%)	53(17%)	89(28%)	146 (47%)	311 (100%)
Loan processing speed	12(4%)	89(29%)	131(41%)	42(14%)	37 (12%)	311 (100%)
Penalties charged	0	0	0	213(68%)	98(32%)	311 (100%)

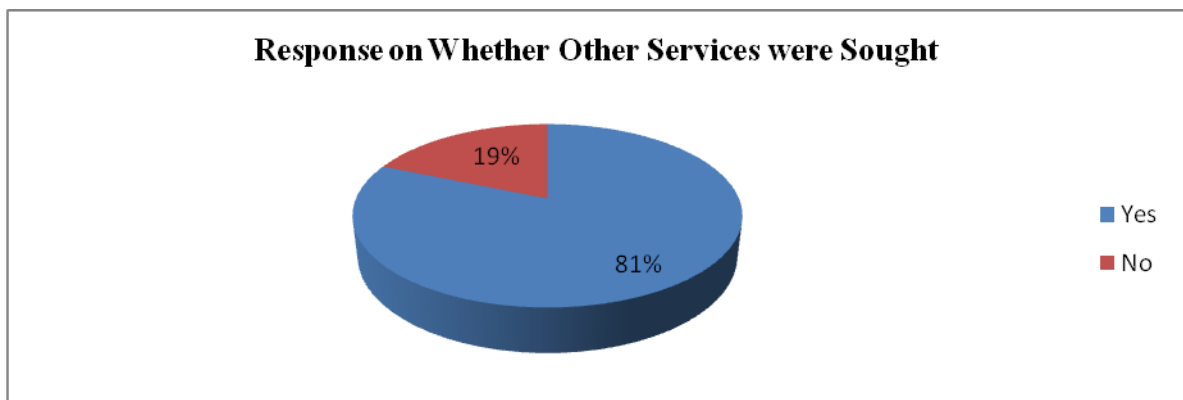
Cumulatively, 81% (f=250) of the respondents, rated the loan interest rates as poor while only 19% (f=61) rated it as good. In addition majority were equally of the opinion that processing charges and penalties charged were poor represented by 75% (f=235) and 100% (f=311) respectively. However, majority of the respondents thought that loan processing speed was good as shown by a cumulative percentage of 74% (f=232).

From the responses on the ratings above, it is evident that although MFIs are playing a great role in offering financial services to small scale business persons in Kisumu Municipality, the business owners are facing a hurdle as a result of high interest rates, high loan processing charges and insurgent penalties charged. This means that more small scale business would be willing to access the services if the MFI consider finding solutions to these hurdles.

4.5.5 Other Services sought from MFI by Small Scale Businesses

To be able to understand more the contribution of MFIs to the small scale entrepreneurs, an analysis on whether the business persons had sought other services from MFIs apart from credit loans and 81% (f=253) said that they had while 19% (f=58) had not as represented in figure 4.4 below.

Figure 4.4 Other Services Sought from MFIs by Small Scale Business



The analysis show that a good number of small scale business persons have benefited from other services rendered by MFIs but still some of the small scale business owners have never benefited and therefore a need for MFIs to increase their presence to reach more in Kisumu Municipality.

4.5.5.1 Kind of Services sought from MFI by Small Scale Businesses

Those who had benefited from other services from MFIs were asked to mention the kind of services received from MFIs and the responses were as summarized in the following table 4.10

Table 4.10 Kind of Services sought from MFIs

Service	Frequency	Percentage (%)
Financial management training programs	83	32
Advisory services	182	72
Business idea generation	34	13

Thirty two percent (f=83) had sought services on financial management 72% (f=182) had sought advisory services while 13% (f=34) had sought services on business idea generation. It is clear that MFIs are helping businesses persons in various ways than offering credit facilities.

4.5.6 Influence of MFIs on Growth of Small Scale Businesses

The respondents were asked to rate the influence of MFIs in Kisumu municipality in order to ascertain whether it generally had impact on their businesses. The responses varied from those who strongly agreed to those who strongly disagreed to the influences as summarized in table 4.11 below.

Table 4.11 Kind of Services sought from MFIs

Statement	Agree	Strongly Agree	Disagree	Strongly Disagree	Total
Micro credit loans from MFIs have helped increase growth of small scale businesses	122(39%)	93(30%)	56(18%)	40(13%)	311(100%)
Loans application and approval process at MFIs are fast enough to my satisfaction	126(40%)	131(42%)	42(14%)	12(4%)	311(100%)
Loan interest rates at MFIs are higher than at commercial banks	138(44%)	109(35%)	48(16%)	16(5%)	311(100%)
MFIs training programs have helped small business owners gain business management skills increasing their profits in the long run	129(41%)	91(29%)	52(17%)	39(13%)	311(100%)
Small scale businesses have increased tremendously as a result of services especially small loans offered to them by MFIs and other financial institutions.	136(44%)	88(28%)	48(15%)	39(13%)	311(100%)

Sixty nine percent (f=215) cumulatively agreed that loans from MFIs had helped increase growth in small scale businesses while 31% (f=96) thought that loans had not played any role in growth. In addition, 82% (f=257) agreed that loan application and approval process at MFIs were fast enough to their satisfaction although 18% (f=54) confessed to being dissatisfied with the processing speed. Concerning loan interest rates, a vast majority of the respondents reaching 79% (f=247) agreed that loan interest rates in MFIs were higher than in commercial banks while 21%(f=64) disagreed with the idea that interest rates charged at MFIs were higher than those charged in commercial banks.

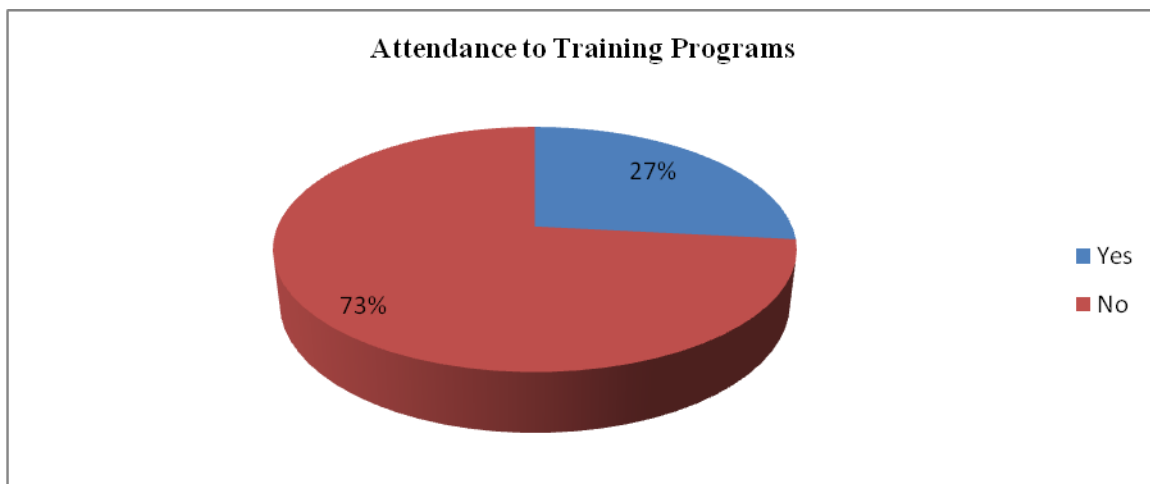
Seventy percent (f=220) of the respondents agreed that MFIs training programs had helped small business owners gain business management skills increasing their profits in the long run while 30% (f=91) disagreed. Majority of the respondents, 72%(f=224), thought that small scale businesses had increased tremendously as a result of services especially loans from MFIs although 28%(f=87) did not link growth of small businesses in Kisumu municipality to services rendered by MFIs.

In summary, small scale business owners agreed to have benefited from services provided by MFIs in many different ways and therefore their presence in Kisumu Municipality is important to business growth. However, they still think that the MFIs should improve in some areas like interest rate charged that could be scaring away potential beneficiaries among the small scale business owners.

4.6 Training Programs

Part of the services offered by MFIs includes training programs to business persons with an objective of improving their knowhow in financial matters in their businesses. The study sought to assess how much the small scale business owners had benefited from the MFIs training programs and the responses show that majority of small scale business owners had not attended the trainings as represented in figure 4.5 below.

Figure 4.5: Attendance to Training Programs



Seventy three percent of the respondents (f=228) had not been attending training programs in MFIs while 27%(f=83) had been attending the trainings. Most small scale business persons in Kisumu municipality have not yet benefited from useful programs run by MFIs in order to boost their businesses.

4.6.1 MFI's Major Training Themes Attended by Small Scale Business Persons

Those who said they had attended training programs offered by MFIs were asked to identify the themes of those trainings and their responses were as summarized in table 4.12below

Table 4.12 MFI's Major Training Themes Attended by Small Scale Business

Persons

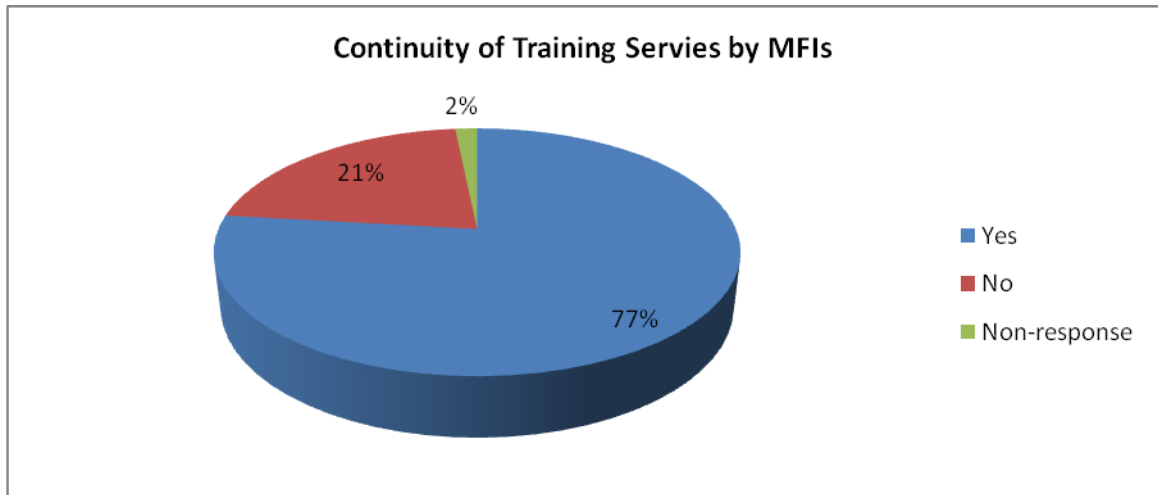
Training	Frequency	Percentage (%)
Savings and deposits facilities and their importance	80	96
Loan facilities acquisition, repayments and consequences of defaults	74	24%
Business initiation and management skills	28	9%
Group mobilization, formation and importance of working in small groups	83	100%

Ninety six percent of the respondents (f=80) who had attended MFI training programs had been trained on savings and deposit facilities and their importance while 89 percent (f=74) had been trained on loan facilities acquisition, repayments and consequences of defaults. Only 34% (f=28) had been trained on business initiation and management skills while all who had attended training program, 100% (f=83) had been trained on group mobilization, formation and importance of working in small groups. This shows that MFIs are playing a great role in improvement of small scale business in Kisumu Municipality.

4.6.2 Need for Continuity of Training Programs by MFIs

The respondents were asked whether they would like the MFIs to continue offering the training services they offer in Kisumu municipality and from their responses, majority said yes as shown in figure 4.6 below.

Figure 4.6: Need for Continuity of Training Programs by MFIs

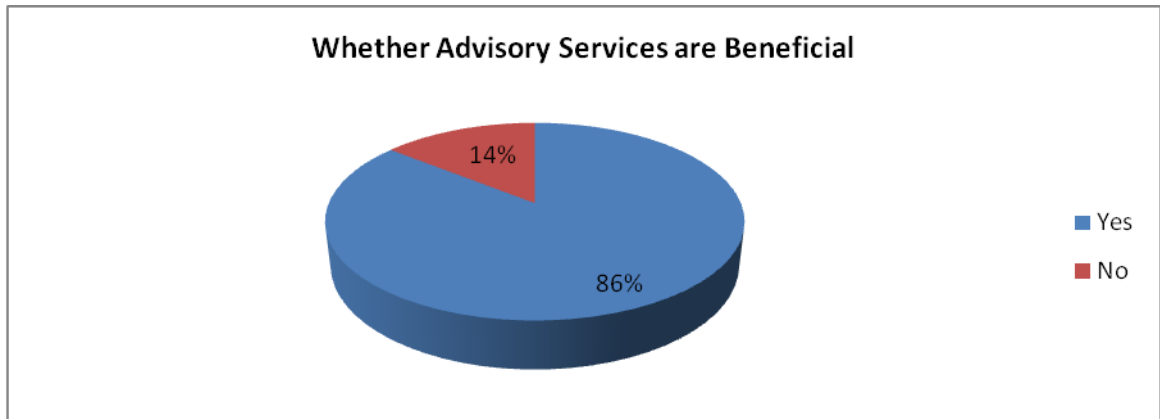


Seventy seven percent (f=238) of the respondents agreed that MFIs should continue offering training services in Kisumu Municipality while 21% (f=67) said no. those who agreed said that the training programs were helping them in financial management and giving them ideas on how to access credit facilities while for those who said know majority lamented that they find difficulty accessing credit even after the trainings.

4.7 Advisory Services

The study sought to gauge whether advisory services given by MFIs were beneficial to the small scale business and from those who had received advisory services, their responses were as summarized in the figure 4.7 below.

Figure 4.7 Whether Advisory Services are Beneficial



Eighty six percent (f=156) said that advisory services given by microfinance banks had been beneficial to their businesses while 14% (f=26) said that they had not beneficial. When asked further whether they agreed with the statement that advisory services offered to small scale businesses by MFIs had relatively influenced business growth, all those who said that advisory services were beneficial also agreed. The unanimous agreement reiterates the important role MFIs are playing in providing advisory services to small scale business owners in Kisumu Municipality.

4.7.1 Other Areas that Small Scale Business Persons Need Advice

The data responses on areas that the small scale business persons needed more advice on revealed that several small scale business persons needed advice on securing loans and on venturing into new business as summarized in the table 4.13 below.

Table 4.13 Advice Needed by Small Scale Business Persons

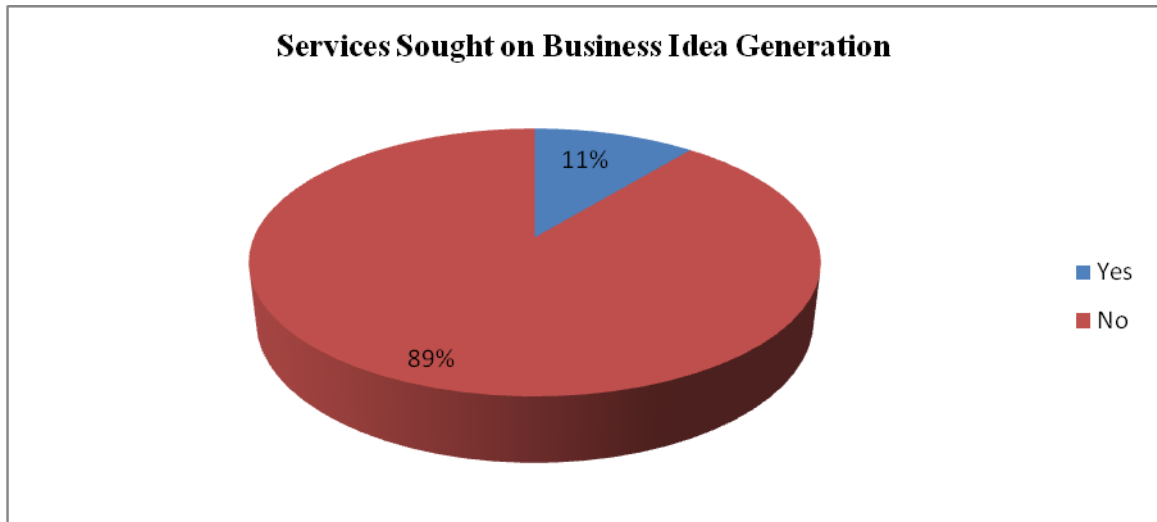
Advice	Frequency	Percentage (%)
Management of finances	92	30
Venturing into new business	193	62
Savings	172	55
Securing loans	228	73
Changing from one business to another	201	65

Thirty percent of the respondents (f=92) felt that they needed advice on management of finances while 62% (f=193) needed advice on venturing into new business. Those who needed advice on savings and securing loans were 55% (f=172) and 73% (f=228) respectively. Advice on changing from one business to another was needed by 65% (f=201).

4.8 Business Idea Generation

Analysis on business idea generation revealed that only a few of the respondents had sought services from MFIs on that. Eleven percent of the respondents (f=34) had sought business idea generation services as shown in Figure 4.8 below.

Figure 4.8 Whether Small Scale Business Persons Sought Services on Business Idea Generation



Most of those who had sought for business idea generation services from MFIs had the last consultation the last six months from the date they responded as summarized in table 4.14 below.

Table 4.14 Period the Small Scale Business Persons Last had Consultation on Business Idea Generation

Period	Frequency	Percentage (%)
In the last one month	2	6
In the last three months	4	12
In the last six months	18	53
In the last one year	10	29
I can't remember	0	0
Total	34	100%

Six percent of the respondents (f=2) who had sought advice on business generation had done that in the last one month while 12 % percent (f=4) had sought advice in the last three months. Fifty three percent (f=18) and 29% (f=10) had sought advice in the last six

months and one year respectively. All the respondents who had sought services from MFIs on business idea generation agreed that the service had been beneficial to them saying that they had been able to come up with new business ideas that enabled them improve their small scale businesses. Some had opened up multiple businesses that ran concurrently as well. This indicates that small scale business persons regularly seek support from MFIs to improve their businesses.

4.8.1 Benefits of MFIs Services on Business Idea Generation

To gain a clear insight on the benefits of advice given to small scale business persons, the responses on this were analyzed and the results were as summarized in table 4.15 below.

Table 4.15 Benefits of Advice from MFIs on Business Idea Generation

Benefit	Frequency	Percentage (%)
Setting up viable businesses	24	71
Dealing with clients well	19	56
Suitably locating a business	31	91
Proper handling of business affairs	22	76

Seventy one percent of the respondents (f=24) had learnt how to set up viable businesses through advice given by MFIs while 56% of them (f=19) had gained knowledge on dealing with clients. Suitably locating of small scale business and proper handling of business affairs were also some of the benefits as cited by 91% (f=31) and 76% (f=22) of the respondents respectively. The benefits cited by the respondents have been explained in various studies as major pillars in the success of any business. This shows how big a role MFIs are playing in impacting small scale businesses in Kisumu Municipality.

4.9 Comparative Analysis of Independent and Dependent Variables

Statistical inferences were conducted to identify presence of relationships between various variables in the study. This was aimed at making an in-depth analysis on the impact of microfinance on growth of businesses in Kisumu municipality. Associations between loan taking, advisory services and business idea generation with change in business, growth of business and business benefits respectively were investigated using Pearson Chi-square test of associations with the help of SPSS.

4.9.1 Correlation between Loan Taking and Change in Business

A test of association between loan borrowing status of the respondents and change in business was made to ascertain whether the loans borrowed by small scale business person from microfinance institutions had triggered growth in their businesses. The null hypothesis of the test would be: H₁: There is no actual correlation between loan taking and change in business.

Table 4.16 Correlations between Loan Taking and Change in Business

		Taken Loan	Change in business
Taken Loan	Pearson Correlation	1	.854**
	Sig. (2-tailed)		.005
	N	311	310
Change in business	Pearson Correlation	.854**	0.913
	Sig. (2-tailed)	.003	
	N	203	201

** . Correlation is significant at the 0.01 level (2-tailed).

The test ran over the two variables as shown in table 4.16 revealed a positive r-value of 0.913 and a p-value of 0.03. This shows an existence of significant correlation between

loan taking and change in business and therefore we reject the null hypothesis. There is a significant relationship between a small scale business person taking a loan and experiencing growth as a result of the changes in business detected

4.9.2 Correlation between Financial Advisory Services and Growth of Business

A test of correlation between financial advisory services and business growth yielded a positive r-value of 0.765 with a p-value of 0.013 as shown in table 4.17 below.

Table4.17: Correlations between Financial Advisory Services and Business Growth

		Financial Advisory Services	Growth of business
Financial Advisory Services	Pearson Correlation	1	.787**
	Sig. (2-tailed)		.005
	N	182	180
Growth of business	Pearson Correlation	.854**	0.765
	Sig. (2-tailed)	.013	
	N	182	180

*. Correlation is significant at the 0.01 level (2-tailed).

The null hypothesis, H1: there is no actual correlation between financial advisory services and growth of business is rejected since we have sufficient evidence to adopt the alternative hypothesis, H2: Financial advisory services and growth of business are correlated.

4.9.3 Correlation between Business Idea Generation Services and Business Benefits

A test of correlation between business idea generation services and business benefits yielded a positive r-value of 0.832 with a p-value of 0.004 as shown in table 4.18 below.

Table 4.18: Correlations between Business Idea Generation Services and Business Benefits

		Business Idea Generation Services	Business Benefits
Business Idea Generation Services	Pearson Correlation	1	.832**
	Sig. (2-tailed)		.005
	N	34	32
Business Benefits	Pearson Correlation	.854**	0.799
	Sig. (2-tailed)	.004	
	N	34	32

** . Correlation is significant at the 0.01 level (2-tailed).

The null hypothesis, H1: there is no actual correlation between business idea generation services and business benefit is rejected and again we adopt the alternative hypothesis, H2: Business idea generation services and business benefits are correlated.

4.10 Discussion

Small scale entrepreneurs source capital from MFIs and other intermediaries to start or boost their businesses. The highest percentage of respondents had taken loans from MFIs and other institutions to start-up their businesses in Kisumu municipality. Those who previously operated businesses before being benefiting from microfinance conceded to

having experienced growth in business after taking the loans. This agrees with the ideas of Muhammad Yunus, Joseph Blatchford, and Friedrich Wilhelm Raiffeisen, as quoted in the literature review of mobilizing savings and lending it in micro credit loans to offer the solution of provision of finances to small scale business persons and come up with village banks (Yunus, 2007). The results of this study in regard to provision of finances supports relatively broad consensus that providing financial services to the poor for business purposes has tangible economic benefits.

Training programs offered by MFIs and other intermediaries provided the small scale business persons with information on savings and deposits, loan acquisition and repayment process, business initiation and management skills and group formation and its importance. The information equips the business persons to make viable decisions concerning their businesses and end up boosting investment. This is echoed by Kauffmann (2005) who posits that if the masses were enlightened on business management, it would definitely lead to increased investment in the business activities given the MFIs provided low interest loans. The importance of the training programs is shown by the large number of respondents who would want the MFIs to continue their training programs in the region.

Small scale business persons needed advice on management of finances, venturing into new businesses, savings, securing loans and changing from one business to another. Most agreed to have benefited from the advisory services given by MFIs and other financial intermediaries. Evidence presented in the literature review shows that MFIs and other players' interaction with small scale businesses on advisory services have immense influence on small scale traders because they are advised on which actions would be

drastic or beneficial to their businesses thus enable sustainable growth of small businesses. This is supported in this study where all the respondents agreed that advisory services were beneficial in the growth of the businesses.

Business idea generation services had enabled the small scale business persons come up with new business ideas that enabled them improve their small scale businesses. Some had opened up multiple businesses that ran concurrently as well. All those who had sought business idea generation services from the MFIs and other providers approved that they had benefited on ideas of setting up viable business, dealing with clients well, suitably locating a business and proper handling of business affairs. The results agrees with KIT and IIRR (2010) assertions cited in the literature review that views microfinance organization as an essential element in any country's financial system and the push to empower the small scale businesses in Kenya. This is because the masses will be able to generate the right business ideas in one way or the other and empowers them leading to increased growth of small businesses after all.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND

RECOMMENDATIONS

5.1 Introduction

Chapter five brings out the summary of the findings, informed conclusions and recommendations of the study for better handling of the problems and challenges in the study. Furthermore, the chapter also calls for suggestions that aid in future study that would be carried on to advance areas that demand more research.

5.2 Summary of Findings and Discussion

The purpose of the research study was to ascertain the influence of microfinance institutions on the growth of small scale businesses in Kisumu municipality, Kenya. The sub-objectives were to assess the impact of provision of finance on business growth, the impact of training programs on business, the impact of advisory services on businesses and impact of business idea generation services on business growth. From the data collected and analyzed, the small scale entrepreneurs' response was that they access services from microfinance in various forms. The findings strongly indicated that the presence of microfinance institutions in Kisumu municipality had significant impact especially in provision of loans for the entrepreneurs to start or boost their businesses thus leading to increased entrepreneurial growth in the municipality (Naoum, 2007).

Among the respondents, seventy three percent (73 %) were male while twenty seven (27%) were female entrepreneurs majority, (57%) of whom were aged between 31-40 years. Eighty percent of the respondents had attained secondary education and over and majority, 77%, had been running businesses for over seven years and therefore had gained wealth of experience. More women needs to be encouraged to take up investment opportunities through education and outreach in order to increase their numbers in the small scale business field. MFIs should also enhance training programs in order to benefit the small scale business population who has low education level education.

There was evidence that the contributions of the MFIs was undoubtedly of paramount importance leading to increased small scale businesses in the municipality. Sixty percent of the respondents got their initial capital through loans from microfinance institutions while 65% had taken loans from MFIs to support their businesses. Majority of those who took loans from MFIs had previously been running small businesses prior to been given the loans although 65% said that their businesses were inactive before accessing the loans. Fifty eight percent (58%) of the respondents had employed Ksh 20,000 and above in their businesses and 77% of them had employees in the business. Most of them had increased the number of employees after accessing microfinance loan.

Ninety eight percent of the respondents who had taken loans admitted to witnessing growth in their businesses after receiving the loans. However, majority of them, 81%, 75% and 98% respectively, lamented that loan interest rates, loan processing charges and

penalties charged were high. The loan processing period by MFIs was rated as good by small scale business persons. Other than loan facilities, 81% of the respondents had sought other services from microfinance institutions. Thirty two percent (32%) had sought services on financial management training programs, seventy two percent (72%) had sought for advisory services and thirteen percent (13%) had sought for idea in business generation.

Sixty nine percent (69%) of the respondents agreed that micro credit loans from MFIs had helped increase growth of small scale businesses in Kisumu municipality with 825 agreeing that loan application and approval process at microfinance banks were fast enough to their satisfaction. However, 79% of the respondents said that loan interest rates at MFIs were higher than the rates offered by commercial banks. Seventy percent (70%) of the respondents agreed that MFIs training programs had helped small scale business owners gain business management skills increasing their profits in the long run while 72% agreed that small scale businesses had increased tremendously as a result of services especially small loans offered to them by MFIs and other financial institutions.

Provision of finance to the small scale entrepreneurs by MFIs is fundamental for entrepreneurial growth in Kisumu municipality. The study found out the contribution of provision of finance by MFIs was of great importance because with accessible micro credit loans many of the small scale entrepreneurs tended to borrow loans and become self-employed. Formulation of policies that make the allocation of loans favorable for additional business ventures for the small scale businessmen and women will see growth

of small scale business industry. Increased entrepreneurship that was being witnessed in Kisumu municipality was as a result of increased lending of the micro credit loan by MFIs.

Seventy seven percent (77%) of the respondents had not been attending or training in the microfinance banks training programs. Of the 27% who had been attending or training in MFIs training programs, 96% had been trained on saving and deposit facilities and their importance, 74% trained on loan facilities acquisition, repayments and consequences of default, 9% on business initiation and management skills and 100% percent trained on group mobilization formation and importance of working in small groups. Seventy seven percent of the respondents said that they would like MFIs to continue offering training services they offered in Kisumu Municipality.

Creating awareness through the programs is important in success of small scale entrepreneurship. MFIs to market themselves to their growing clientele to increase awareness and enable more of the small scale business owners' population to access the services in Kisumu municipality. More integrated outreach programs aimed at enlightening the small scale entrepreneurs in the municipality on the micro-credit loans, training programs, advisory, and idea generation programs will be beneficial.

Eighty six percent (86%) of the small scale business persons who responded said that advisory services provided by microfinance institutions had been beneficial to their businesses all of them agreeing that the advisory services had relatively influenced

business growth. On areas that they thought they needed advice on, 30% needed advice on management of finances, 62% needed advice on venturing into new businesses, 55% needed advice on savings, 73% needed advice on securing loans and 65% needed advice on changing from one business to another.

According to the findings, advisory services by MFIs had a huge role to play in development of entrepreneurship in Kisumu municipality. Financial advisory services is among the tenets of the services microfinance institutions offer to their clients in order to ensure the small scale businessmen and women make the right choice in their business ventures. It is true that with the right advice many of the small scale entrepreneurs can break into the business field and make big returns after all. Advisory services enlightened small scale business persons on important issues and thus enhanced entrepreneurial growth.

Eighty nine percent (89%) of the respondents had sought services on business idea generation from MFIs. Eighty two percent (82%) of them had sought advice in between the last six months and one year. All the respondents who had sought services on business idea generation agreed that the services had been beneficial to them with 71% of them saying that it benefited them on setting up viable businesses, 56% benefited on dealing with clients well, 91% benefited on suitably locating of business and 76% benefited on ensuring affairs of running the business were in order.

Response in the field of business idea generation was encouraging given that not every business man or woman has the right answers to the questions of which business would be suitable in a particular area and targeting which clients. Many disillusioned entrepreneurs have been able to succeed according to the responses because of seeking the MFIs not only to provide them with the loans but also viable business ideas. Most of the MFIs have been in the business arena for many years and can provide a good market research of the viable business in an area and thus propose a viable business idea. This has resulted to some entrepreneurs starting businesses that have broken the vicious cycles of poverty and propelled the small scale entrepreneurs to business empires of great wealth (Ogbor, 2009).

Test of relationship between independent and dependent variables, at 0.01 significance level yielded a positive correlation between taking of loans and growth of business with a p-value of 0.003. There was evidence also for existence of positive relationship between financial advisory services and business growth with a p-value of 0.013. Business idea generation and business growth also showed a positive correlation with a p-value of 0.004.

5.3 Conclusions

This study was aimed at investigating the influence of microfinance institutions on the growth of small scale businesses in Kisumu Municipality, Kenya. The awareness of the small scale entrepreneurs as far as the services of MFIs are concerned are quite high but getting the entrepreneurs to fully seek these services will call for awareness programs to

be tailored so that the entrepreneurs can get to appreciate what MFIs have to offer to them.

The provision of finance was shown as the greatest benefit that small scale business persons have had from MFIs in the area. Many entrepreneurs in the municipality had benefited from the loans the loans from MFIs. Although small scale business persons thought that the MFI loans were expensive compared with commercial banks, most said that they were spared from cumbersome loan processing period and got the loans faster. Small scale businesses have been empowered through accessible loans provided by MFIs to start or boost their small scale businesses.

The study found out that training programs had been a big boost given that many of the entrepreneurs lack the business knowledge and got it from MFIs training programs to manage their businesses profitably. The training programs equip entrepreneurs with business skills outside formal education given the programs contextualize the information and content to be relevant to the area of the business and its setting. Although there are impediments to actualizing the educational programs as well as other services because of challenges like ignorance and phobia of taking loans, most had conquered and benefited from the trainings. Training the small scale business persons was a means to increased entrepreneurship in Kisumu municipality.

Advisory services offered by MFIs to small scale business persons had benefited the businesses and improved know how in management of finances in order to maximize

profit. Business persons are in a position to expand turnover through exploration of new business ventures and switching of businesses when there is need. Good savings records also enabled them to access loan facilities for business expansion more easily. The advisory services generally had boosted small scale entrepreneurship in Kisumu municipality and had encouraged more business ventures. Advisory on business idea generation also had ensured sustainability of businesses since the small scale business persons were in a position to not only judge well for viable businesses but also suitable locations and proper handling of clientele.

In conclusion, the study was able to arrive at informed conclusions that microfinance institutions have significantly influenced entrepreneurial growth of small scale businesses in Kisumu municipality, Kenya. This conclusion had been statistically and scientifically arrived at through analysis of responses of small scale entrepreneurs concerning services like provision of finance, training programs, advisory services, and business idea generation which all have been integral to starting and sustaining entrepreneurial growth in Kisumu Municipality.

5.4 Recommendations

Having identified the importance of microfinance to entrepreneurial development for small scale businesses, the study came up with the following recommendations:-

That small scale entrepreneurs fall under the group of people who were trying to solve unemployment and thus the sector should be given the support it can get ranging from the

government, to non-governmental organization and other donors so that it can create employment and alleviate the masses from extreme poverty.

According to the Kenya Economic Survey carried out in 2009, the informal sector under which entrepreneurial growth via small scale businesses is creating close to half a million jobs both for the educated and uneducated Kenyan youth and thus should get the right support to continue absorbing the hundreds of unemployed masses.

That although Microfinance institutions are on increase in Kenya, their emergence continues to be hampered by stringent policies that are unfavorable and bureaucratic enough scaring away investors in this sector which has been praised for fighting poverty among the poor masses.

The government should also partner with the MFIs and conduct civic education to reach out to the small scale entrepreneurs as well as to the potential entrepreneurs to seek the services of microfinance banks as a way of ensuring poverty alleviation in the rural areas.

The authorities in Kisumu municipality should partner with the MFIs in this municipality and create that awareness of the services offered and how the people can eventually succeed in business venture so as to reduce the rising cases of unemployment in the municipality.

5.5 Suggestions for further Research

Further research studies can be conducted and different research methods used to determine the influence of microfinance institutions on entrepreneurial growth of small scale businesses. This can bring out a different data on how the growth of small businesses as a result of microfinance can be achieved and further sustained.

The study focused on four different services that were provided by the microfinance providers in Kisumu Municipality and the data analyzed keeping other factors constant. There can be further factors at play influencing small businesses' growth and thus further research can be conducted to bring out these factors as well as other variables that are not covered in this research study.

Looking at the sample population the study narrowed down to smaller number of small scale entrepreneurs only. Probably, future research could include a wider sample which would enable the studies come up with different data after all and bring out other informed conclusions.

A study on the relationship between the level of microfinance commitment and the level of small scale traders' satisfaction should be done so that MFIs services are tailored to meet the needs.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

Dear Respondent,

This questionnaire is designed to gather information on the impact of microfinance on growth of small businesses in Kisumu Municipality, Kenya. The study is being carried out for a project paper in partial fulfillment of the requirements for the award of a degree of Master of Business Administration, School of Business, University of Nairobi.

The information in the questionnaire will be treated with confidentiality and in no instance will your name be mentioned in this research. The information provided will not be used for any other purpose other than for this research.

Your assistance in facilitating the same will be highly appreciated.

Thank you in advance.

Yours sincerely,

.....

.....

MBA Student

Supervisor

Otieno Samuel Omondi

Mr. Luther Otieno

APPENDIX B: QUESTIONNAIRE

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 business owners)

1. (a) Gender of the respondent

1. Male 2. Female

(b) The age range of the respondent

(a) 18 – 25 years

(e) 41 years and above

(b) 26 – 30 years

(c) 31- 35 years

(d) 36 – 40 years

2. Respondent's highest level of education

A. Primary school

D. College

B. Post-primary, vocational

E. University

C. Secondary, A-level

F. None

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

I. 0 – 3 years

V. 16 – 20 years

II. 4 – 6 years

VI. 21 years and above

III. 7 – 10 years

IV. 11 – 15 years

SECTION B (General information on the objectives)

Part 1 Provision of Finance

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

(b) Have you taken a microfinance loan to finance your business?

Yes No

If yes, had you been involved in business before securing your first loan?

Yes No yes, what business were you doing?

Please categorize the performance of your business before benefiting from the microfinance loan

(a) Very very active (b) very active (c) active (d) inactive

Explain your answer.....

(c) (i) Tick the appropriate amount employed in your business in Kshs?

(a) < 1000 (b) 1000 – 10000 (c) 10001 – 20000 (d)20001 – 50000 (e) 50001 – 100000 (f) above 100000

(ii) Do you employ anybody in your business? YesNo

If yes how many.....

Did the number of employees increase after accessing microfinance loan?

(iii) Has there been any change in your business by benefiting from the microfinance loan?

Yes..... No.....

If yes please specify the change and explain your answer

(iv) Has there been any form of post microfinance loan migration in your business?

Yes..... No..... If yes, explain

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?

MFI Services	Excellent	Very Good	Good	Poor	Very Poor
1. Loan interest rates					
2. Loan processing charges					
3. Loan processing speed					
4. Penalties charged					

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 Micro finance banks	Tick here
1. Financial management training programs	
2. Advisory services	
3. Business idea generation	

7. Rate the following statement(s) relating to the influence of microfinance institutions on growth of small scale businesses in Kisumu Municipality.

Statement	Agree	Strongly Agree	Disagree	Strongly Disagree
1. Micro credit loans from MFIs have helped increase growth of small scale businesses.				
2. Loans application and approval process at microfinance banks are fast enough to my satisfaction.				
3. Loan interest rates at microfinance banks are higher than at commercial banks.				

4. MFIs training programs have helped Small business owners gain business management skills increasing their profits in the long run.				
5. Small scale businesses have increased tremendously as a result of services especially small loans offered to them by MFIs& other financial institutions.				

Part 2 Training Programs

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

Yes No

(b) Of the Micro finance - training themes listed below, tick and number those that you might have attended if your answer to number 8 above is yes

- Saving and deposit facilities and their importance
- Loan facilities acquisition, repayments and consequences of defaults
- Business initiation and management skills
- Group mobilization formation and importance of working in small group

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

Yes No

Part 3 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 your small scale businesses by microfinance banks has relatively influenced business growth?

Agree 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.

V. I can't remember.

III. In the last six months.

IV. In the last one year

(c) Was it beneficial to you?

Yes No If yes, how?

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