"INFLUENCE OF GROUP CREDIT LENDING SCHEME ON PERFORMANCE OF WOMEN OWNED SMALL AND MEDIUM ENTERPRISE IN KISUMU TOWN EAST DISTRICT, KENYA."

BY

LANGAT KIMUTAI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI.

2012

DECLARATION

This research project is my original work and has not been presented for a degree or any award in any other university.

Sign.. Date 18/08/2012..............................

L 50/ 60570/2011

Langat Kimutai

This research project has been submitted with our approval as the candidate research supervisor

Sign.. Date 21/08/2012..............................

Dr. Raphael Nyonje

Lecturer,

Department of Extra Mural Studies

University of Nairobi

DEDICATION

This research project is dedicated to my entire family, most particularly parents for their encouragement and financial support they have always given me.

ACKNOWLEDGEMENT

This research will not have been successful without the assistance from a number of people and institutions. First, I would like to express my deepest appreciation to my supervisor, Dr. Raphael Nyonje for his support and encouragement; he patiently read through my draft and offered valuable inputs. Secondly I am indebted to Dr. Rambo M. Charles, Dr. John Ouru Nyaega, Dr. Maria Onyango and Mr. Willis Nyaoro, my lecturers at the University of Nairobi whose contribution gave invaluable insight into the study of Project Planning and Management, partly which this research is fulfilling project in order to complete the study.

My acknowledgement also goes to the Project Planning and Management graduating class who contributed tremendously and critiqued my document which helped in fine tuning of the research project to make it a better document for presentation and approval by the University of Nairobi

In addition I would like to extend my acknowledgement to the support staff of the University of Nairobi, Kisumu campus, who made sure that the environment was conducive for learning.

TABLES OF CONTENT

page

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS AND ACRONYMS

CBS	Central Bureau of Statistics
GDP	Gross Domestic Product
GOK	Government of Kenya
ILO	International labor Organization
K-REP	Kenya Rural Enterprise Program me
KWFT	Kenya Women Finance Trust
MDGS	Millennium Development Goals
MFIs	Micro Finance Institutions
NBFI	Non Bank Finance Institutions
NGO	Non-Governmental Organization
PRSP	Poverty Reduction Strategy Paper
ROSCA	Rotational Savings and Credit Association
SACCOs	Savings and Credit Corporative Organizations
SCDE	School of Continuing and Distance Education
SMEs	Small and Medium Enterprises
SSEs	Small Scale Enterprises
WEF	Women Enterprise Fund
VBI	Village Banking Institution

ABSTRACT

In recent years, governmental and nongovernmental organizations in many low-income countries have introduced group credit programs targeted to the poor. These programs usually operate in economies that are hindered by inflation, poor infrastructure and absence of legal regulations. Most of them offer short term range loans, mandatory and voluntary savings, training services. Women entrepreneurship has become more of a way of life and "engine" for economic transformation among rural and urban poor. Access to micro credit proves the economic status of women and makes them more empowered in decision making. Group lending scheme is essential in promoting small businesses especially amongst women. The statement of the problem was to examine the influence group credit lending on women owned SMEs in reduction of poverty and assistance of developing countries in the areas of wealth creation and improvement of living standards.. The purpose of the study was to establish the influence of group credit schemes on performance of small and medium enterprises owned by women. The objectives of the study was to determine the level at which high interest group credit influence performance of SMEs owned by women in Kisumu East District; training influence performance of SMEs owned by women in Kisumu East district; group credit repayment affect performance of SMEs owned by women in Kisumu East district and saving scheme influence performance of SMEs owned by women in Kisumu East district. The research design used is descriptive survey which sought to ascertain respondent's perspectives or experiences on a specified subject. The study targeted 2000 women who were in groups and owned SMEs in Kisumu East district .The sample size consisted of 322 SMEs randomly sample from the population operating businesses in Kisumu East district. The study employed both descriptive and inferential data analyses technique which enabled the study to establish essential facts, answer research questions, and enabled relevant conclusions to be drawn and recommendations concerning the study to be made. The study found that there were four factors that influenced performance of the SMEs in Kisumu east district. These factors were reduced credit interest rates. 92.6% of those who access credit favors cheap credit, increased level of training in financial management (96.3 %of those trained improve in performance of the business), reduced number of times that the respondents repaid their loans and belonging to saving schemes by the members of the SMEs .0ver 81% of those who saved performance in their business improved. These factors improved the profitability of the SMEs and increased the chances of the SMEs increasing the number customers and staff, as well as having expanded sizes of business. The study recommends that there need to be formulation and adoption of policy and practice that will ensure that the SMEs are not charged high interest rates or are charged interest rates that are reducing so as to ensure that the do not pay very high interest which may affect their performance. The study recommends that lending institutions need to set up policies that will ensure that every person who is given credit is also trained on important business skills such as training in financial management, business planning and record keeping. The study recommends that the lending institutions should place a standard lending period in which the businesses should not pay in less than a month, more so during the early periods of taking the loan. The study suggests in future, researchers should do the same study with focus on the SMEs who have been given credit by the commercial banks and other institutions such as the government for purpose of comparison with the findings of this study. The study suggests that in future researchers should investigate the extent to which credit interest rates, increased level of training in financial management, reduced number of times that the respondents repaid their loans and belonging to saving schemes by the members of the SMEs influence performance using a regression analysis

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Although women owned SMEs access to financial services has increased substantially in the past 10 years, their ability to benefit from this access is often still limited by the disadvantages they experience because of their gender, persistent credit market imperfections as well as unclear government financial policies. These women owned SMEs contributes to short and long term economic sustainability in both developed and developing countries worldwide. In recent years, governmental and nongovernmental organizations in these countries have introduced group credit scheme, a program specifically target the most vulnerable group- women who live in households where there little or no assets. Through these programs, women are able to access credit, without physical collaterals normally required by formal banks, savings as well as training services. Mainstream banks target clients who have collateral which can be used to secure the loans (Osa, 2009).

Group credit scheme is therefore seen by many as a promising and cost-effective tool in the fight against poverty and more convenient way women have used to finance their small and micro enterprises (SMEs). Many studies conducted on group lending schemes have concluded that these programs have significantly improved women's security, autonomy, and self confidence within the household and as well made major contribution toward their economic growth. One argument in favour of group loans states that women benefit more from group loans than individual loans (Velasco & Marconi, 2004). Group Guarantee Mechanism, which is the essence of the group-based lending, introduces shared liability and pressure from formal groups as a replacement for security (i.e. collateral) and business appraisals.

Small enterprises which include informal sector enterprises contributes significantly to employment and income generation in the Kenya's economy production, distribution and service sector. They play an important role in industrialization and commercial developments, promotion of rural urban balance the level of indigenous people's participation in the economy and improvement of distribution of income. SMEs are constrained by factors such as inadequate market, environmental factors as well as credit accessibility.

In America MFIs has made women more productive besides empowering them (Goetz & Sen, 1994). Women are now integrated into socio-economic activities, contributing to family income and decision making in addition to exercising more control over their fertility which enhances better childcare. Moreover, micro finance has been effective in mobilizing savings from the poor borrowers who are mainly women. Instances are cited when micro finance programs have been linked to a reduction in gender based violence (Mayoux, 1998). A study by Edgcomb, Klein, and Clark (1996) indicates that, several lenders have tried group lending in the United States. These lenders are non- profit organizations whose main goal is to assist the poor—in particular, women and minorities—by financing self-employment..

In Germany, the past decade has seen a growing interest in and practice of micro lending (Jung, 2007). In recent years, a growing number of specialized microcredit programmes which include group lending has been created for start-ups and micro-enterprises with low capital requirements .Weber (2004) notes that the main reasons for the finance difficulties in Germany, faced by start-up entrepreneurs and SME owners in need of microcredit is the adverse cost/earnings ratio in this business segment as estimated by the financial institutions. In micro lending, major handling/operating components in credit standing assessment and loan post-approval processing, documentation and closure incur high (fixed) costs for financial institution, which pose severe profitability problems, particularly with small finance amounts and smaller-scale quantity structures.

In Hungary, Micro, small and medium- sized enterprises play an important role in the economic life of the country: they employ 65 per cent of all employees, they produce half of the gross added value and they account for 36 per cent of all export sales (Carboni ,Dayson, Galderon, Kickui,2006) .in addition majority of them operate with a high labour force and low capital intensity; they take a much higher share from employment than from sales income or income generation

In Holland, 95 percent of firms are SMEs owned by women (Curan and Blackburn, 1991); In Taiwan, SMEs constitute 96.5 percent of the approximately 935,000 business establishments and employ 78.6 percent of the total women work force (Taiwan Medium and Small Business Administration 1995).It provides the largest percentage of initial job opportunities. Most of the population is employed in small and medium enterprises especially the young men and women. These SMEs firms account for a larger fraction of the gross national product.

In Bangladesh according to Besley (1995) group lending was promoted by Yunus in Jobras, a village in Chittagong of Bangladesh. Since then, the program has spread all over the world. In support of this, the World Bank (1999) indicated that 25 million people worldwide are now using group credit scheme to undertake income generating or self employment activities; Out of these women from more than 90% of the beneficiaries. The receipt of the 2006 Nobel Peace Prize by Muhammad Yunus and the Grameen Bank propelled group lending scheme to the forefront of the global discussion on poverty alleviation and economic development of most women.

The role of credit schemes to SMEs; especially in Africa is seen as engines through which objectives of developing countries can be achieved and for economic transformation among rural and urban poor, Kibas (2001). In African nations particularly in Ghana, was estimated in 1995 that SMEs employed 22% of the adult population most of these employees are women (Meads, 1998). The sector employed about 15% of the labour force, had higher employment rather than large scale enterprises and had a significant contribution to GDP.

At present in South Africa, there are more than 1,200 MFIs operating in South Africa extend credit services and savings services to about 8 million people out of whom 90% are women. The borrowers are mostly self-employed, and involved in income generating activities. In addition, MFIs have created employment for about 70,000 people, 20% of whom are women. Further analysis shows that member's savings meet about 20% of the total making it difficult to create a revolving fund. In South Africa, micro finance claims a high recovery rate from the borrowers, over 95% (South Africa Institute of Development, 1999). Further analysis shows that member's savings meet about 20% of the total making it difficult to create a revolving fund. In South Africa, micro finance claims a high recovery rate from the borrowers, over 95% (South Africa Institute of Development, 1999).

In Zambian, only 7.2% SMEs have access to credit while the majority used their personal savings to start up a business (MCTI survey, 2003). Furthermore, due to high default rates by SMEs, financial institutions favor large firms as regards to credit lending.

The government of Zambia through the Bank of Zambia has however, put in the place the Credit Reference Bureau that reduces the market imperfections such as asymmetric information between the borrowers and lenders as it tracks the credit culture of SMEs, but the problem comes to new SMEs who would want to enter the market without any records to track hence they still remain marginalized. In Zimbabwe, a recent study by Zindiye (2008) revealed that SMEs are a vital component of every country's economy and their success is a critical aspect. He adds that innovation is mainly achieved through SMEs hence they must be fully supported and guided against failures. It is of great importance to identify and understand the challenges faced by SMEs. This is due to the fact that SMEs are the corner stone of many economies in the world. SMEs must be nurtured and supported to ensure their survival, growth and development and they must be guarded against any failure.

In Kenya, according to survey of national micro and small enterprises (Republic of Kenya 1999), there are over 150 credit programs and schemes operating in Kenya to assist micro, small and medium size firms in obtaining needed capital, training and saving services These lending programs are operated by Non-governmental organizations (NGOs), commercial banks, developed finance institutions, Co-operative societies, self help groups and the government. However, as the survey indicates the group credit schemes though MFI institutions emerges as the major contributor in providing credit to SMEs and assisting people, especially where formal finances have not helped due to lack of collateral or smallness of business (Kimuyu & Omiti, 2000). According to baseline survey by K-rep (1999), there are over 250 non-governmental organizations providing credit to SMEs owned by women in Kenya. Kibas (2001) observed that commercial banks used to be marginal in their lending to SMEs, a situation that was attributed to the high risk level and cost implications in lending to SMEs. However, they have now opened up their doors to credit seekers.

According to National poverty Reduction Plan (NPRP, 2009-2015) results Nyanza had the highest and the greatest population living in poverty at 63% and many of them are women. This has been attributed to many major challenges facing women especially in the world of business. One of these is the access to cheap microcredit that can enable the become self employed.

In the city of Kisumu, more women have been participating in small enterprises for a long time. Most of these small entrepreneurs in the slums of Nyalenda, Manyatta and other surrounding estate, while others live the outskirts of the city but make daily visit to the city to conduct the businesses. In Kisumu Town East like other districts in Kenya, there are several financial institutions which are extending finances, through group lending schemes to SMEs owned by women. These organizations include: Faulu, Kenya Women Finance Trust (KWFT), Faidika, Equity, Eclof, Kadet, WEDCO, Saga Sacco Ltd, Opportunity International and Kenya Rural Enterprise Program (K-Rep). These MFIs extend credit, trainings, marketing, to SMEs owned by women.

1.2 Statement of the Problem

One factor inhibiting the attainment of development goals in less developed countries is the population's general inability to access factors of production, especially finance. This limits the entrepreneurial ability of the people, especially the poor. Consequently, potential employment opportunities and household prospects for creating wealth and improving income are lost. Microcredit has been one framework adopted to address this problem. Its evolution reflects acknowledgement of credit market failures especially in the formal financial sector. There has been, therefore, a shift from both the formal and informal financial sector to microcredit which incorporates both savings and credit. This suggests that saving schemes, and not simply loans, can help to improve the welfare of the poor in general and women in particular (Vonderlack and Schreiner, 2001).

According to Kenya National Bureau of statistics, success rate of new SME in Kenya is 40%, meaning 60% of new SME shut down during initial stages. Such high percentage shows that there is a high possibility of a problem within Kenya business environment. One of the major challenges faced by SMEs is access to credit as well as the cost of credit According to

World Bank (2012), for the past one year the cost of credit has been gone up dramatically. This is attributed to the worldwide credit crunch, global financial crisis, high inflation as well as weak currencies among the world economies. In Kenya for example, due to weak Kenya shilling , Central Bank Rate(CBR) went up by 150 % in the last five months (CBK,2012), forcing financial institutions to increase their interest rate by almost same percentage. This has seen the cost of credit gone up tremendously. In fact it is the highest ever since 2002.Considering the fact that these changes affect all loans including those loans already contracted. (Kenya Bankers Association, press release, 2011), fundamental issues are raised on the effect on small and micro enterprises.

Most of the Kenya's people are poor and majority of them are women, who are either self employed or work in micro and small businesses .If poverty is to be reduced and if the economic potential is to be realized the economic activities of the poor need to be finance (AMFI, 2005) . This is the reason why micro credit needs to be affordable for the poor to access. Group lending scheme remains the main program use by financial institution to reach the assets poor especially women. However, group lending scheme has been faced by numerous challenges. High interest rates occasion by imperfection in financial market are normally fell by the borrowers in addition to mandatory savings tied to the credit which are normally hard to raise. A study done by Hashemi (1997) also noted that in most peer lending microcredit programs, borrowers must commence weekly installments almost immediately after the investment are made. Hence, borrowers will either be forced to choose activities that generate almost immediate revenue (and these activities tend to generate the lowest returns because of lack of skills), or they will have to repay the loan from other sources. It is therefore against this background that the researcher did a study to examine the influence of group lending scheme on performance of women owned SMEs in Kisumu Town East District.

1.3 Purpose of the Study.

The purpose of the study was to establish the influence of group credit lending on performance the small and medium enterprises owned by women in Kisumu Town East District

1.4 Objectives of the study

This study was guided by the following objectives:

1. To determine the level at which interest on credit influence performance of SMEs owned by women in Kisumu Town East district.
2. To examine the extent to which financial training influence performance of women owned SMEs in Kisumu Town East District;
3. To assess the level at which credit repayment rate influence performance of women owned SMEs in Kisumu Town East district
4. To investigate the extent to which savings schemes influence performance of women owned SMEs in Kisumu Town East district

1.5 Research questions

Based on the study objectives, the following research questions were used:

1. To what level does interest on credit influence performance of women owned SMEs in Kisumu East district?
2. To what the extent does financial training influence performance of SMEs owned by women in Kisumu East District?
3. What is the level at which credit repayment rate influence performance of women owned SMEs in Kisumu East District?
4. To what the extent does savings scheme influence performance of SMEs owned by women in Kisumu East District?

1.6 Significance of the Study

The findings of this study are hoped that it will be useful as a reference material on management and performance of SMES in general. The relevant stakeholders of group lending schemes in Kisumu Town East district is hoped to use the findings of the study to facilitate effective management among SMEs owners. Other districts outside Kisumu East district are hoped also to use the findings of the study to facilitate effective management among SMEs owners as well as group lending institution and improve decision making on the management of SMEs.

The study was hoped to yield data and information that will be useful for proper planning of management in microfinance as well as SMEs. Such decision formed the basis for institutionalization of a framework for actions to develop high quality management of SMEs and reduce poverty rates in the whole region. Also the results of the study may be used to guide authorities to generate new information policies for improving SMEs in Kisumu East district. Further, the study contributed towards filling the knowledge gap on influence of group based lending scheme on growth of SMEs in Kenya.

1.7 Basic Assumptions of the Study

This study was based on the following assumptions: that all the SMEs owned by women gave sincere and correct information; that the sample that was be taken is a true representation of the target population; that the information given by SME owners was be accurate and reliable; that the study obtained objective data and that all the respondents that were selected had at least some knowledge on SMEs; that group loans were for the enterprise only and not household use.

1.8 Limitation of the study

The major limitation of this study was timing. The researcher was able to overcome the limitation by making prior arrangements with the respondents and assuring them that as minimal time as possible was to be taken to fill the questionnaires. The study should have covered all the districts in Kenya where group lending scheme is used, but due to large number of women owned SMEs the researcher was constrained by resources and time therefore the study was limited to Kisumu East district. The researcher further sampled the respondents used in the study because the finances and the time availability did not allow everyone to be involved. Above all; these limitations were taken into account during the undertaking of the study.

1.9 Delimitation of the study

Kisumu was chosen because of its varied economic activities ranging from fishing in Lake Victoria, small scale farming around the district as well as the fact that Kisumu was the centre East African community. Kisumu Town East District has many registered women groups which was important target population. The study focused on women-owned SMEs since men relatively have more access to wage labour in Kisumu East district than women. It was easier also to reach women than men. Moreover, in Kisumu East District more women are self-employed through SMEs. Also, the study area was chosen because of the high number of self help groups of which majority are women groups.

1.10 Definition of significant terms used in the study

Small and medium enterprises: These are business enterprises engaging between 1 and 50 employees .SMEs is generally distinguished by the nature of their production and management arrangements, trading relations, financial practices and internal competence among others factors.

Group Credit Lending: This is the provision of loans to collection of people who come together in order to act as security to the loan advanced to them or to co-guarantee each other

SMEs Performance: This is an increase in terms of profits and sales, number of clients served, diversity of products and number of people employed.

Saving schemes: This is the contributions made by women entrepreneurs in as a requirement before accessing loan.

Repayment rate: This refers to the ability of women entrepreneurs to pay back the loan on time and as required by financial institution.

Financial training: This encompasses the giving of financial skills and knowledge to help women improve their capabilities in business management.

Credit Interest: This is the extra amount paid by women above the initial loan principal advanced by financial institution.

1.11 Organization of the study

The study was organized into three chapters .Chapter one constitutes of the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, significance of the study, basic assumptions of the study, limitations and delimitations of the study, definition of significant terms used in the study and organization of the study. Chapter two dealt with the literature review on influence of credit interest schemes, financial training, repayment rate and saving schemes on SMEs, theoretical framework, conceptual framework and summary of literature. Chapter three presents the design and methodology that was employed in this study. It encompasses a discussion of the research design, target population, sample size and sample selection technique, research instruments, data collection procedure, data analysis techniques and ethical considerations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter reviewed literature related to the study based on the following thematic and sub-thematic areas: influence of credit interest performance of small and medium enterprises owned by women; financial training on performance of women owned small and medium enterprises; credit repayment rate on performance of women owned SMEs of small and medium enterprises; saving scheme of performance of small and medium enterprises owned by women; theoretical framework; conceptual framework and summary of literature.

2.2. Influence of credit interest on performance of women owned SMEs

According to Kibas (2001), as a new business owner, a key factor is starting or growing your business is your ability to obtain financing. You need to start up capital or "seed money" to finance every aspect of this venture from securing a location to business cards. Start by carefully analyzing these costs to determine how much money you will need. Undercapitalization is one of the most common reasons small businesses fail. This view is supported by Churchill (1992) who said that access to credit is a problem closely tied to credit rating by financial institutions. Any business eligibility for the scarce credit is directly related to its capacity and track records in managing loan funds well. Financial institutions perceive this sector as high risk clients thus very reluctant to provide loans or they lend their money on very high interest rates

Policy makers are increasingly critical of the high interest rates that microfinance institutions (MFIs) charge (Fernando, 2006). Some policy makers have suggested that ceilings be introduced on microcredit interest rates to ensure that poor households have access to affordable credit. Yet, charging prices high enough to cover costs is an essential practice for any business enterprise that intends to continue its operations beyond the short-term. Thus, it is not surprising that promoters of sustainable microfinance have emphasized the need to adopt this practice by MFIs. Many MFIs in the region have thus adopted cost recovery interest rates on microcredit. A significant number of such institutions have been able to expand the depth and breadth of their operations. The nominal interest rates charged by most MFIs in the region range from 20% to 40% a year (on a reducing balance basis). The effective interest rates are even higher because of commissions and fees charged by MFIs.

One of the feature common to all types of credit across the world is the fact that credits are normally abused. Wood and Sharif (1997) and Yunis (2003) refer to this fact as abuse in lending. They identify the common abuses in lending as predatory lending which involves granting a loan in order to put the borrower in a position that one can take advantage over him or her. Where the moneylender is not authorized, they could consider a loan shark Signoriello, 1991). Wood and Sharif (1997) identifies usury as another form of abuse where the lender charges excessive interest.

Other factors such as the compulsory deposits for obtaining a loan, frequency of repayments, and the systems adopted to collect repayments also raise the effective interest rates. There is therefore no strong case for subsidized credit. It only compromises the business-like approach of a credit programme. It is reasonable to assume that the poor women will also be willing to pay interest rates at market levels; for, they value being treated with dignity and as equals rather than as `special cases'. Experiences reveal that what the poor value most is easy access to credit and low transaction costs of borrowing (simple procedures and quick disbursement) rather than credit at cheap rates.

Charging interest rates high enough to cover costs and to maintain the real value of funds is often the most overlooked aspect of credit programmes designed for the rural poor.

There is a widespread feeling that the poor cannot afford market rates, hence they must pay subsidized rates. This factor, coupled with high inflation rates, has affected the SMEs in one way or another.

According to World Bank (1999) today some financial institutions are offering small business credit cards to finance start up expenses as well as operating expenses. However due to their interest rates, credit cards are often the most expensive small business financing there is financing your business on credit cards may save time and allow you to keep business expenses separate from personal one's. But he forward without very careful management, credit cards debt can quickly put you out of business

Kibas (2001) discusses sources of capital for business startup. He says that sources of seed capital include family friends, partners, life insurance and home equity loan. The least expensive route is to tap family and friends. He advises SME entrepreneurs on how to acquire funds. He says that if your business is too small or too new to get other financing, this may be the best route. Inform them as to how much interest you can pay and when they will be paid back. Put the loan terms in writing and treat this loan as any other. Also tell them how much of your own funds are invested in the business. Acquiring a partner is often used as a means to bring into the business someone who has the funds needed for startup which you may not pay interest on it (Tele, 2011). Life insurance policies that have a cash surrender value are a source of money that you can borrow and sometimes the interest rate are lower than market rates.

2.3 Influence of financial training on performance of women owned SMEs.

According to Matoha (2007), lack of financial management skills is a major cause of small business failures. Some of the most important internal problems small businesses need to identify are inadequate capital, cash flows management and inventory control. A survey conducted in the UK indicated that above 20% of firm failures was due to financial management (Padachi, 2006). In other developed countries such as US that efficient management of working capital is crucial for prosperity and survival of small businesses .Gibbs (1988), states that in Australia, most of the Youth Development initiatives have taken issues of financial management seriously. It is noted that the youth are given insights of basic management of cash and money accountability .this encourages and gives them needed experiences of their businesses. Out of the 150 businesses and projects started, only 7% suffered insolvency or run out of cash. Sometimes trainings are provided by donors, umbrella organizations and sometimes commercial trainings are done according to the needs of the business sector. Gibbson, (2009) states that all business must maintain financial records. Financial records are essential part of every business as they basically have a history of all the business activities and provide the basis for internal control, internal and external reporting to agencies.

Microfinance Opportunities and Freedom from Hunger are examples of project leaders of the Global Financial Education Program (GFEP), a large-scale financial education program targeting those just above and below poverty line in developing countries. GFEP has reached over 64,000 clients through classroom training (Murei, 2011).the program recently developed a new module targeting adolescent and young adults that teaches how to manage money more effectively through savings and budgeting. These skills serve as foundation for young women who are in transition from dependent to independent economic and social roles and personal financial management (Commack, 2007).

Zimmer (2009) states that in South Africa financial Management is the key to small business and project success and effective managers realize that any successful business ventures requires a proper control. Business success also requires having a sufficient amount. Undercapitalization is also a mistake that most businesswomen make; they are optimistic and often misjudge the financial requirement of going into business. They lack adequate financial control in implementing proper cash management techniques, poor credit screening, sloppy debt collection and undisciplined spending habits are most common factors in a many business and projects bankruptcies. Further states that in relation to enterprise development ,financial literacy can be further defined as "the capacity to sufficiently understand financial market products ,concepts and risk ,in order to make informed choice ,identify and avoid abuse and take other effective action to improve well-being,"

Group lending exposure women entrepreneurs to major financial skills that are key in managing their businesses. In most cases NGOs and microfinance institutions have an opportunity to channel other non financial services to women during the group meetings. These financial services included adult literacy where members learnt how to sign documents and operate simple financial arithmetic and book keeping. Other services channeled through women groups included family planning services, nutrition education among other services (Schriener, 2003).

Mudida (1999) states that combining financial literacy training with access to broad range of financial services like credit supports women financial success. It allows women to expand and demonstrate their abilities to make financial decision and increase their wealth potential. According to report done in Nairobi, Kenya by Jamii Bora group in 2008 on establishing youth financial dependency states that the youth financial problems starts with lack of financial knowledge and lack of collaterals. The study gave 68% of the youth practicing project and business faces the two problems. However, few financial institutions are dedicating resources to provide this key skill to their customers.

Training provided through women groups to SMEs, helps in reduction in wastage, impacts on the productivity of the SMEs and motivates business people. This will lead to their profitability, market share, sales volume and reputation. Phillip (1996) supports this principle. He says that training and development programs are necessary in any organizations for improving the quality of work of the employees at all levels, particularly in a world of fast changing technology, changing values and environment.

Mary (2001) discusses the elements of a successful training program. She says that a successful training program should be based on certain principles. The objectives and scope of a training plan should be defined before its development is begun, in order to provide a basis for common agreement and operative action. The techniques and processes of a training program should be related directly to the needs and objectives of an organization. To be effective, the training must use tested principles of learning. Training should be conducted in the actual job environment to the maximum possible extent. According to Kibas (2001), various methods of training have been evolved and any one method or a combination of any two or more of these can be used depending upon the training requirements and the level of people to be trained.

Financial institutions through women groups to provide the necessary and customized services needed by SMEs at more affordable rates. Mayoux (2005) in her study on MFIs and women empowerment identifies that a firm's ability to train and develop staff is influenced by financial support from MFIs. The study examines empowerment at two levels: personal and individual. She illustrates an empowerment model that describes the two levels. She says that the magnitude of personal empowerment will depend on social, economic, political, cultural, educational, and other relevant factors. The magnitude of group empowerment will essentially depend on the social capital of the group.

Group leaders achieve training on accounting systems, loan disbursements and utilization, and leadership responsibilities. Furthermore, they obtain training on enterprise and business development to approach the goal of encouraging group members to be entrepreneurial and take investment credit.

2.4 Influence of credit repayment rate on performance of women owned SMEs.

A study of Greemen Bank in Bangladesh found that not only do female clients have a greater social impact than male clients, but that having a customer base dominated by women may reduce financial risk (Morduch, 2005). Women have had particularly low rates of loan default, which are said to be less than one-third that of men in Bangladesh (Khandker, 1998). Female microfinance clients are associated almost worldwide with higher repayment rates than men with Indonesia curiously said to be an exception (Remenyi, 2000). Velasco and Marconi suggest that women have higher repayment rates because they are "more risk-adverse, or have fewer possibilities of obtaining credit outside microfinance, or take more seriously the consequences for their children of their failing to repay, or a combination of the above"

Other research shows that, in addition to the pressure of meeting the basic needs of the family, it could be that group forces are influencing women to behave with more social responsibility and, as a consequence, they misuse funds less. Group support may motivate women more than men. Groups also provide women with opportunities for social learning, gender solidarity and 'group reproduction' when they develop into a pressure group to pursue a political objective (Velasco & Marconi, 2004). Group-lending to women in Bolivia stimulates collective public action and these externalities are achieved when intragroup equality is high and the group has a collective experience of adversity. The microfinance programs that offer a range of services, such as training, health services and legal advice, create intense loyalty from women. During the mid 1980s economic crisis in Bolivia, while the bulk of the microfinance loan volume declined during the recession, the volume of the all-female integrated microfinance institutions continued to rise (Velasco & Marconi, 2004).

The role of peer pressure and social sanctions is also considered by Diagne (1997). Diagne incorporates the value of future access to loans as an essential element to understand joint liability. The value of future access to loans generates interdependence among group members. Interdependence generates peer pressure. Peer pressure may be active, as in actions taken by non-defaulters to induce defaulters to repay their loans, or passive, as in feelings of shame or guilt for harming non-defaulters. Passive peer pressure does not result in any cost to a non-defaulter whereas active peer pressure brings direct and indirect costs (retaliatory costs) to defaulters. This may involve actions like seizing the assets or business stock of the defaulted member, disposing them to recover the loan. Together, they determine willingness to repay. This could be due to attitude problems on the part of the borrowers. As argued by Godquin (2004), even though with enough money, some borrowers also opted to default their loan repayments intentionally. The availability of credit is crucial as it allows the SME financial flexibility in meeting their business obligations and expansion needs. Nevertheless, "debt" is viewed as bad as it represents a lack of self discipline. Therefore, in order to survive in the long-run, SMEs needs wisdoms in managing this debt.

This is not a surprise finding as SME are riskier borrowers than large firms. Reason being SME are more vulnerable to market changes and often have inadequate management capacities due to their smaller size (Ganbold, 2008). Besides that, since most of the financing provided are micro in nature whereby collateral is not required hence, paying these financing become unimportant and this could be another possible explanation for the poor repayment performance. Reason being SME are more vulnerable to market changes and often have inadequate management capacities due to their smaller size (Ganbold, 2008). Besides that, since most of the financing provided are micro in nature whereby collateral is not required hence, paying these financing become unimportant and this could be another possible explanation for the poor repayment performance.

In group lending, moral hazard is worse than for individual loans, as borrowers who might have repaid may find it optimal to default just because their fellow group members have also defaulted. Additionally, group lending opens the possibility of collusion against the lender, even when every member could have repaid her part of the group loan. These effects are analyzed by Besley and Coate (1995), who consider two effects of joint liability on repayment; one, the negative effect from some members defaulting due to the excessive burden of having to repay for defaulting members and two, the positive effect of the repayment of defaulters' loans be non-defaulting members.

2.5 Influence of saving schemes on performance of women owned SMEs.

Kimuyu and Omiti (2000) notes that formal segment of Kenya's financial sector is dominated by a few commercial banks some of which have roots in the colonial period and were historically oriented towards meeting the financial needs of external trade and large-scale commerce. These do not therefore have track record of lending to small enterprises and smallholder agriculture the emergence of MFI in early 1980s acted as a safe custody of the SMEs revenues. This has led to a reduction in thefts and loses of the SMEs. The MFIs also gain from interests gained from their savings. Such interests have been pumped back to the business and contribute to the SMEs.

Robinson (2001) in her study concluded that households and enterprises could benefit om microfinance institutions when voluntary savings are locally mobilized. Micro-enterprises an self-finance in full or in part their working capital needs as well as save toward investment eeds. Saving accounts provide security, legal recognition of the asset and returns, and improve ousehold financial management. Moreover it creates an opportunity for women to become conomically empowered. The evidence revealed that women have got the opportunity to hold ieir savings in their own name for the first time.

Armendáriz and Morduch (2005) in their study, identify reasons why saving schemes are nportant for SMEs and why most SMEs do not save. They postulated that savings have recently een recognized as important for low-income earners. One reason for being neglected is the ssumption of "too poor to save", meaning that at subsistence level there is little room left to ave. However, they mention, provision of savings may act in the same way as credit; to build up ollateral, smooth consumption, finance large investments and self insure against shocks. ccording to Kimuyu and Omiti (2000) the Kenya Rural Enterprise Program (K-Rep) is a uccessful NGO mandated to offer credit to small businesses. It's most innovative approach to iicrofinance has been developing joint liability programs for extending credit to different groups f borrowers, borrowing a leaf from the Grameen bank of Bangladesh. According to Grameen ank, it considers savings mobilization as an integral part of lending. Each member of the group required to deposit some minimum amount each week at the weekly group meeting. This fund used to provide life accident insurance to all group members, repay bad debts, and undertake ctivities that improve the health, skills, education, and investment opportunities of group iembers. In the majority of microcredit programs, compulsory savings are a pre-requisite to ualify for a loan. In other organizations, the size of the loan is linked to the amount saved at the ending institution. A common element in both classic solidarity groups and village banking is compulsory, or "forced," savings. Forced savings are collected during the group meetings, usually pay no interest, and cannot be withdrawn till the member exits the group The habit and discipline of regular saving can equally well be inculcated by offering voluntary time deposit accounts, or by commitment savings accounts, where each client commits to depositing a fixed sum at regular intervals. If, however, forced savings are constructed on the premise that the poor are unwilling to save unless forced, then this is clearly a false premise since ample evidence now exists that the poor are both willing and able to save.

Citing the example of Pro Mujer in Bolivia, which was forced to abandon its policy of confiscating village bank forced savings to cover missed loan payments, Westley (2004) has this advice for other village banking institutions (VBIs). "VBIs must not oversell clients on the virtues of accumulating a significant savings balance because clients will then be confused when they are asked to give up these balances to help control loan delinquency." He also advises village banks to vary forced savings rates according to the past payment histories of clients and to allow clients greater access to forced savings, since "most low-income people who save prefer to be able to access their savings as often as they wish in order to meet emergencies, business needs and opportunities, and household and other demands that arise—rather than having these locked up in an illiquid account, not able to help the poor generate income for the family.

2.6 Theoretical framework

Kombo and Tromp (2006) defines theoretical framework as a collection of interrelated ideas based on theories. This study was guided by Social Consciousness –driven capitalism theory, which was developed by Muhammad Yunus in 1998.The Social consciousness –driven capitalism theory argues that a species of profit-making private venture that cares about the welfare of its customers can be conceived. In other words, it is possible to develop capitalist enterprises that maximize private profits subject to the fair interests of their customers. This theory is an alternative to the profit-maximization theory which postulates that enterprises are naturally motivated by profit maximization with little consideration in the interest of their clients which the researcher felt cannot suffice because it excludes individuals who are concerned about the welfare of their fellow human beings. A more generalized principle would assume that an entrepreneur maximizes a bundle consisting of financial return or profit and social return. The Social Consciousness –driven capitalism theory creates three groups of entrepreneurs. The first group consists of traditional capitalists who mainly maximize financial returns or profits. The second group consists of philanthropic organizations (like traditional microcredit NGOs) and public credit agencies that mainly maximize social returns. The third group consists of entrepreneurs who combine both rates in making their investment decisions under the additional constraint that financial return cannot be negative. This group includes the financial institutions that offer group lending schemes, enterprisers who are to be treated as socially concerned people, and microfinance, which is to be treated as a social consciousness-driven capitalistic enterprise (Elahi, 2004).

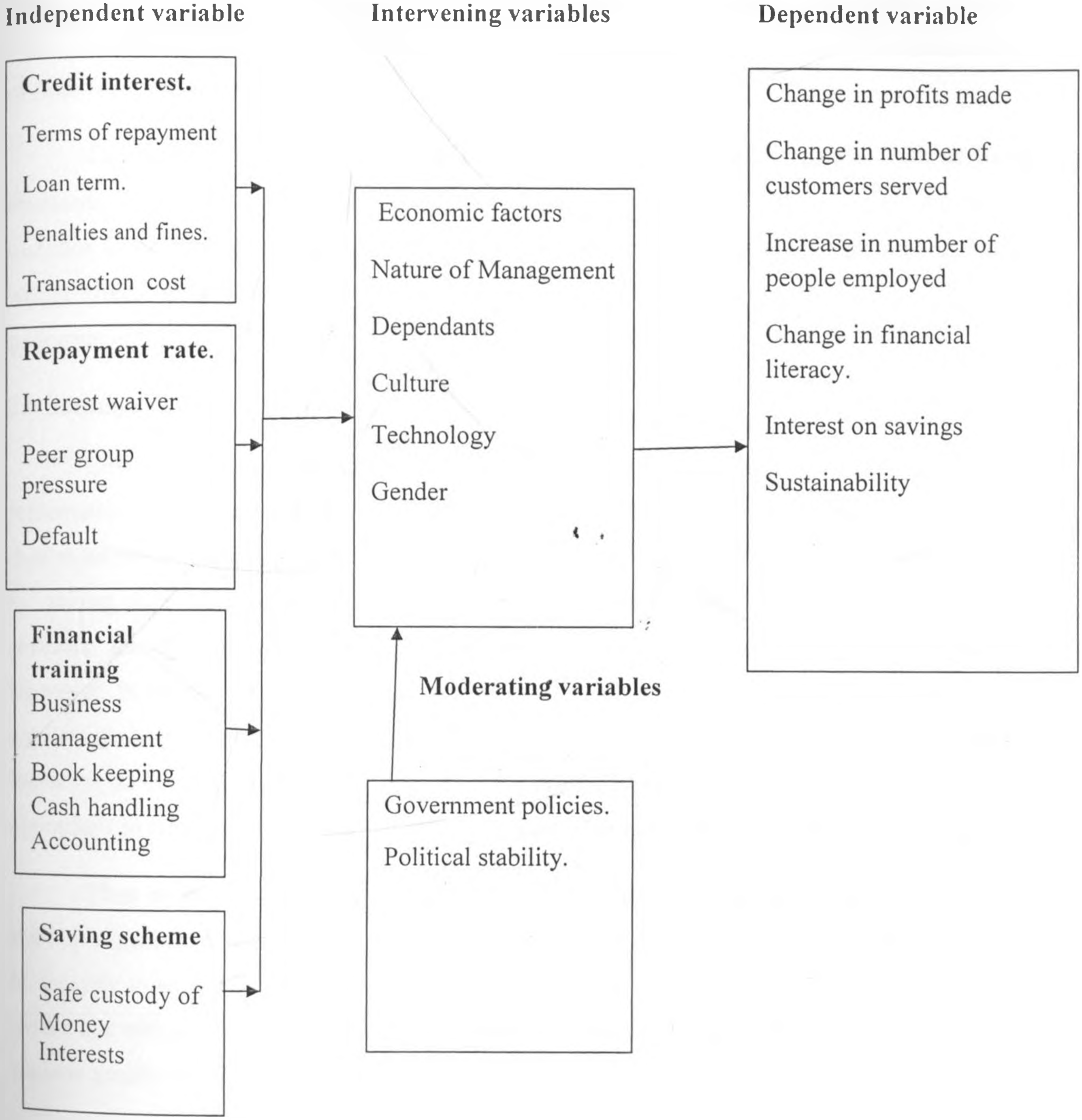
As adapted in this study, financial institutions that offer group lending schemes can carry on their business with the welfare of the society in mind other than profit making. They can become agents of poverty alleviation and household development particularly targeting women enterprises. The theory is adequate in that it focuses on both motives of financial institutions providing services to SMEs; profit and social development (two very important elements of sustainable development).However, in adopting this theory; the researcher is not ignorant of its shortcomings. Most of these financial institutions cannot run without making profit. Every individual must have a shared vision in putting forward the ideals of community development ahead of personal wealth creation which is the paramount motive for most business organizations.

The current study has made recommendations on what should be done to improve services offered through group lending to foster the s of SMEs in Kisumu Town East ; District, reinforce efficient performance of MFIs in credit interest, financial training ,repayment rate and saving schemes and finally lay foundation strategies that can be helpful in sustaining SME's

2.7. Conceptual framework

The study was guided by the perceived conceptual framework in figure 2.1

Figure 2.7.1: Perceived conceptual framework showing relationship between the variables



From the conceptual framework, the research has therefore examined group credit scheme in relation to several roles such as determining credit interest, financial training, repayment rate and saving schemes which enhance the business enterprises that receive such services. These is measured in terms of increase or reduction in profits, assets, in number of employees, in capital base, competiveness and market range ,and domestic needs ability to meet business and increase in sales turnover among others.

The study had intervening variables which includes economical factors such as living standards, inflation rates, exchange rates and unemployment rate. Other intervening factors includes nature of management, number of dependants, culture and technology among others, which affects or inhibits the business in one way or another. The moderating variables were government regulations and political stability which affects the SMEs owned by women.

2.8 Summary of Literature

Literature review looked at general and empirical literature in order to capture all relevant information concerning the influence of group credit scheme on performance of SMEs and determine the existing gaps. General literature attempted to look at how SMEs can be influenced by saving schemes, credit repayment rate, financial management and interest rate. Review revealed that group credit schemes contributes to economic growth countries worldwide. However, in developed countries, the of SMEs is higher as compared to developing countries e.g. Bangladesh, Germany and America SMEs rates is above 80%, in Africa the study reviewed literature on Ghana, Zambia and South Africa. Locally, literature reviews group credit schemes operations in Kenya which identified the importance of credit schemes on SMEs.

Thus on group credit schemes from most financial institutions are offering finances for start up expenses as well as operating expenses since most SMEs have been inhibited due to lack of security to secure capital. However obtaining credit is a challenging task for a new business owner but with a solid well documented business plan, persistence and patience, your chances of success greatly improved.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a description of research methodology that was employed when conducting the study. It encompasses research design, target population, sample size and sampling techniques, research instruments, piloting of instruments, validity of instruments, reliability of instruments, data collection procedures, data analysis techniques and ethical considerations.

3.2 Research design

This study was conducted through descriptive survey design. According to Gay (1993) descriptive survey is research design which seeks to ascertain respondent's perspectives or experiences on a specified subject in a predetermined structured manner. It investigates populations by selecting samples to analyze and discover occurrences. This research design was used because it considers issues such as economy of the design, rapid data collection and ability to understand a population from a part of it and it is suitable for extensive research (Oso & Onen, 2009). The study collected information from respondents on their attitudes and opinions in relation to the influence of group credit scheme on the SMEs owned by women in Kisumu Town East District. The research collected both primary and secondary data .Primary data was obtained using questionnaires and interview schedules while secondary data was obtained from the internet, journals, theses and dissertations, Government documents and books.

3.3 Target Population

According to Kombo and Tromp (2006), a population is a group of individuals, objects or items from which samples are taken for measurement. This study targets women groups which are 280 and have close to 2000 women (Ministry of Gender, Children and Social Development: Kisumu Town East District).

3.4. Sample size and sample selection.

This section discusses the sample size and the sampling technique

3.4.1 Sample Size.

The size of the sample should be neither too large nor too small (Kothari, 2007). The sample comprises 322 women entrepreneurs Kisumu Town East who were be a member women groups. The sample is determined according to Krejcie and Morgan table at 5% margin of error. Krejcie and Morgan as cited by Amin (2005) recommend that for population of 2000, a sample of 322 was adequate since large a large sample will not make any difference in the study results .Kisumu East district constitutes two divisions and the sample distribution as show in the table3.1

Table 3.1:Distribution of sample by Division

Name of the division	No. of women in women group	Sample size
Winam	1500	241
Kadibo	500	81
Total	**2000**	**322**

3.4.2. Sampling technique

Sampling technique is the actual procedure followed to obtain the individual members of a sample to represent the individual members of the sample. The study employed stratified, simple random and purposive sampling techniques. According to Kerlinger (1986) sampling is taking any portion of a target population or universe. Stratified random sampling is modification of random sampling in which the population is divided into two or more relevant and significant strata or groups based on one or more attributes (Saunders; Lewis and Thorn hill, 2007). Stratified random sampling has been used to determine the women group that will be involved in the study. From about 280 women groups in the district 162 were chosen as a sample (Krejcie and Morgan table).In Winam division group was selected from major markets which includes Kisumu Bus Park, Winmart, Manyatta ,Kondele, Kajulu and Town centre. In Kadibo groups was selected from Nyamasaria, Robuor markets. Since the target population is 2000 sample size become 322 hence, in every group two members was chosen at purposefully.

3.5 Research Instruments

Mugenda and Mugenda (2003) observed that the pre-requisite to questionnaire design is definition of a problem and the specific study objectives. The primary data was collected using questionnaire. The provided more comprehensive view than any other research tool. Questionnaires were used to collect data from each of the sampled women-owned SMEs. A questionnaire is a collection of items to which a respondent is expected to react, usually in writing (Kothari, 2004; Oso & Onen, 2009).Questionnaires were used since the study was concerned mainly with variables that cannot be directly observed such as views, opinions, perceptions and feelings of the respondents. Questionnaires were used because the sample size of 322 used in this study was quite large and given time constraint, questionnaires were ideal tool for collecting data. Self constructed semi structured were used to enable the study to collect both quantitative data from the closed ended sections and qualitative data from the open ended sections. The collection of both qualitative and quantitative data enabled the study to fully describe the influence of group credit scheme on women owned SMEs. The questionnaires which were addressed to group businesswomen have a section on the biographic information and a section on influence of interest rates, a section on financial management, a section on training and a section on saving scheme

However the interview targeted women in groups who were group readers. The women leaders, by virtue of their position and experience may hold information than others in the group do not have.

3.5.1 Pilot testing

Mugenda and Mugenda (1999) notes that pilot testing is a very important step in any study. It helps in fine-tuning research instruments so that they can capture the intended information. Piloting was carried out in Kisumu Town West District. The districts had almost the same type of businesses owned by women, same organization offering similar services to women groups. Group in the district were be chosen at random .According to Mugenda and Mugenda (2003), deficiencies in the instrument such as unclear direction, insufficient space to write the response, wrong numbering are revealed. This exercise lasted for one week with the first day involving taking the research assistant through the process of filling the questionnaires and approaching the respondents. Collecting data took three days and a sample of 30 women were identified through snowball technique where one group member would identified and asked to help in identifying others who are in women groups. Thereafter analysis was done to ascertain their validity and reliability.

3.5.2 Validity of the Instruments.

Validity of research instrument ensures usefulness of the finding arising thereof. It is the extent to which the instrument captured what they purport to measure (Mugenda and Mugenda, 1999). Validity of the instruments is critical in all forms of researchers and the acceptable level largely depends on logical reasoning, experiencing and professionalism of the researchers who should have good understanding of the various quality control techniques (Oso, 2005).To uphold content validity of this study, the researcher discussed the content of the questionnaires with the supervisors before going to the field. This ensured that vague and unclear questions were eliminate or corrected.

3.5.3 Reliability of the Instrument.

Reliability was ensured by the use of test re-test method. It was done by administering the questionnaire to 30 women from Kisumu Town west selected at random and then correlate the results until they have some internal consistency that was the degree of homogeneity among the instruments.

The reliability was determined by the degree to which each items in the scale correlates with each other item, the correlation analysis in this case was used based on Pearson product moment coefficient of correlation (Harper, 1991).

This is denoted by the following formula.

$$r = \frac{N\sum xy - (\sum x)(\sum y)}{\sqrt{(N\sum x^2 - (\sum x)^2)(N\sum y^2)}}$$

Where:

x = group 1 scores,

y = group 2 scores

$\sum x$ = sum of x scores

$\sum y$ = sum of y scores

$\sum x^2$ = sum of squares of x scores

$\sum y^2$ = sum of squares of y scores

$\sum xy$ = sum of products of x and y scores

N = sum of paired scores.

The outcome of the correlation was to be at least 0.8 to show a strong positive correlation between the scores since the closer the value to 1.00, the higher the reliability of the instrument is (Punch, 1998).

3.6 Data collection procedure.

Once the proposal was defended and passed, the researcher applied for research permit from the ministry of science and Technology, a permission to collect data. Permission was also sought from Ministry of gender of gender and social services and other local authorities. Data was then collected using the questionnaire that was administered to women who own SME and are borrowing credit through group methodology.

3.7 Data analysis techniques.

Data analysis involves categorizing, ordering, manipulating and summarizing data to obtain answers to research question. Data analysis was done both qualitative and quantitative. According to Bryman and Cramer (1997), data analysis seeks to fulfill research objective and provide answers to research question. The choice of analysis procedures depend on how well the techniques are suited to the study objectives and scale of measurement of the variable question (Kothari, 2004). The study applied both qualitative as well as quantitative approaches to process, analyze and interpret the data. Data analysis technique was based on descriptive statistics with the aid of computer based package Statistical Package for Social Scientist (SPSS) which was used to draw conclusions concerning the relationship and differences that will be found in research. From the results the researcher used sample statistics to draw conclusions about the population from the sample drawn

3. 8 Ethical Considerations

The data collection method that was used by the researcher required a prior appointment with the respondents. The most ethical factors that were are highly considered was the privacy of the respondents information, all the responses were treated with confidentiality and great assurance were accorded to them. After permission was granted the researcher proceeded to collect data from the 322 women who were in self help group and borrow credit from financial institutions. Questionnaires were used administered by the researcher, with the support of two research assistants. Closed ended and open ended questionnaires were used to get the information both qualitative and quantitative. Open ended were used for get additional information on a given area

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS.

4.1 Introduction

This chapter presents the findings of the study which have been discussed under thematic sub-section in line with the study objectives. The sub themes include: questionnaire return rate, demographic characteristics of respondents ,credit interest on performance of SMEs, financial training influence on performance of SMEs , credit repayment rate influence on performance of women owned SMEs and savings schemes influence performance of women owned SMEs in Kisumu Town East district.

4.2 Questionnaires Return Rate

Poor return rates reduce sample size, and consequently precision, and are a potential source of bias, lessening the confidence with which the findings can be accepted and generalized. The study targeted 322 respondents in Kisumu Town East, out of the intended 322 respondents; 297, respondents returned fully completed questionnaires giving a response rate of 92.24%. This return rate was obtained because the researcher with the help of the research assistants reminded the respondents prior to the agreed day of returning the questionnaires .This return rate was still acceptable because it was above the 60% return rate recommended by Amin (2005).

4.3 Demographic characteristics of the respondents.

This section presents the demographic characteristics of the respondents who were involved in the study. The demographic characteristics that were explored were; age bracket of the respondents, level of education and duration in operating the business are outlined in this section of the paper. The information is presented in tables and frequency since there are mainly descriptive. This was significant because these characteristics were used to analyze data so that the relationship between the dependent and independent variables was established beyond doubt. In essence, it is aimed at removing any spuriousness in the relationships between the two variables .These results are presented in the following sub sections.

4.3.1 Distribution of respondents by age

The first demographic characteristic that was analyzed was age. The researcher decided to explore age because is an important indicator in explaining person's activeness. For example it is expected by design that youth are more bodily active than the elderly and consequently his ability to engage more in business activities. Table 4.2 shows the age distribution of the respondents.

Table 4.2: Age distribution of the respondents

Age	Frequency	Percentage
Below 20 years	99	33.33
20 – 39 years	165	55.56
40years and above	33	11.11
Total	**297**	**100**

From table 4.2, out of the 297 respondents, 99 (33.33%) were less than 20 years in age, another 165 (55.56%) were between 20 and 39 years in age and 33 (11.11%) were above 40years. These results bring out that the respondents were largely aged between 20 and 39 years. These results indicate that most of the SME entrepreneurs were middle aged and the rest were almost distributed in a normal curve .This results further indicates that most of the SMEs 264(88.89 %) are below 40 years this means that they are still energetic and within the most productive age bracket. It was there expected that there should be high participation in terms of business operation since as Jones and Wicks (1997) points out, these ages are the most productive age bracket. Lee (1997) observes that this is the most productive ages for any sector. The fact that most SMEs are not growing rapidly cannot be attributed to the ages of SMEs.

4.3.2 Distribution of respondents by the highest level of education.

The level of education of an individual is an important indicator in explaining the person's ability to understand conceptual aspects. For example it is expected that a person who has formal education can be able to read and understand. It is also expected that a person who has education above secondary level of education has professional education. Table 4.3 shows the level of education of the respondents

Table 4.3. Level of education of respondents

Level of education	Frequency	Percentage
Primary	44	14.81
Secondary	198	66.67
Tertiary	33	11.11
University	22	7.41
Total	**297**	**100.00**

From table 4.3, 44 (14.81%) respondents had primary education, 198 (66.67%) respondents had secondary education, 33 (11.11%) respondents had tertiary education and 22 (7.41%) respondents had university education. From these findings all the respondents had achieved some formal education and were therefore able to read and understand the questionnaires which were the tools of data collection and give reliable results for the study. From the table, the study found out that the majority of SMEs owners in Kisumu Town east district 198 (66.67%) were educated up to secondary level. It is interesting to note that a whole cumulative total of 81.5 % had not attained any form of tertiary education. This could be a pointer that very few SME entrepreneurs had received formal training on business skills since most of them have not attained post secondary education. These results did not concur with the views of Lantos (2000) who observed that education is related to good management .It was therefore expected that the running of these SMEs could not be effective .Hence the poor management of most SMEs could be attributed to the education of most SMEs.

4.3.3 Distribution of respondents by duration in operating the business.

The study explored the years of experience the respondents had in business. The period of stay in business is important in explaining the period that someone has been observing business operations and give reliable results on performance of business in terms of profits, expansion of business and change in the number of customers. Table 4.4 shows the period stay in business by the respondents.

Table 4.4: Period in business operations

Period in business operation	Frequency	Percentage
Between 2 and 4 years	53	17.85
Between 4 and 6 years	79	26.6
Between 6 and 9 years	98	33
Above 9 years	67	22.56
Total	**297**	**100.00**

From table 4.4, 53 (17.85%) respondents had been in business for between 2 and 4 years, 79 (26.6%) respondents had been in business for a period between 4 and 6 years, 98 (33%) respondents had been in business operations for a period between 6 and 9 years and lastly 67 (22.56%) respondents had been in business for a period above 9 years. All the respondents had been in business for a period greater than 2 years and considering that it is after 2 years that most business stabilize its operations then the respondents in the study were deemed to be in business long enough to observe the business operation from the startup stage to more stable stages where they can realize profits and addition of workforce and consequently give reliable results for the study. These results are in agreement with most preceding studies Mwomo, (2004); Kimuyu

&Omiti; (1999); McCormick and Pedersen, (1996) who found out that most businesses fail within the first years of startup as the study found more SMEs have been in operation for more than two years.

4.3.4 Distribution of respondents' method of raising startup capital.

Method of raising startup capital is important in explaining a business capitalization. Table 4.5 shows the methods that the business used in raising startup capital.

Table 4.5: Method of raising startup capital

Method of raising startup capital	Frequency	Percentage
Women group loan	110	37.04
Personal savings	165	55.56
Selling personal property	11	3.70
Gifts and donations	11	3.70
Total	**297**	**100.00**

From table 4.5, 110 (37.04%) raised their startup capital through women group loans, 165 (55.56%) raised their startup capital through personal savings, 11 (3.7%) raised their startup capital through selling personal property and 11 (3.7%) raised their startup capital through gifts and donations. As it is seen from the findings, the business capitalization was through personal savings. According to Kibas (2001) on startup capital personal savings and money from relatives are normally the least expensive. However, this factor may have negative impact on the financial position of the business considering that personal savings are vulnerable to personal use at the expense of the business. The findings also concur with World Bank Report (1999) which point out that the financial institutions provide small startup capital as well as operating expenses to new business. But without very careful management, credit can quickly put you out of business.

4.4 Influence of credits interest rates on the performance of small and medium enterprises.

The first objective of the study explored the influence of credit rates on the performance of the SMEs owned by women in Kisumu town east district. The performance of the SMEs was captured using the profits, increase in business customers, increases in the number of employees and general expansion of business.

4.4.1 Influence of credit access on average monthly profits

The study first explored the influence of access to credit to changes in average monthly profits using a cross tabulation analysis as presented in table 4.6.

Table 4.6: Influence of credit access on average monthly profits

Access to credit	Average profits per month (In Kenyan shillings)								Total	
	Below 5,000		5000 – 20000		21000-35000		Above 35000			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Accesses	44	14.82	176	59.26	33	11.11	22	7.41	275	92.59
Not accessing	11	3.70	11	3.70	0	0	0	0	22	7.4
Total	**55**	**18.52**	**187**	**62.96**	**33**	**11.11**	**22**	**7.41**	**297**	**100**

From table 4.6, out of the 297 respondents, 275 (92.59%) respondents had ever accessed credit while 22 (7.41%) respondents had never accessed credit. Out of the 275 respondents who had ever accessed financial credit, 44 (14.81%) had realized monthly profits that were below 5000shillings, 176 (59.26%) were realizing average monthly profits of between 5000 and 20000 shillings, 33 (11.11%) were realizing monthly profits of between 21000 and 35000 shillings and 22 (7.41%) were realizing average monthly profits that were above 35000 shillings. On the other hand among the 22 respondents whose businesses had no prior access to financial credit 11 (3.70%) realized below 5000 shillings in monthly profits, 11 (3.70%) more respondents realized between 5000 and 20000 shillings in monthly profits.

No respondent who had not accessed credit realized over 20000 shillings in monthly profits. This results show that access to credit was associated with the higher monthly profits while not accessing credit was associated more with the low monthly profits of below 5000 shillings. These findings are in agreement with Kibas (2001) who points out that access to loans enables one to make more profits which are as a result these money is pumped back to improve business stock. This has impacted positively on performance of the business.

4.4.2 Distribution of respondents on the reason for accessing credit.

Having established that the access to credits was actually associated with increased monthly profits, the researcher sought to confirm that this was the case by exploring the actual reason for the respondents taking the loan with focus only on the 275 respondents who had accessed credit. Table 4.7 shows the reasons why the respondents accessed credit.

Table 4.7: Reason for accessing credit

Reason for taking loan	Frequency	Percentage
To boost the business	269	97.82
To buy personal property	6	2.18
Total	**275**	**100**

Out of the 275 respondents who had accessed credit, 269 (97.82%) took the credit for the purpose of boosting their businesses while the rest 6 (2.18%) took credit to buy personal property. It emerges that the main reason for the SMEs taking the loans was for boosting business and this is the reason why the respondents who accessed credit realized increased profits.

4.4.3 Distribution of respondents on the amount of credit received.

Amount given in loan is important in deciding the much that the loan contributes to boosting the business. It is expected that if a person or a business has more money, then he boost the business more than a person with little money.

Table 4.8: Amounts give in loans

Amount given in loan	Frequency	Percentage
11,000 – 50,000 shillings	77	28
51,000 – 90,000 shillings	143	52
91,000 – 130,000 shillings	33	12
More than 130,000 shillings	22	8
Total	**275**	**100**

Out of the 275 respondent who had credit access, 77 (28%) were given between 11000 and 50000 shillings, 143 (52%) had been given between 51000 and 90000 shillings, 33 (12%) had been given between 90000 and 130000 shillings and 22 (8%) respondents had been given more than 130000 shillings. From these findings the SMEs were accessing sizable amounts of credit to undertake business requirements. These results agree with Mambula (2002) and Hutchison (1995) who said that most small and medium businesses lack enough financial base which limits their ability to acquire land and business premises. It is therefore expected that most businesses will lag behind as a result of small amount of finances hence might affect their growth rate.

4.4.4 Influence of number of times of accessing credit on average monthly profits

The study explored the number of times that respondents had ever accessed credit and how that influenced their average monthly profits using the cross tabulation analysis presented in table 4.9.

Table 4.9: Influence of number of times of accessing credit on average monthly profits

Frequency of Credit access	Average profits per month (In Kenyan shillings)								Total	
	Below 5,000		5000 – 20000		21000- 35000		Above 35000			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
3 times	0	0	121	44.0	22	8.0	22	8.0	165	60
2 times	22	8	22	8.0	11	4	0	0	55	20
1 time	22	8	33	12.0	0	0	0	0	55	20
Total	**44**	**16**	**176**	**64**	**33**	**12**	**22**	**8**	**275**	**100**

From table 4.9, out of the 275 respondents who had accessed credit before, 165 (60.0%) respondents had ever accessed credit three times, 55 (20.0%) respondents had accessed credit twice and 55 (20.0%) respondents had accessed credit only once. Out of the 165 respondents who had ever accessed financial credit thrice, none was getting an average monthly profit of less than 5000 shillings, 121 (44.0%) were realizing monthly profits of between 5000 and 20000 shillings, 22 (8.0%) were realizing monthly profits of between 21000 and 35000 shillings and 22 (8.0%) were realizing average monthly profits that were above 35000 shillings. Out of the 55 respondents who had ever accessed financial credit twice before, 22 (8.0%) were getting an average monthly profit of less than 5000 shillings, 22 (8.0%) were realizing monthly profits of between 5000 and 20000 shillings, 11 (4.0%) were realizing monthly profits of between 21000 and 35000 shillings and none had realized an average monthly profits that were above 35000 shillings. On the other hand among the 55 respondents whose businesses had accessed financial credit only once, 22 (8.0%) realized below 5000 shillings in monthly profits, 33 (12.0%) respondents realized between 5000 and 20000 shillings in monthly profits and none realized over 20000 shillings in monthly profits. This results bring out the fact that increase in uptake of financial loans in terms of the number of times of taking loans led was associated with increase in the profit sizes and vice versa.

4.4.5 Influence of interest rates on average monthly profits

The study explored the influence of interest rates on the average monthly profits and presented the findings as shown in table 4.10.

Table 4.10: Influence of interest rates on average monthly profits

Interest rate	Average profits per month (In Kenyan shillings)								Total	
	Below 5,000		5000 – 20000		21000- 35000		Above 35000			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
10 – 20 %	0	0	5	1.82	10	3.64	18	6.54	33	12
20 – 30 %	33	12.0	171	62.18	23	8.36	4	1.46	231	84
Above 30%	11	4.0	0	0	0	0	0	0	11	4
Total	**44**	**16**	**176**	**64**	**33**	**12**	**22**	**8**	**275**	**100**

From table 4.10, out of the 275 respondents who had accessed credit before, 33 (12%) respondents had ever accessed credit with interest rates ranging between 10 and 20 %, 231 (84%)respondents had accessed credit with interest rate ranging between 20 and 30% and 11 (4%) respondents had accessed credit with interest above 30%. Out of the 33 respondents who had ever accessed credit with interest rates ranging between 10 and 20 %, none was getting an average monthly profit of less than 5000 shillings, 5 (1.82%) were realizing monthly profits of between 5000 and 20000 shillings, 10 (3.64) were realizing monthly profits of between 21000 and 35000 shillings and 18 (6.54%) were realizing average monthly profits that were above 35000 shillings. Out of the 231 respondents who had ever accessed credit with interest rate ranging between 20 and 30%, 33 (12.0%) were getting an average monthly profit of less than 5000 shillings, 171 (62.18%) were realizing monthly profits of between 5000 and 20000 shillings, 23 (8.36%) were realizing monthly profits of between 21000 and 35000 shillings and lastly 4 (1.46%) respondents had realized an average monthly profits that were above 35000 shillings. All the 11 respondents whose businesses were paying for loans with interest rates above 30% realized below 5000 shillings in monthly profits. These results bring out the fact that increase in increase in interest rates reduced the average monthly profits vice versa. These findings are in agreement with Wood and Sharif (1997) who identifies usury as another form of abuse where the lender charges excessive interest which hurts the business.

4.4.6 Respondents opinion on the effect of interest rates on profits

The researcher explored whether the respondents shared this opinion through a question asking their opinion on interest rate on average monthly profits. Table 4.11 below shows their response.

Table 4.11: Respondents opinion on the effect of interest rates on profits

Effect of interest rates on profits	Freq.	Percent
Profits decrease	275	92.59
Profits remain the same	19	6.4
Profits increase	3	1.01
Total	**297**	**100.00**

From table 4.11, 275 (92.59%) respondents were of the opinion that interest rates actually decreased profits, 19 (6.4%) were of the opinion that interest rates had no effect on profits and only 3 (1.01%) were of the opinion that interest rates increased profits. This result confirms that the fact that interest rates decreased profits.

4.4.7 Influence of interest rates on the number of employees

The study explored the influence of interest rates on performance of the business as indicated by the change in workforce i.e. the number of employees and presented the findings as shown in table 4.12.

Table 4.12: Influence of interest rates on the number of employees.

Interest rate	**Change in the number of employees**				**Total**	
	Increased		**Not increased**			
	Freq.	%	Freq.	%	Freq.	%
10 – 20 %	24	8.73	9	3.27	33	12
20 – 30 %	81	29.45	150	54.55	231	84
Above 30%	5	1.82	6	2.18	11	4
Total	**110**	**40**	**165**	**60**	**275**	**100**

From table 4.12, out of the 275 respondents who had accessed credit before, 33 (12%) respondents had ever accessed credit with interest rates ranging between 10 and 20 %, 231 (84%)respondents had accessed credit with rate ranging between 20 and 30% and 11 (4%) respondents had accessed credit with interest above 30%. Out of the 33 respondents who had ever accessed credit with interest rates ranging between 10 and 20 %, 24 (8.73%) were in businesses that had grown by adding the number of employees and 9 (3.27%) were in businesses that had not added the number of employees. Out of the 231 respondents who had ever accessed credit with interest rate ranging between 20 and 30%, 81 (29.45%) were in businesses that had grown by adding the number of employees and 150 (54.55%) were in businesses that had not added the number of employees. Out of the 11 respondents who had accessed loans with interest rates above 30%, 5 (1.82%) were in businesses that had grown by adding the number of employees and 6 (2.18%) were in businesses that had not added the number of employees. According to Wood and Sharif (1997) high interest charged by the lender results in business stagnating. These results bring out the fact that increase in increase in interest rates reduced the chances of an SMEs growing in terms of adding on the number of employees and vice versa.

4.4.8 Effect of the interest rates on the number of customers.

Increasing in the number of customers is also an important indicator of business growth. A business that increases the number of customers also increases its revenues and thereby increases the number of customers. Table 4.13 shows the effect of interest rates on the number of customers.

Table 4.13: Effect of the interest rates on the number of customers

Interest rate	Change in the number of Customers				Total	
	Increased		Not increased			
	Freq.	%	Freq.	%	Freq.	%
10 – 20 %	26	9.45	7	2.55	33	12
20 – 30 %	179	65.10	52	18.90	231	84
Above 30%	4	1.45	7	2.55	11	4
Total	**209**	**76**	**66**	**24**	**275**	**100**

From table 4.13, out of the 275 respondents who had accessed credit before, 33 (12%) respondents had ever accessed credit with interest rates ranging between 10 and 20 %, 231 (84%)respondents had accessed credit with interest rate ranging between 20 and 30% and 11 (4%) respondents had accessed credit with interest above 30%. Out of the 33 respondents who had ever accessed credit with interest rates ranging between 10 and 20 %, 26 (9.45%) were in businesses that had grown by adding the number of customers and7 (2.55%) were in businesses that had not added the number of customers. Out of the 231 respondents who had ever accessed credit with interest rate ranging between 20 and 30%, 179 (65.10%) were in businesses that had grown by adding the number of customers and 52 (18.90%) were in businesses that had not added the number of customers. Out of the 11 respondents who had accessed loans with interest rates above 11%, 4 (1.45%) were in businesses that had grown by adding the number of customers and 7 (2.55%) were in businesses that had not added the number of customers.

These show that increase in increase in interest rates reduced the chances of an SMEs growing in terms of adding on the number of customers and vice versa.

4.4.9 Influence of Interest rates on the size of the business.

Change in the size of the business with focus on stock is another indicator of business performance. For instance a business that has increasing stock is deemed to be growing while one that is not increasing in its stock is judged to be diminishing in performance. Table 4.14 shows the relationship between interest rates and performance of business as captured through change in business.

Table 4.14: Influence of Interest rates on the size of the business.

Interest rate	Change in the size of the business				Total	
	Expanded		Contracted			
	Freq.	%	Freq.	%	Freq.	%
10 – 20 %	18	6.55	15	5.45	33	12
20 – 30 %	175	63.64	56	20.36	231	84
Above 30%	5	1.81	6	2.19	11	4
Total	**198**	**72**	**77**	**28**	**275**	**100**

From table 4.14, out of the 275 respondents who had accessed credit before, 33 (12%) respondents had ever accessed credit with interest rates ranging between 10 and 20 %, 231 (84%)respondents had accessed credit with interest rate ranging between 20 and 30% and 11 (4%) respondents had accessed credit with interest above 30%. Out of the 33 respondents who had ever accessed credit with interest rates ranging between 10 and 20 %, 18 (6.55%) were in businesses that had grown by expanding on the business stock and 15(5.45%) were in businesses that had not added their business stock. Out of the 231 respondents who had ever accessed credit with interest rate ranging between 20 and 30%, 175 (63.64%) were in businesses that had grown by adding the number of employees and 56 (20.36%) were in businesses that had not added the size of stock. Out of the 11 respondents who had accessed loans with interest rates above 11%, 5 (1.81%) were in businesses that had grown by adding the size of stock and 6 (2.19%) were in businesses that had not added the size of stock. These results bring out the fact that increase in increase in interest rates reduced the chances of an SMEs growing in terms of adding on the size of stock and vice versa.

4.5 Influence of financial training on Small and Micro Enterprises performance.

The second objective of the study was to examine the extent to which financial training influence performance of women owned SMEs in Kisumu Town East District. This was captured using the influence of training on profits, cost and wastage, sales and size of the business.

4.5.1 Influence of financial training on monthly profits

The study first explored the influence of training to changes in average monthly profits using a cross tabulation analysis as presented in table 4.15.

Table 4.15: influence of financial training on monthly profits

Training in	Monthly profits in Kenya shillings								Total	
financial	below 5,000		5,000-20000		21000- 35000		36000 -50000			
management	freq	%	freq	%	freq	%	freq	%	freq	%
Trained	34	14.82	186	62.96	30	11.11	36	7.41	286	96.3
Not trained	11	3.70	0	0	0	0	0	0	11	3.7
Total	55	18.52	187	62.96	33	11.11	22	7.41	297	100

From the table above, out of the total 286 respondents who had received training on financial management 34 (14.82%) respondents made less than 5000 shillings, 186 (62.96%) made a profit of between 5000 and 20000 shillings. 30 (11.11%) respondents made between 21000 and 35000 shillings. 36 (7.41%) of those who had training made a profit of between

36000 and 50000 shillings. 11 (3.7%) respondents who had no finance training made less than 5000 shillings from their SMEs. From the above results it is clear those respondents with training on financial management made profits from as little as 5000 to more as 50000 shillings.While those with no training could only manage profit of less than 5000 shillings. It is therefore evident that training was a fundamental part in profit making. These results confirm the findings of Mary (2001) who says business training provided by financial institutions to SMEs, has lead to a reduction in wastage, impacted on the productivity and has motivated business people. This has led to their profitability. Hence this has a positive influence on performance of SMEs.

4.5.2Effect of training on the number of customers

The study wanted to establish if training on finance management had any effect on number of employees in a business. The results are displayed in table 4.16 below.

Table 4.16: Effect of training on the number of customers

Does training on finance help reduce cost wastage?	**Change in the number of customers**				**Total**	
	Increased		**Not increased**			
	freq	%	freq	%	freq	%
Trained	184	61.95	102	34.35	286	96.3
Not trained	0	0	11	3.7	11	3.7
Total	**184**	**61.95**	**113**	**38.05**	**297**	**100**

From table 4.16 above out of the total 286 respondents who had training on finance management 184 (61.95%) were able to increase number of employees while 102 (34.35%) respondents did not increase the number of employees. 11 (3.7%) who had no training on financial management did not increase the number of employees for the past 12 months. It is clear that all SMEs owners who had accessed training on financial management had experienced a growth in business thus increasing the number of employees.

4.5.3 Influence of training on number of employees

The study then sought to investigate if having training on financial management increased the number of customers. The table 4.17 below gives the result.

Table 4.17: Influence of training on number of employees

Does finance training help increase the number of customers	Change in number of customers				Total	
	Increased		**Not increased**			
	Freq	%	freq	%	Freq	%
Trained	209	70.38	77	26.92	286	96.3
Not trained	11	3.7	0	0	11	3.7
Total	**220**	**74.07**	**77**	**26.92**	**297**	**100**

From table 209 (70.38%) out of the total 286 respondents who had received training on financial management, had realized an increase on number of customers while 77 (26.92%) didn't realize increase in number of customers. On the other hand 11 (3.7%) of respondents who had not received any training realized any increase on number of customers. Phillip (1996) supports this principle. He says that training and development programs are necessary in any organizations for improving the quality of work of the employees at all levels to customers, particularly in a world of fast changing technology, changing values and environment.

4.5.4 Influence of training on expansion of business.

Change in the size of the business with focus on training is another indicator of business performance. For instance a business that conducts trainings to its employees has chances that it may increase in size. Table 4.18 shows the relationship between training and performance of business as captured through change in business.

Table 4.18: Influence of training on expansion of business

Does finance training help in expanding the business	**Change in size of business**				**Total**	
	Increased		**Not increased**			
	freq	%	Freq	%	Freq	%
Trained	187	62.97	99	33.33	286	96.3
Not trained	11	3.7	0	0	11	3.7
Total	**198**	**66.67**	**99**	**33.33**	**297**	**100**

From the table 4.18, of the total 286 respondents with training on financial management 187 (62.97%) had expanded their business for the last 12 months with only 99 (33.33%) having not expanded their business. Subsequently of the total 11 with no finance training 11 (3.7%) respondents had expanded their business. Since majority of the respondents experienced an expansion in business, is a clear indication that there was growth in the business due to the training on respondents.

4.5.5 Descriptions of respondents per type of financial training received.

Training is a very fundamental requirement in a business, if it has to realize success. Additionally the trainings must be very relevant. The study therefore sought to investigate the type of financial training the respondents had received. Table 4.19 shows the results.

Table 4.19: Type of financial training

Financial training	**Frequency**	**Percentage**
Loan use	216	74.07
Business management	51	18.52
Book keeping	19	7.41
Total	**286**	**100.00**

Table 4.19 shows that; out of the total 286 respondents with training on financial management, 216 (74.07%). Had training on loan use, 51 (18.52%) received training on business management and finally 19 (7.41%) were equipped with training on book keeping. These results of the findings contradict the views of Lussier (1996) who says that business training is a very important activity in the success of SMEs. The skills of record keeping, management and entrepreneurship are all essential. He states that entrepreneurial inexperience and lack of training is a major contributor to small and medium businesses failures Therefore it might be expected that because of lack of necessary skills by most SMEs they may not be in a position to run and manage their businesses effectively, hence impacting negatively on business performance.

4.5.6Attendance of meetings

The study also sought to know how often the respondents attended the trainings the results is displayed in table 4.20.

Table 4.20 Attendance of meetings

How often do you attend financial trainings?	Freq.	Percent
Weekly	12	4.2
Monthly	120	41.96
Quarterly	30	10.49
Yearly	124	43.36
Total	**286**	**100**

Most respondents 124 (43.36%) attended financial training on yearly basis, followed by respondents who attended trainings on monthly basis 120 (41.96%). Respondents who attended trainings on quarterly basis were 30 (10.49%). And lastly 12 (4.2%) attended trainings on financial management on weekly basis. From these findings most respondents attended finance trainings yearly.

4.5.7 Effect of training on profit making in business.

Training provides the owner with the required skills in financial management that will enable a business realize success in profit making. The study thus sought to know the how training affected profit on business. The results are presented in the table 4.21.

Table 4.21: Effect of training on profit making in business

What was the effect of training on profit?	Freq.	Percent
Increased	260	90.91
Remained same	16	5.59
Decreased	10	3.5
Total	**286**	**100**

Of the total respondents who had received training on financial management 260 (90.91%) realized an increase in profit in the business. 16 (5.59%) respondents had their profits remain the same even after the training and lastly 10 (3.5%) realized a decrease in profits. It is evident that most respondents had their profits increased after attending the trainings thus we see that training on financial management helped increase profits in great deal. These findings supports that of Matoha (2007), who point out that lack of financial management skills is a major cause of small business failures. He says that some of the most important internal problems small businesses need to identify are inadequate capital, cash flows management and inventory control.

4.5.8 Effect of training on cost and wastage

The researcher then wanted to find out if trainings had effect on cost and wastage. The results are displayed in table 4.22.

Table 4.22: Effect of training on cost and wastage

Did you reduce cost wastage after receiving training?	Frequency	Percentage
Yes	236	82.52
No	50	17.48
Total	**286**	**100**

Of the total 286 respondents who attended financial trainings 236 (82.52%) were able to reduce cost and wastage after the training while 50 (17.48%) did not reduce cost and wastage. Majority of the respondents therefore achieved the target of cost and wastage reduction due to training. It is worthy to note that training equipped owners with knowledge about reduction of cost and wastage.

4.5.9 Effect of training on sales

Consequently the study investigated if the respondents realized any increase in sales after the training. The table 4.23 shows the results.

Table 4.23: Effect of training on sales

Did you increase the sales of the business after receiving training?	Freq.	Percent
Yes	196	68.53
No	90	31.47
Total	**286**	**100**

From table 4.23, majority of the respondents 196 (68.53%) were able to comprehend an increase in sales in their business with a few 90 (31.47%) respondents not able to increase sales. The result therefore shows that training on financial management was a core pillar in business to achieve sales increase. Increase in sales is an indication of business growth and thus a clear indication of business improvement in terms of growth due to availability of training.

4.5.10 Effect of training on business expansion.

Next the study investigated if the respondents expanded their business after receiving training on financial management. The table 4.24 gives the results

Table 4.24: Effect of training on business expansion

Did you expand the size of your business after receiving training on financial management?	Frequency	Percentage
Yes	210	70.71
No	76	25.59
Total	**297**	**100**

Most respondents 210 (70.71%) expanded their business after receiving trainings on financial management while 76 (25.59%) could not expand the size of their business. From the table above it is vibrant that training on financial management equipped business women with training that could help them in expansion of business and thus experiencing business growth.

4.6 The influence of Loan Repayment Rate on performance of MSEs

The third objective of the researcher was to assess the level at which credit repayment rate influences performance of women owned SMEs in Kisumu Town East District.

4.6.1 Distribution of respondents on current loan repaying

In this assessment, the researcher posed a question that asked whether the respondents are currently repaying a loan and the results are shown in table 4.25.

Table 4.25: Whether respondents are repaying a loan currently

Whether respondents are currently repaying a loan	Freq.	Percent
Yes	231	77.44
No	66	22.56
Total	**297**	**100.00**

In responding to a question asking them whether they are currently repaying a loan, a total of 231 (77.44%) respondents out of the 297 who responded agreed that they were currently repaying a loan while 66 (22.56%) others said they were not repaying a loan currently. From these results it would be concluded that most of the women owned SMEs use the loan facilities.

4.6.2 Distribution of respondent's opinion on Loan Term

The researcher further went on to inquire from the respondents what terms are given for the loans and the findings are illustrated in table 4.26.

Table 4.26: Loan Term of the respondents

Loan Term	Frequency.	Percentage
3 – 6 months	22	9.52
6 – 12 months	198	85.71
1 – 2 years	11	4.76
Total	**231**	**100.00**

From table 4.2, 22 (9.52%) respondents were given a loan term of between 3 to 6 months, 198 (85.71%) others claimed that they were given a loan term of between 6 to 12 months and finally 11 (4.76%) respondents said that they were given a 1 to 2 year loan term.

4.6.3 Influence of the frequency of loan repayment on average monthly profits

The next question that required the respondents' attention sought to know the frequency of loan repayment and how it influences average monthly profits and the results were cross-tabulated table 2.27.

Table 4.27: Influence of the frequency of loan repayment on average monthly profits.

Frequency	Monthly average profit from business in Kenya shillings									
of payment	Below 5000		5000 -20000		21000 - 35000		36000 - 50000		Total	
	Freq	%	Freq.	%	freq	%	freq	%	freq	%
Weekly	45	19.48	132	57.14	33	14.29	10	4.29	220	95.2
Monthly	0	0	0	0	0	0	11	4.8	11	4.8
Total	**45**	**19.48**	**132**	**57.14**	**33**	**14.29**	**21**	**9.09**	231	**100**

Among the respondents who repaid their loans weekly, 45 (19.48%) had a monthly average profit of below Ksh.5000 from their business, 132 (57.14%) others had a monthly average profit from business ranging between Ksh.5000 and 20000, a further 33 (14.29%) respondents had a monthly average profit from their business ranging from Ksh.21000 to 35000 and 10 (4.29%) respondents had a monthly average profit lying between Ksh.36000 and 50000. All the respondents whose loans were repaid monthly realized monthly profits of above 35,000 shillings. From these results, it's evident that most of the respondents had higher monthly profits than those who paid weekly.

4.6.4 Influence of the number of times of loan payment on increase in number of employees.

The researcher further wanted to know the relationship between the frequency of loan repayment and increase in number of employees and these were cross-tabulated as shown in table 4.28.

Table 4.28: Influence of the number of times of loan payment on increase in number of employees

Frequency loan of repayment	**Increase in number of employees**				**Total**	
	Yes		**No**			
	Freq	**%**	**freq**	**%**	**freq**	**%**
Weekly	98	42.42	122	52.82	220	95.24
Monthly	0	0	11	4.76	11	4.76
Total	**98**	**42.42**	**133**	**57.58**	**231**	**100**

Among the respondents who repaid their loans weekly, 98 (42.42%) said that they experienced an increase in the number of employees while 122 (52.82%) did not have an increase in the number of employees. Amid the respondents who repaid their loans monthly, 0 (0%) respondents experienced an increase in number of employees and 11 (4.76%) didn't.

4.6.5 Effect of frequency of loan repayment on increase in number of customers

The next two aspects that the researcher related were the frequency of loan repayment and increase in the number of customers. These were cross-tabulated in the table 4.29.

Table 4.29: Effect of frequency of loan repayment on increase in number of customers

	Increase in number of customers				**Total**	
Frequency of	**Yes**		**No**			
payment	**freq**	**%**	**freq**	**%**	**freq**	**%**
Weekly	176	76.19	44	19.05	220	95.24
Monthly	11	4.76	0	0	11	4.76
Total	**187**	**80.95**	**44**	**19.05**	**231**	**100**

From table 4.5, 176 (76.19%) of the respondents who repaid their loans weekly said that they actually experienced an increase in number of customers, 44 (19.05%) others on the contrary did not experience this. Amongst the respondents who repaid their loans monthly, 11 (4.76%) said that they experienced an increase in the number of customers while none; 0 (0%) respondents didn't. According to these results, most of the respondents who were repaying their loans experienced an increase in the number of customers.

4.6.6 Influence of frequency of payment on business expansion.

The researcher finally went on to cross-tabulate frequency of loan repayment and whether the size of the business was expanded within this period and the findings are shown below.

Table: 4.30: Influence of frequency of payment on business expansion.

Frequency of payment	**Expanded size of the business**				**Total**	
	Yes		**No**			
	freq	**%**	**freq**	**%**	**freq**	**%**
Weekly	55	23.81	165	71.43	220	95.24
Monthly	11	4.76	0	0	11	4.76
Total	**66**	**28.57**	**165**	**71.43**	**231**	**100**

Amongst the respondents who repaid their loans weekly, 55 (23.81%) respondents expanded the size of their business during the loan repayment period, 165 (71.43%) others didn't. Of the respondents who repaid their loans monthly, 11 (4.76%) respondents managed to expand the size of their business during the loan repayment period while 0 (0%) didn't. These findings clearly show that it was hard for the respondents to expand their businesses during the loan repayment period.

4.6.7 Respondents' opinion of the repayment period.

The researcher then sought to get the respondents' opinion of the repayment period and their response to this is shown in table 4.31.

Table 4.31: Respondents' opinion of the repayment period.

Respondents' opinion of the repayment period	Frequency	Percentage
Short	109	47.19
Satisfactory	122	52.81
Total	**231**	**100**

From table 4.31, a total of 109 (47.19%) respondents had a short opinion of the repayment period while 122 (52.81%) said that they were satisfied with the repayment period.

4.6.8 Whether respondents have defaulted in loan repayment.

The researcher then posed a question that required the respondents to say whether they had defaulted in repaying their loans and the reaction to this question is shown in table 4.8.

Table 4.32: Whether respondents have defaulted in loan repayment.

Whether respondents have defaulted in repaying their loans	Frequency	Percentage
Yes	77	33.33
No	154	66.67
Total	**231**	**100**

From table 4.32, a total of 77 (33.33%) respondents agreed that they had defaulted in repaying their loans while 154 (66.67%) others said that they hadn't defaulted to repay their loans. These results show that few respondents had defaulted to repay their loans.

4.6.9 Cause of default in loan repayment by respondents

Normally, a default in doing something like for instance, loan repayment always has a cause and to gain credibility in the research, the researcher further went on to establish the causes of default in loan repayment among the respondents. The findings for this investigation are recorded in table 4.40.

Table 4.40: Cause of default in loan repayment by respondents.

Cause of default in loan repayment	Frequency	Percentage
No sales made	87	60.84
Family problems	56	39.16
Total	**143**	**100**

From table 4.40, 87 (60.84%) respondents said that the cause of default in loan repayment was because no sales were made while 56 (39.16%) respondents said that the reason for their default in loan repayment was due to family problems. Most respondents defaulted to pay their loans because no sales were made .It is also a significant percentage of 39.2% that defaulted because of family problems.

4.6.10 Default in loan repayment affects the respondents' business.

The researcher then went on to investigate whether the default in loan repayment affected the business of the respondents and the findings are shown in table 4.40.

Table 4.41: Whether default in loan repayment affects the respondents' business

Whether the default affected the business	Frequency	Percentage
Yes	154	51.85
No	143	48.15
Total	**297**	**100.00**

From table 4.41, 154 (51.85%) respondents agreed that the default in loan repayment affected their business while on the other hand, 143 (48.15%) other respondents were of the view that default in loan repayment didn't affect their business.

4.6.11 How default in loan repayment affected the respondents' business

In completing this objective, the researcher asked a question that required the respondents to explain how the business was affected by default in loan repayment and the findings are recorded in table 4.42.

Table 4.42: How default in loan repayment affected the respondents' business.

How the business was affected by default in loan repayment	Frequency	Percentage
Paid penalties from business	109	70.78
Stock was confiscated	45	29.22
Total	**154**	**100.00**

From table 4.42, 110 (70.43%) respondents said that they ended up paying penalties from business as a result of default in loan repayment while 44 (29.22%) others said that their stock was confiscated after they defaulted to repay their loans.

4.7 Influence of saving in the group saving scheme on the performance of the SMEs.

The fourth objective of the study explored the influence of saving in the group saving scheme on the performance of the SMEs. The performance of the SMEs was captured using the profits, increase in business customers, and increase in the number of employees and general expansion of business.

4.7.1 Influence of saving in the group saving scheme on average monthly profits

The study first explored the influence of saving in the group saving scheme to changes in average monthly profits using a cross tabulation analysis as presented in table 4.43.

Table 4.43: Influence of saving in the group saving scheme on average monthly profit .

Do you save in your group saving scheme	**Average profit from your business every month in Ksh**								**Total**	
	Below 5000		**5000- 20000**		**21000- 35000**		**36000- 50000**			
	freq	**%**	**freq**	**%**	**freq**	**%**	**freq**	**%**	**Freq**	**%**
Yes	44	14.81	165	55.55	33	11.11	22	7.40	264	88.89
No	11	3.70	22	7.40	0	0	0	0	33	11.11
Total	**55**	**18.51**	**187**	**62.95**	**33**	**11.11**	**22**	**7.40**	**297**	**100**

From table 4.43, out of 264 respondents that said they save in their group saving scheme, 44(14.81%) claimed that the average profit from their business every month is below ksh.5000, 165(55.55%) alleged their average profit is between ksh.5000-20000, 33(11.11%) claimed their average profit is between ksh.21, 000-35,000 and 22(7.40%) said their average profit is between ksh.36, 000-50,000. Out of a total of 33 respondents that claimed they do not save in their group saving scheme, 11(3.70%) were making average profit of less than 20000, this explains saving in the group saving scheme is advantageous as compared to not saving in the group saving scheme. Every month is below ksh.5000 and 22(7.40%) said their average profit is between ksh 5000-20000. From these results it is clear that those respondents who were not saving in their group saving scheme were not making average profit of more than 20000 while those who were saving. These findings are in agreement with views of Armendáriz and Morduch (2005) that identified reasons why saving schemes are important for SMEs. They postulated that savings have recently been recognized as important for low-income earners. These findings with views of Armendariz and Morduch suggest that saving is important to SMEs as this influence their business positive performance.

4.7.2Influence of saving in the group saving scheme on increase in number of employees

More over the study wanted to know the influence of saving in the group saving scheme on increase in number of employees, the outcome is as shown in the cross tabulation analysis shown in table 4.44.

Table 4.44: Influence of saving in the group saving scheme on increase in number of employee.

	Increased in number of employees					
Do you save in you group saving	**Yes**		**No**		**Total**	
scheme	Freq	Percent	Freq	Percent	Freq	Percent
Yes	132	44.44	132	44.44	264	88.9
No	0	0	33	11.11	33	11.1
Total	**132**	**44.44**	**165**	**55.56**	**297**	**100**

From table 4.44, out of a total 264 respondents that said they save in their group saving scheme, 132(44.44%) alleged they have had increase in number of employees while

132(44.44%) claimed they have not had increase in number of employees. Out of 33 respondents that said they do not save in their group saving scheme, 33(11.1%) claimed they had no increase in number of employees. From these results it is clear that those respondents who were saving in their group saving scheme are the ones who had increase in number of employees while those who not saving in their group were saving scheme did not have increase in number of employees.

4.7.3Influence of saving in the group saving scheme on increase in number of customers

The next target of the study was to find out the influence of saving in the group saving scheme on increase in number of customers, and the results are as shown in table 4.45.

Table 4.45: Influence of saving in the group saving scheme on increase in number of customers

Do you save in your group saving scheme	Increased in number of customers					
	Yes		No		Total	
	Freq	Percent	Freq	Percent	Freq	Percent
Yes	210	70.71	54	18.18	264	88.9
No	10	3.37	23	7.74	33	11.1
Total	**220**	**74.08**	**77**	**25.92**	**297**	**100**

From table 4.45, out of a total 264 respondents that said they save in their group saving scheme, 210(70.71%) alleged they have had increase in number of customers while 54(18.18%) claimed they have not had increase in number of customers. Out of 33 respondents that said they do not save in their group saving scheme, 10(3.37%) claimed they have had increase in number of customers while 23(7.74%) alleged they have not had increase in number of customers. From these findings, it is clear that the respondents who were saving in their group saving scheme are the ones who experienced an increase in their customers.

4.7.4Influence of saving in the group saving scheme on expanded size of business.

The study also sought to know from the respondents the weight of saving in the group saving scheme on expanded size of business, and the findings are as shown in table 4.46 .

Table 4.46: Influence of saving in the group saving scheme on expanded size of business.

	Expanded size of the business					
Do you save in your group saving scheme	**Yes**		**No**		**Total**	
	Freq	**Percent**	**Freq**	**Percent**	**Freq**	**Percent**
Yes	217	73.06	47	15.82	264	88.9
No	14	4.71	19	6.40	33	11.1
Total	231	77.77	66	22.22	297	**100**

From table 4.46, out of a total 264 respondents that said they save in their group saving scheme, 217(73.06%) alleged they had expanded their size of the business while 47(15.82%) claimed they had not expanded their size of the business. Out of 33 respondents that said they do not save in their group saving scheme, 14(4.71%)-claimed they had expanded their size of the business while 19(6.40%) alleged they had not expanded their size of the business. This outcome shows that those respondents who were saving in their group saving scheme are the ones that had expanded the size of their business while those who not saving in their group were saving scheme had not expanded the size of their business.

4.7.5 Type of savings

The study also wanted to know from the respondents what was their type of savings, and the outcome is as shown from table 4.47

Table 4.47: Type of savings

Type of savings	Frequency	Percentage
Mandatory	43	14.48
Voluntary	89	29.97
Mandatory and Voluntary	165	55.56
Total	**297**	**100.00**

From table 4.47, 43(14.48%) of the respondents said that their type of savings is mandatory, 89(29.97%) claimed their type of savings is voluntary and 165(55.56%) alleged their type of savings is mandatory and voluntary. From these results, most of the respondents said their type of savings is mandatory and voluntary which adds up to 165(55.56%).

4.7.6 Source of savings

The study also sought to know from the respondents what their source of savings, and the findings was as shown in table 4.48.

Table 4.48: Source of savings.

Source of your savings	Frequency	Percentage
Business profits	243	81.82
Other income sources	54	18.18
Total	**297**	**100.00**

From table 4.48, 243(81.82%) said that their source of savings is from the business profits while 54(18.18%) claimed their source of savings is from other income sources. This findings clearly shows that majority of the respondents alleged their source of savings is from business profits.

4.7.7 Percentage of loan that one saves in order to access a loan.

More so the study wanted to know from the respondents what percentage of the loan does one save in order to access a loan, and the outcome is as shown in table 4.49.

Table 4.49: Percentage of loan that one saves in order to access a loan.

Percentage of loan that one saves in order to access a loan	Frequency	Percentage
No compulsory savings	67	22.56
Between 10-20%	187	62.96
Above 20%	45	15.15
Total	**297**	**100.00**

From table 4.49, 67(22.56%) of the respondents said there is no compulsory savings that is needed in order to access a loan, 187(62.96%) claimed that one needs to save a percentage of between 10-20% in order to access a loan, and 45(15.15%) alleged that one needs to save a percentage of above 20% in order to access a loan. This findings clearly shows that most of the respondents claimed that one needs to save a percentage of between 10-20% in order to access a loan, which constitutes to 187(62.96%).

4.7.8 Opinion about the percentage of loan that one should save to get loan.

More over the study wanted to know from the respondents what they think about the percentage of loan that one saves in order to access a loan, and the outcome is as shown in table 4.50

Table 4.50: Opinion about the percentage of loan that one should save to get loan.

What do you think about this percentage	Frequency	Percentage
High	132	44.44
Moderate	165	55.56
Total	**297**	**100.00**

From table 4.50, 132(44.44%) of the respondents alleged that the percentage is high of loan that one should save to get loan while 165(55.56%) claimed the percentage is moderate of loan that one should save to get a loan. From these results majority of the respondents said the percentage is moderate of loan that one should save to get a loan, which adds up to 165(55.56%).

4.7.9 Other benefits apart from loan from savings scheme services.

The study also sought to know from the respondents which other benefits apart from loans do they receive from savings scheme services, and the results are as shown in table 4.51.

Table 4.51: Other benefits apart from loan from savings scheme services.

Which other benefits apart from loans do you receive from savings scheme services	Frequency	Percentage
Safe custody of money	154	51.85
Earning interest from savings	143	48.15
Total	**297**	**100.00**

From table 4.51, 154(51.85%) of the respondents said that they have safe custody of money and 143(48.15%) claimed that there is earning of interest from savings. From this findings most of the respondents alleged there is safe custody of money, which adds up to 154(51.85%). These findings are in agreement with McCarthy and Perrault (1993) who point that financial institutions provide safe custody for SMEs revenues. This has led to a reduction in theft and losses of the SMEs Properties. In addition safe custody resulted in reduction of theft cases hence safe stock .SMEs also gain interests from their savings. Such interests have been pumped back to the business and contribute to the performances of the SMEs.

4.7.10 Effect of the savings on the profit in the business after saving in the scheme.

The next target of the study was to know from the respondents the effect of the saving on the profit in their businesses after saving in the scheme, the outcome is as shown from table 4.52

Table 4.52: Effect of the savings on the profit in the business after saving in the scheme.

Effect of these saving on the profit in your business after saving in the scheme.	Frequency	Percentage
Increased	242	81.48
Decreased	55	18.52
Total	**297**	**100.00**

From table 4.52, 242(81.48%) of the respondents claimed that the effect of their saving on the profit in their businesses after saving in the scheme has increased while 55(18.52%) said it has decreased. From these results majority of the respondents claimed that the effect of their saving on the profit in their businesses after saving in the scheme has increased, which constitutes to 242(81.48%)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction

This chapter presents a summary of the research findings, gives conclusions and further gives recommendations of the research findings. This chapter also gives the contribution of the research to the body of knowledge.

5.2 Summary of research findings

The first objective of the study explored the influence of credit rates on the performance of the SMEs. The performance of the SMEs was captured using the profits, increase in business customers, and increase in the number of employees and general expansion of business. The study found that out of the 297 respondents, a total of 55 (18.52%) respondents had average monthly profits of less than 5,000 shilling, 187 (62.96%) had between 5000 shillings and 20000 shillings as monthly profits, 33 (11.11%) respondents had between 21000 and 35000 shillings as monthly profit and 22 (7.41%) respondents had over 35000 shillings as monthly profits. In the case of performance of the SMEs in terms of increase in the number of employees, 132 (44.44%) respondents had increased the number of employees since the start of their business while 165 (55.56%) either had constant or decreased number of employees. In measuring performance using increase in the number of customers, 220 (74.07%) employees had observed the number of customers they have increase while 77 (25.93%) had observed the number of customers either reduce or remain constant. Lastly in measuring performance using the growth of business stock, 198 (66.67%) had observed the size of stock increase while 99 (33.33%) had not. out of the 275 respondents who had accessed credit before, 33 (12%) respondents had ever accessed credit with interest rates ranging between 10 and 20 %, 231

(84%)respondents had accessed credit with interest rate ranging between 20 and 30% and 11 (4%) respondents had accessed credit with interest above 30%.Out of the 33 respondents who had ever accessed credit with low interest rates ranging between 10 and 20 %, 24 (72.73%) were in businesses that had grown by adding the number of employees, 26 (78.79%) were in businesses that had grown by adding the number of customer and 18 (54.55%) were in businesses that had grown by expanding on the business stock. Out of the 11 respondents who had accessed loans with high interest rates of above 30%, 7 (63.64%) were in businesses that had not added the number of customers, 6 (54.55%) were in businesses that had not added the size of stock and 6 (54.55%) were in businesses that had not added the number of employees. This results show that decreased interest rates had the effect of increasing the improved performance in of the MSEs in terms of increased profitability, increased number of customers and increased employees.

The second objective of the study was to examine the extent to which financial training influence performance of women owned SMEs in Kisumu Town East District. The study found that 286 (96.3%) had undergone training in financial management while 11 (3.7%) had not. out of the total 286 respondents who had received training on financial management, 186 (65.03%) made a profit of between 5000 and 20000 shillings, 184 (64.34%) were able to increase number of employees, 209 (73.08%) had realized increase in number of customers. On the other hand among the 11 respondents, who had no training in financial management, all realized less than 5000 shillings in monthly profits and all had not increased the number of customers. This results show that provision of training in financial management increases the number increases the performance of SMEs in terms of improving the number of customers, employees, stock and profits.

The third objective of the researcher was to assess the level at which credit repayment rate influences performance of women owned SMEs in Kisumu Town East District. The study found that out of the 297 respondents 220 (74.04%) were paying their loans weekly while 77 (25.93%) were paying the loans monthly. Among the respondents who repaid their loans weekly, 21 (9.55%) respondents had businesses that realized the high monthly average profits ranging between Ksh36,000 and 50,000, 122 (55.45%) did not have an increase in the number of employees and 165 (75%) had not experienced increase in the amounts of stock. All the respondents who paid their loans monthly realized increased monthly profits, customers and expansion of business. This results show that increase in the number of times that the SMEs paid the loans led to reduction of the number of performance of the SMEs in terms of profitability, expansion and number of customers.

The fourth objective of the study explored the influence of saving in the group saving scheme on the performance of the SMEs. The study found that 264 (88.89%) respondents belonged to group saving schemes while 33 (11.11%) did not belong to group saving schemes. Among the 264 respondents who belonged to group saving schemes 55 (20.83%) realized average monthly profits of above 21,000 shillings, 132 (50%) had employed more staff since the inception of their businesses, 210(79.55%) had increase in number of customers and 217(82.2%) had expanded their size of the business. Out of the 33 respondents who did not belong to any group and savings schemes 11(4.44%) were making average profit of less than 20000, all had not increased the number of employees, 23(7.74%) alleged they have not had increase in number of customers and 19(6.40%) alleged they had not expanded their size of the business. This results show that the members of the SMEs belonging to saving schemes increased the chances of them improving their performance through increased profits, increased customer base, increased workforce and expanded business size.

5.3 Conclusion

The purpose of this study was to establish the influence of group saving and loaning on the performance of the SMEs in Kisumu east district. The study found that there were four factors that influenced performance of the SMEs in Kisumu east district. These factors were reduced credit interest rates, increased level of training in financial management, reduced number of times that the respondents repaid their loans and belonging to saving schemes by the members of the SMEs These factors improved the profitability of the SMEs and increased the chances of the MSEs increasing the number customers and staff, as well as having expanded sizes of business.

5.4 Recommendations

The study recommends that there need to be formulation and adoption of policy and practice that will ensure that the SMEs are not charged high interest rates or are charged interest rates that are reducing so as to ensure that the do not pay very high interest which may affect their performance. This can be achieved by the central bank reducing the lending rates they offer the lending institutions so that the lending institutions can also pass the same advantage to customers.

The study recommends that lending institutions need to set up policies that will ensure that every person who is given credit is also trained on important business skills such as training in financial management, business planning and record keeping. This will ensure that the capacity of the business people accessing the loans is improved so as to ensure that they have sound business skills to aid them in realizing profits.

The study recommends that the lending institutions should place a standard lending period in which the businesses should not pay in less than a month, more so during the early periods of taking the loan.

The study recommends that the SMEs need to be encouraged to join lending schemes. The businesses schemes should also be empowered on the relevant techniques that will empower them to realize improved performance.

5.5 Suggestions for further study

The study suggest in future, researchers should do the same study with focus on the SMEs who have been given credit by the commercial banks and other institutions such as the government for purpose of comparison with the findings of this study.

The study recommends that in future researchers should investigate the extent to which credit interest rates, increased level of training in financial management, reduced number of times that the respondents repaid their loans and belonging to saving schemes by the members of the SMEs influence performance using a regression analysis.

5.6 Contribution to the body of knowledge

The study made the following contributions to the body of knowledge.

Objectives	Contribution to the body of knowledge
1. To determine the level at which interest on credit influence performance of SMEs owned by women in Kisumu Town	Out of the 297 respondents, a total of 55 (18.52%) respondents had average monthly profits of less than 5,000 shilling, 187 (62.96%) had between 5,000 shillings and 20,000 shillings as monthly profits, 33 (11.11%) respondents had between 21,000 and 35,000

East district.	shillings as monthly profit and 22 (7.41%) respondents had over 35,000 shillings as monthly profits.
2. To examine the extent to which financial training influence performance of women owned SMEs in Kisumu Town East District;	The study found that 286 (96.3%) had undergone training in financial management while 11 (3.7%) had not. Out of the total 286 respondents who had received training on financial management, 186 (65.03%) made a profit of between 5,000 and 20,000 shillings, 184 (64.34%) were able to increase number of employees, 209 (73.08%) had realized increase in number of customers.
3. To assess the level at which credit repayment rate influence performance of women owned SMEs in Kisumu Town East district	The study found that out of the 297 respondents 220 (74.04%) were paying their loans weekly while 77 (25.93%) were paying the loans monthly. Among the respondents who repaid their loans weekly, 21 (9.55%) respondents had businesses that realized the high monthly average profits ranging between Ksh.36,000 and 50,000, 122 (55.45%) did not have an increase in the number of employees and 165 (75%) had not experienced increase in the amounts of stock.
4. To investigate the extent to which savings schemes influence	The study found that 264 (88.89%) respondents belonged to group saving schemes while 33 (11.11%) did not belong to group saving schemes.

performance of women owned SMEs in Kisumu Town East district	Among the 264 respondents who belonged to group saving schemes 55 (20.83%) realized average monthly profits of above 21,000 shillings, 132 (50%) had employed more staff since the inception of their businesses, 210(79.55%) had increase in number of customers and 217(82.2%) had expanded their size of the business.

REFERENCES

Amin, M. (2005). *Social science research: Conception, methodology and analysis*. Kampala: Makerere University printers.

Berger, A. N.and Gregory. Udell. (2002). "Small Business Credit Availability and Relationship Lending: The Importance of Bank Organizational Structure."*Economic Journal,* 112.

Besley, T. and Coate, S. (1995). Group Lending, Repayment Incentives and Social Collateral. *Journal of Development Economics*. 46, pp.1-18

Bryman,A. and Walker.(2007). Qualitative Data Analysis with SPSS for Windows: A guide For Social Scientist. London: Rout ledge

Carboni ,B.J.,Dayson,K.,Galderon,M.L, Kickui J.(2006). Handbook of Microcredit in Europe Social exclusion through Micro Enterprise Development.

CentralBureau of Statistics. National Micro and Small Enterprise Baseline Survey 1999, Survey Results. Conducted by the Central Bureau of Statistics (CBS), International Centre For Economic Growth (ICEG) and K-Rep Holdings Ltd., Nairobi, August 1999.

Churchill, N.C., & Lewis, V.L (1992).*The five stages of business.* Consultative Group To Assist The Poorest (CGAP): Washington DC.

EC (European Commission) (2009).*European SMEs Under Pressure: Annual Report on EU Small and Medium-Sized Enterprises 2009*, Brussels, Belgium: European Commission.

Edgcomb, Elaine, Klein, and Clark, P. *The Practice of Microenterprise in the U.S.: Strategies, Costs and Effectiveness.* Washington.

Elahi, K. and Constantine, P. (2004).Journal of Political and Military Psychology Focus.

Fernando, J. L. (1997). Nongovernmental organizations, micro-credit, and Empowerment of women. *Annals of the American Academy of Political and Social Science*, 554, 150-177.

Ganbold, B.(2008), Improving Access to Finance for SME International Good Experiences and Lessons for Mongolia. IDE-JETRO Working paper no. 438. 2008.

Godquin, M.(2004), Microfinance Repayment Performance in Bangladesh: How to Improve the Allocation of Loans by MFIs. *World Development*,

Gakure, R.W.(1995) "Factors Affecting Job Creating and Low Job Creating Firms owned by Women."Unpublished PhD Thesis, University of Illinois, Urbana Champaign, Illinois, USA.

Gakure, R. W. "Factors Affecting WEs' Growth prospects in Kenya." Prepared for the International.

Gay, L.R. (1993).Education research competencies for analysis and application; Ohio, Merrill Publishing Company. New York.

Gibb,A.A.(1988).stimulating entrepreneurship and new business development, International Labour office ,Geneva, Switzerland.

Gibson,W.(1999).planning in modern times. United Kingdom: Prentice Hall publisher.

Goetz, A. and Sen., R.Gupta (1994).*Who takes the credit?* Gender, power and control over loan Use in rural credit programs in Bangladesh": working paper. Brighton, England: Institute of development studies, University of Sussex

Harper,E.E (1991). *The development of cost of effective extension services for small business*: A Kenyan experiment .University of Nairobi , Nairobi Kenya, PhD thesis

Hashemi, S.M. (1997), "Those Left Behind: A Note on Targeting the Hardcore Poor," in Wood and Sharif (eds.), pp.249-257.

Hashemi, S.M, Schuler,S.R, and A.P. Riley,(1996)"Rural Credit Programs and Women's Empowerment in Bangladesh" in World Development.

Hulme, D. and Mosley,p.(1996), Finance Against Poverty. London: Routeledge,

Hutchinson, R. (1995). *Corporate Finance.* Stanley Thorne's Publishers Cheltenham.

Impact of Microenterprise Credit Programs, Washington DC: Management Systems International

IFC (International Finance Corporation) (2009). "The SME Banking Knowledge Guide," The World Bank Group, Washington D.C.

International Labour Organization, (1989). *A strategy for small enterprise Development Towards the year 2000.*Nairobi: Kenya.

Jung, M. (2007), Status of microfinance in Western Europe: an academic review.

Kibas, P. (2001). *Impact of credit on women operated micro – enterprises* in Uasin Gishu District in Alila P.O and Pederson, P.O. (Eds) .Negotiating Social space: East Africa Micro Enterprises. Africa World Press.

Kombo, D.K. & Tromp, D.L.A. (2006).*Proposal and Thesis Writing*: An introduction. Nairobi: Pauline's Publications Africa

Krejcie, V.R and Morgan, D.W (1970): "*Determining sample Size for Research Activities*", Educational and Psychological Measurement.

Kothari C.R. (2004). *Research Methodology*. New Age International Publishers, Delhi India.

Kothari, C.R. (1990).*Research Methodology Methods and techniques* 2nd edition, New Age International Limited, New Delhi.

Labor Organization (ILO), Geneva, November 2003.

Lussier, R. N. (1996). *Reasons why small businesses fail: and how to avoid failure.*

Mambula, C. (1997). "Factors Influencing the, Performance and Development of Small Plastic Manufacturing Firms (SPMFs) in Nigeria and Implications for Policy," unpublished Ph.D. dissertation submitted to University of Wales, Swansea, UK.

Matoha, Dumea (2007).*"Research on Working Capital Management of Publishing Companies"*, Unpublished Undergraduate, Research Work, University of Dar es Salaam, Tanzania.

Mary, E.A. (2001).Poverty Reduction Strategy Paper 2001- 2004:Government Printers: Nairobi.

Mayoux, L. (1997) *.Impact Assessment and Women's Empowerment in Micro-Finance*

Mayoux, L. (1999).Questioning Virtuous Spirals: micro finance and women's Empowerment in Africa. Journal of International Development.

McCormick, D & Pedersen, P.O. (1996).*Small Enterprises*: Flexibility and Networking in .an African Context; Nairobi: Longhorn

McCormick, D. "Gender in small Enterprise in Kenya: an institutional Analysis." Lin p.c. Samanta&R.K. Sen (eds), Realising African Development. Kolkata India, CIADS in collaboration withIIDS, pp.309-330, 2001

McKernan, S. M. (2002). The impact of microcredit programs on self-employment profits: Do non credit program aspects matter? *The Review of Economics and Statistics.*

Meads, D.C (1998).Micro and small Businesses tackle poverty and growth. Paper presented at the conference on enterprises in Africa: between poverty and growth. Centre for African studies. University of Edinburgh, 26th – 27th May

Ministry of Commerce, Trade and Industry (MCTI) (2003) *Manufacturing SectorSurvey*, Lusaka: MCTI

Morduch, J. (1999). Between the State and the Market: Can Informal Insurance Patch the Safety Net? *The World Bank Research Observer.*14 (2), pp.187-207.

Mugenda, N. &Mugenda, M. (2003).*Research Methods*. Focus publishers: Nairobi.

Murphy, Neil B. (1983). "Loan rates, operating costs and size of loan: The evidence from cross-Section data," In P. Horvitz & R. Pettit (Eds.), *Small Business*, Connecticut: JAI Press.

Mutua, K., Nataradol, P. and Otero, M. (1996).*The View from the Field Perspective From Managers of Microfinance Institutions*. Journal of International Development. 8 (2), pp.179-193

National Poverty Eradication Plan Results, (NEPP, 2009-2015)

Osa, C.O. (2009) *The Role of Microcredit in promoting growth of small business women among traders in Kisumu central Business District*. A research project submitted to the University of Nairobi Library.

Oso, W.Y. & Onen, D.(2005) *A general guide to writing research proposal and report* .A handbook for beginning researchers(rev. ed) . Nairobi: Kenya: The Jomo Kenyatta Foundation.

OECD (Organization for Economic Co-operation and Development) (2004).*Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a More Responsible and Inclusive Globalisation*, Second OECD Conference of MinisterResponsible for Small and Medium-Sized Enterprises (SMEs)

Philip, G.R. (1996). *Small business management*. London: Financial Times and Pitman Publishing, Their Socio – Economic Background and Business programs. In Alila, P.O and Pedersen, P.O Eds) Negotiating Social Space: East African Micro Enterprises Asmara: African World Press.

Otero, M. and Rhyne, E. H. (1994).*The New World of Microenterprise Finance Building Healthy Financial Institutions For the Poor*. West Hartford, CN. Kumarian Press Inc.

Remenyi, J. (2000). Is there a 'state of the art' in microfinance? In J. Remenyi & B.Quinoñes, *Microfinance and poverty alleviation: Case studies from Asia and the Pacific* (pp.25-61). London: Pinter.

Robinson, Marguerite S. 2001. *The Microfinance Revolution: Sustainable Finance for the Poor*, VolumeI,The World Bank: Washington, DC.

Ting, O. K. (2004), SMEs in Malaysia: Pivotal Points for Change, [Online] Available: http://www.mca.org.

Robinsons S. (2001) The Microfinance Revolution: Sustainable Finance for the Poor. Vol. I.The World Bank: Washington D.C.

The Importance of Bank Organizational Structure." *Economic Journal* 112: F32-F53

Stevenson L. & St-Onge A.(2005). "Support for Growth-Oriented Women Entrepreneurs in Kenya,"International Labor Organization, Geneva.

Underwood, T. (2006), Overview of the microcredit sector in Europe 2005-2006, EMNWorking Paper No. 4, Paris.

Velasco, C., & Marconi, R. (2004).Group dynamics, gender and microfinance in Bolivia.*Journal of International Development*, 16, 519-528.

Weber, M. (2004), p. 503, Microfinance in Germany 27

World Bank, (2000).*World Development Report* 2000/2001. Washington D.C

Yunus, M.,1983. "Group-based Savings and Credit for the Rural Poor: The Grameen Bank in Bangladesh." In *Group-Based Savings and Credit for* the *Rural* Poor. Geneva: International Labor Organization.

Zindiye,S. (2008) Investigation into the factors affecting the performance of small and medium enterprises in the manufacturing sector of Harare, Zimbabwe.

APPENDICES

Appendix I: Letter of Transmittal

Langat Kimutai

University of Nairobi,

School of Continuing and college of Distance Education,

P.O. Box 30197,

Kisumu Campus.

E-mail:kimutail@gmail.com.

Dear Respondent,

RE: RESEARCH PROJECT

I am Langat Kimutai, a student pursuing Masters of Arts in project planning and management at the University of Nairobi. I am undertaking a research study on **influence of Group Credit Lending Scheme on Performance of small and medium enterprises owned by women in Kisumu Town East District, Kenya**.

You have been identified as key respondents for the study. Any information provided will be treated with utmost confidentiality it deserves and it will be used purely for academic purposes.

Thanks you.

Yours faithfully,

Langat Kimutai.

Appendix ii: Questionnaires for Women Owned Small and Medium Enterprise

SECTION A: DEMOGRAPHIC DATA

Please kindly tick appropriate answer

1. What is your age bracket?

   19 years and below ( )   20 –29 ( )   30-39( )   40-49 ( )

   Above 50 years ( )

2. Gender:

   Male ( ) Female ( )

3. What is your highest level of education?

   Primary level ( )   Secondary ( ) Tertiary ( )   University ( )

4. For how long have you been operating your business?

   Less than 2years ( )   2 -4years ( ) 4-6 years ( ) 6- 9years ( )   Above 9 ( )

5. How did you raise your startup capital?

   Women group loan ( )   Personal saving ( ) Selling your properties ( )

   Gifts/Donations ( )

   If others (please specify)…………………………………………………..

6. What is the average profit from your business every month

   Below Ksh.5 000 ( ) Ksh.5000-Ksh.20000 ( ) Ksh. 21000-Ksh35000 ( )

   Ksh.36000- Ksh.50000 ( )   Above Ksh.50000 ( )

SECTION B: INFLUENCE OF CREDIT INTEREST ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

1. Have you access any group credit/loan?

   Yes ( )   No ( )

2. How many times have you obtained the loan from the group?

3 Times ( ) 2 Times ( ) Once ( ) Never ( )

3. What was the reason for applying the loan?

To boost the business ( ) Personal/house consumption ( )

4. How much money did you last received? (Please tick the appropriate box)

Less than Ksh.10000 ( ) Ksh.11000 – 50000 ( ) khs51000 - 90000 ( )

ksh.91000 - 130000 ( ) More than Ksh. 130000 ( )

5. What percentage of loan did you pay as the interest?

10% and less ( ) 10 – 20% ( ) 20- 30% ( ) Above 30 % ( )Don't know ( )

6. What do you think about the interest rates charged?

High ( ) Moderate ( ) Low ( )

7. What is the effect of this interest on you average profit in your business after utilizing the credit services?

Profit decrease ( ) profit remained the same ( ) Profit increase ( )

8. During the last twelve months, did you make any of the following changes to your enterprise activities after taking the loan?

a) Increased in number of employees	Yes ( )	No ( )
b) Increased in number of customers	Yes ( )	No ( )
c) Expanded size of the business	Yes ( )	No ( )

SECTION C: INFLUENCE OF FINANCIAL TRAINING ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

9. Have you received any finance training on financial management?

Yes ( ) No ( )

10. Indicate the type of financial training received?

Book keeping ( ) Loan use ( ) Business management ( )

Savings ( ) Any other (Specify)……………………………………………………

11. How often do you attend these financial trainings?

Weekly ( ) Monthly ( ) Quarterly ( ) Yearly ( )

12. What was the duration for these financial training?

Less than 1week ( ) 1 -4 weeks ( ) 1 – 3 months ( ) 4 – 12 months ( )

More than 1 year course ( )

13. What was the effect of these training on the profit in your business after you received financial training?

Increased ( ) remained same ( ) Decreased ( )

14. During the last twelve months, did you make any of the following changes to your business activities after receiving the training?

d) Reduced the cost and wastage	Yes ( )	No ( )
e) Increased in sales	Yes ( )	No ( )
f) Expanded size of the business	Yes ( )	No ( )

SECTION D: INFLUENCE OF REPAYMENT RATE ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES.

15. Are you currently repaying a loan?

Yes ( ) No ( )

16. If yes, what is the loan term for the loan?

3 months and below ( ) 3 – 6 months ( ) 6 – 12 months( ) 1-2 year ( )

Above 2 years ( )

If others please specify………………………………………………

17. What is the frequency of payment?

Daily ( ) Weekly ( ) Bi-weekly ( ) Monthly ( )

If others please specify……………………………

18. How do you think of the repayment period?

Short ( ) Satisfactory ( ) Long ( )

19. Have you ever defaulted in repaying your loan?

Yes ( ) No ( )

20. If yes, what was the cause of default

No sales made ( ) Family Problems ( ) Default intentionally ( )

Disagreement with group ( )

If any other (Specify)…………………..

21. Did the default affect the business?

Yes ( ) No. ( )

22. If yes, how was the business affected?

Paid penalties from business ( ) Stock was confiscated ( ) Denied another loan ( )

Expelled from group ( )

If others please specify…………………………………

SECTION E: INFLUENCE OF SAVING SCHEMES ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES.

23. Do you save in your group saving scheme?

Yes ( ) No ( )

24. If yes, what type of savings?

Mandatory ( ) Voluntary ( ) Mandatory and voluntary ( )

25. What is the source of your savings?

Business profits ( ) Other income sources ( ) Borrowed at cost ( )

Others (Please specify)…………………………..

26. What percentage of the loan does one save in order to access a loan?

No compulsory savings ( ) 10% and below ( ) Between 10 – 20% ( )

Above 20% ( )

If others please specify…………………………

27. In question 26 above, what do you think about this percentage?

High ( ) Moderate ( ) Low ( )

28. Apart from loans, which other benefits do you receive from saving scheme services?

Safe custody of money ( ) Earning interest from savings ( )

If others please specify……………………………………………………………………………

29. What was the effect of these saving on the profit in your business after saving in the scheme?

Increased ( ) Remained same ( ) Decreased ( )

Thank you.

REPUBLIC OF KENYA

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

Telephone: 254-020-2213471, 2241349
254-020-310571, 2213123, 2219420
Fax: 254-020-318245, 318249
When replying please quote
secretary@ncst.go.ke

P.O. Box 30623-00100
NAIROBI-KENYA
Website: www.ncst.go.ke

Our Ref: NCST/RCD/14/012/1065

Date: 23rd July 2012

Langat Kimutai
University of Nairobi
P.O.Box 825-40100
Kisumu

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Influence of group credit lending scheme on performance of women owned small and medium enterprise in Kisumu Town East District,Kenya,*" I am pleased to inform you that you have been authorized to undertake research in **Nyanza Province** for a period ending *30th September 2012.*

You are advised to report to **the District Commissioner and the District Education Officer,Kisumu Town East District** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

DR. M. K. RUGUTT, PhD, HSC.
DEPUTY COUNCIL SECRETARY

Copy to:

The District Commissioner
The District Eucation Officer
Kilsumu Town East District

"The National Council for Science and Technology is Committed to the Promotion of Science and Technology for National Development."

Appendix IV: Research Permit

PAGE 2

THIS IS TO CERTIFY THAT:
Prof./Dr./Mr./Mrs./Miss/Institution
Langat Kiriuta
of (Address) University of Nairobi
P.O.825-40100, Kisumu.
has been permitted to conduct research in

Kisumu Town East Location
District
Nyanza Province

on the topic: Influence of group credit lending scheme on performance of women owned small and medium enterprise in Kisumu Town East District, Kenya.

for a period ending: 30th September, 2012.

PAGE 3

Research Permit No. *NCST/RCD/14/012/1065*
Date of issue *23rd July, 2012*
Fee received *KSH. 1,000*

Applicant's Signature

Secretary
National Council for
Science & Technology

CONDITIONS

1. You must report to the District Commissioner and the District Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed with-out prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2)/four(4) bound copies of your final report for Kenyans and non-Kenyans respectively.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice

GPK6055t3mt10/2011

REPUBLIC OF KENYA

RESEARCH CLEARANCE PERMIT

(CONDITIONS—see back page)