

**RELATIONSHIP BETWEEN MICROCREDIT AND THE
GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KENYA**

BY:

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DECLARATION

I declare that this is my original work and has never been presented in any other university or college for any academic purpose.

Signature.....

Date.....

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D61/75885/2012

This research project has been submitted for examination with my approval as the student supervisor.

Signature.....

Date.....

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DEDICATION

This project is dedicated to my mum Ann Wayongo and my sister Lydia. Their inspiration and support throughout the project, will always be cherished. Also dedicated to friends who stood by me.

ACKNOWLEDGEMENT

The Almighty God has been so faithful in granting me the strength, wisdom, knowledge and the courage needed throughout the period of study.

I would like to express my gratitude to Dr Aduda, my research supervisor for his assistance in keeping my progress on schedule, advice and useful critiques of this research work.

I am highly indebted to employees of SMEs that took their time to cooperate and respond to the questionnaires during the study. God bless you

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ABSTRACT

The accessibility of credit by SMEs is usually considered as an important factor in the growth of SMEs. Credit helps SMEs improve their income levels, alleviate poverty and create job opportunities. This study sought to evaluate the relationship between microcredit and the growth of SMEs in Kenya. To achieve this objective, the study employed a correlation research design. Data was collected using a semi-structured questionnaire from SMEs in Nairobi County. A total of 50 questionnaires were administered to various SMEs but the researcher managed to obtain 48 completed questionnaires representing a response rate of 96% .The researcher adopted a drop-and –pick-later approach where questionnaires were issued in the morning and picked in the evening to allow the respondents to complete the questionnaires.

The collected data was edited, coded and entered for analysis using the Statistical Package for Social Sciences (Version 17.0) computer package. Both descriptive and inferential statistics were used. The research findings revealed that there was a very strong positive relationship ($R= 0.852$) between the variables. The study also revealed that 72.7% of demand for growth in SMEs could be explained by use of microcredit. From this study it was evident that at 95% confidence level, the variables produced statistically significant values and could be relied on to explain growth in SMEs as a result of microcredit. Growth in SMEs was evident in terms of increased employees and entity's total equity. The research findings were presented in pie charts, bar graphs, and tables for clarity. The findings of this study will be of great use to the government, lending institutions in formulating microcredit policies so as to promote the microcredit in Kenya.

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LIST OF ABBREVIATIONS

CDF: Constituency Development Fund

GDP: Gross Domestic Product

IFC: International Finance Corporation

MFI: Micro Financial Institution

NSE: Nairobi Security Exchange

SMES: Small and Medium Enterprises

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Microcredit is a powerful tool for poverty reduction among people who are economically active but constrained by financial resources and vulnerable to economic stress. Microcredit enables small and medium enterprises find means of getting funds to start up their own businesses. According to (Littlefield and Rosenberg, 2004) their studies indicate that microfinance benefits the poor households. Microcredit is part of microfinance and in addition to providing financial intermediation; it extends by providing non financial services. The non financial services include, encouraging formation of groups, business training on financial literacy and management (Ledgewood, 1999).

Small and medium enterprises play a crucial role in the growth of Kenyan economy. Economic survey, (2006) reveals that SMEs contributes 50 percent new jobs that were created in 2005. Past researches show that the nation's GDP gets 18 percent being a contribution from SMEs .SMEs have limited access from formal financial institutions to meet their working and investment needs (Kessy, 2009). Most financial institutions do not offer SMEs credits due to their failure rates, which makes it difficult for lenders to assess viability of their enterprises. Kenya National bureau of statistics, (2007) indicate that three out five businesses fail within the first few months of operation. Failures of SMEs are attributed to lack of knowledge in dealing with the business and investing in the wrong kind of business.

The most serious constraint of SMEs is lack of credit as it hinders the growth of SMEs in Kenya (Oketch, 2000). Microcredit provides credit to SMEs. Availability of credit to SMESs greatly enhances economic growth, which breaks the circle of low investment and low income (Yunus, 1984).

1.1.1 Microcredit

Several discussions have been in place as to what defines microcredit. (Srinivas, 1997) defines microcredit as programmes that extend small loans to very poor people for self-employment projects that generate income allowing them to care for their

needs. The existence of microcredit gives an alternative to people that is not included in the traditional banking sector and hence relies on the informal sector to attend to their financial necessities. The differences between formal and informal, range from money lenders, community savings clubs, deposit collectors and agricultural input providers, traders and processors (Helms, 2006).

1.1.2 Growth of SMEs

Growth can be defined as the process of improvements that a firm undergoes. (Penrose, 1995) implies that the size of a firm is growth over period of time. Despite of the challenges encountered by SMEs, it contributes to the Kenyan economy. (Bowen et al, 2009) results from his investigation pointed out that SMEs in Kenya are faced with challenges of insecurity, competition that arise among themselves and from large firms, lack of access to credit and debt collection. The MSEs 2011 bill recognizes MSEs formally and creates clear definitions as to what a small enterprise is. It creates a platform that if well executed creates a means of continuous development of the SMEs sector. The massive ideas associated with SMEs, have a greater impact on the economy.

In Kenya micro enterprises are those with annual turnover of below kshs 500000 and less than ten employees. On the other hand, small businesses are those with annual turnover of between kshs 500000 and 5 million, employing employees between 10 and 15. It is impossible to ignore the impact of the SMEs sector in the Kenyan economy. The impact of SMEs has necessitated creation of the special market segment at the Nairobi stock exchange targeting SMEs. The growth enterprise market segment aims at providing alternative platform of ways SMEs can seek capital injection for their growth. (www.fsdkenya.org).

Ministry of finance continues to play a greater role to SMEs by allocating funds from their budget towards women and youth programmes. Revolving funds are provided to the smes inform of loans at low interest rates. The move by the government to support growth of SMEs is due to realization of potential benefits achieved towards the country's economy. Appropriate policies should aim to encourage the development of local technologies. To enhance full development of SMEs specific policy measures

are required to ensure technology services and infrastructure are provided.(Wanjohi, 2009) policy initiatives in revitalizing the SMEs sub-sector, should not only be government engineered but involve all stakeholders in development. The establishment of CDF kitty through the CDF Act 2003 in the Kenya Gazette supplement No.107 was aimed to supporting constituency level projects. Improvement of infrastructure and investment into various projects has contributed to the growth of SMEs (www.growthpartners.co.ke).

1.1.3 Relationship between Microcredit and Growth of SMEs

The accessibility of credit by SMEs is usually considered as an important factor in the growth of SMEs. Credit helps SMEs improve their income levels, alleviate poverty and create job opportunities.(Hiedhues,1995) points out that ,when the poor people are helped access credit, the poor gain an advantage of overcoming their liquidity constraints and involve in investments such as the improvement of farm technology inputs thereby leading to an increase in agricultural production.(Navajas et al,2000) sees microcredit as tool to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal institutions.

According to (Coleman, 1999) village bank credit did not help in physical asset accumulation. Women ended up in a vicious cycle of debt as they used the money from the village banks for consumption purposes and had to borrow from money lenders at high interest rate to repay. The observation from this study was that credit was not an effective tool in helping the poor enhance their economic growth.

Theoretically, credit increases income for households and as income of SMEs increases more resources are available for expenditure, savings and investment in assets. (Hoque, 2008) found out that micro-credit improves capacity to cope economic difficulties as there is positive influence of microcredit on the well being of borrowers. Growth of SMEs depends on the capital injection into the business and non financial services like training to develop the SMEs sector.

1.1.4 SMEs in Kenya

In Kenya, the micro, small and medium enterprises are variously referred. They fall under the informal sector Juakali as mostly they start in open. The sector creates employment opportunities for the young generation that is jobless and cannot find jobs in the formal sector. Currently the government gives much attention to the sector because it is the solution to the crippling unemployment levels among the youth. Kenya in the past has recognized informal enterprises as more than a residual employer for the survival of poor households in its development policies.

SMEs operation in Kenya cuts across almost all sectors of the economy and sustain majority of households. SMEs form a breeding ground for businesses and employees creating employment. Despite of flourishing of SMEs, they still face challenges related to accessing credit. Commercial banks need collateral for them to issue loans and the entrepreneurs are unable to provide the necessary collateral needed for loan requests (Wanjohi, 2009).

1.2 Research Problem

Microcredit provides loans to SMEs, who basically are unable to secure credit due to poverty levels, unemployment, and underemployment, lack of collateral and credit history. SMEs rely on credit for their growth. The SMEs need both financial services and non financial services to enable them sustain their businesses. SMEs need business management skills on how to wisely invest by using the loans granted so as to make their businesses profitable.(Helmes ,2007) states that, lack of access to credit is a general reason why many people in developing countries remain poor. Demand for credit by SMEs in Kenya, has continued to rise as many youths graduating from colleges diverting their interests in starting small businesses to apply the skills they have acquired from their institutions.

Previous studies imply that microcredit is an important tool in poverty alleviation. On the other hand there is criticism about the studies. (Karnani, 2007) disagrees implying that microcredit leads borrowers to a debt trap. The problem of microcredit lies with SMEs who possess little capital, lack economies of scale, their businesses encounter low productivity that result to minimal earnings which cannot lift the poor out of their

poverty situation. Credit cannot overcome control on its own .In spite of SMEs having access to credit, they lack control over the loans to be granted.

A number of studies have been done in Kenya on microcredit. (Gitonga, 2012) carried a study on micro-crediting for low income earners. The study found that from the year 2006 there has been an upward trend in borrowing, more people are taking up loans to start small enterprises which are helping to create informal jobs amidst the crowding in the formal sector.Gitonga also found that people need to be educated on the micro-crediting program and show different business opportunities to venture into. On the other hand, an investigation on determinants of microcredit provision to women entrepreneurs by Mfis in Kenya ,showed that poor product design by Mfis, lack of freedom and bargaining power by women and the relegating status for women to position subordinates in resource management had the greatest influence on micro-credit provision to women by Mfis (Onchiri,2012).In Kenya, entrepreneurs have suffered lack of access to credit as a result of not having collateral and entrepreneurs do not get much loan as per the application by the entrepreneurs to the Mfis(Pius ,2010).This raises the question whether microcredit leads to the growth of SMEs .This study therefore seeks to fill in the research gap by determining the relationship between microcredit and the growth of small and medium enterprises.

1.3 Objective of the Study

To determine the relationship between microcredit and the growth of SMEs in Kenya.

1.4 Value of the Study

The government wants to grow the economy in double digits. The findings of this study will enable the government design effective economic policy strategies which will ease accessibility of credits. Measures to be put in place, if properly implemented will enhance growth of SMEs. Effective implementation will see the SMEs contribute directly to the economic growth and promote equitable development.

The public will be able to get enlightened on the necessity of credit in the SMEs sector. They will appreciate the job opportunities offered by the sector and participate by starting their businesses to earn income to support their needs instead of fully

depending on government aid. The public involvement will see the country alleviate poverty and hence achieve vision 2030 of poverty eradication goal.

The other researchers interested in this area of study will want findings of previous research. The findings of this research will serve as additional literature to be used as reference materials in developing further studies. Researchers, who are entrepreneurs in the SMEs and have experienced failure of businesses without identifying reasons leading to failure, would require reasons and this study will address failures and give success measures.

The Mfis will be able to train their credit officers on what kind of investment opportunities are viable for SMEs. The credit officers will not only give out credit, but also advise borrowers on profitable projects to consider investing in. Borrowers should repay the loans that have become fruitful in their business and not having burdens repaying with little improvements experienced from the funds granted to them as loans.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents various theories on the effects of microcredit on the SMEs. It points out the theoretical literature, empirical studies and general literature which is of importance to this study. The general literature covers the constraints on SMEs sources of finance and factors that affect accessibility to credit.

2.2 Theoretical literature

The aim of this section is to review theoretical literature related to microcredit. These theories seek to emphasize on the need of external funds as source of finance when internal funds do not sufficiently meet the needs of the firm. The theories are credit risk theory, liquidity and credit theory for money.

2.2.1 Credit Theory of Money

This theory seeks to illustrate the relationship between credit and money. Proponents of this theory argue that money is best understood as debt even in systems often understood as using commodity money. The first formal credit theory of money arose in the 19th century. (Graeber, 2011) argued that for most of human history, money has been widely understood to represent debt, though he concludes that even prior to modern era. According to Innes, the credit theory is the sale and purchase in the exchange of a commodity for credit. From the main theory springs the sub theory that the value of credit or money does not depend on the value of any metal, but on the right which the creditor acquires payment meaning satisfaction for credit. On the obligation of the debtor to pay his debt and conversely on the right of the debtor to release himself from his debt by the tender of an equivalent debt owed by the creditor. The obligation of the creditor to accept the tender in satisfaction for the credit. Innes goes on to note that a major problem in getting the public to understand the extend to Which monetary systems are debt based is the challenge of persuading them that things are not the way they seem. (Banking law journal, vol 31)

2.2.2 Liquidity Theory

(Emery, 1984) proposes that credit rationed firms use more trade credit than those with normal access to financial institutions. When a firm is financially constrained the offer of trade credit makes up for the reduction of credit offer from financial institutions. In line to Emery's view, firms with better access to capital markets can finance those that are credit rationed(.Nielsen ,2002) obtained empirical evidence by use of small firms as a proxy for credit rationed firms, found out that when there is monetary contraction; small firms react by increasing the amount of trade credit accepted. Financially unconstrained firms are less likely to demand trade credit and prone to offer it.

2.2.3 Credit Risk Theory

Credit risk is the risk of default or reductions in market value caused by changes in the credit quality of issuers or counterparties. Adverse selection and credit exposure is a case in business lending, the borrower knows more than its lender. Being at an informational disadvantage, the bank, in light of the distribution of default risks across the population of borrowers, may find it profitable to limit borrowers' access to the bank's credit, rather than allowing borrowers to select the sizes of their own loans without restriction. An attempt to compensate for credit risk by increasing a borrower's interest rate increases with the size of loan.

Moral hazard. One of the reasons that large loans are more risky than small ones, other things being equal, is that they provide incentives for borrowers to undertake riskier behavior. The obvious defense against the moral hazard induced by offering large loans to risky borrowers is to limit access to credit. Large borrowers in default are often in a better bargaining position and can thereby extract more favorable terms for bankruptcy or restructuring than small borrowers.

Conclusion, it was pointed out by the author to be due to poor infrastructure and low income as constraints to MFI.

2.3 Factors that Affect SMEs Access to Credit

Start-up business: Most entrepreneurs are faced with challenges of how to be funded. Some Mfi weigh options on whether to consider existing entrepreneurs or the starters

in the business. Businesses financed from scratch by Mfi are considered to create an impact to the society by alleviating poverty in increasing their level of income. The startup business also needs other services like skills training to equip them in their operations. Level of employment SMEs development: Mfi provide services and products to SMEs depending on the stage of the business is at. The levels in this case include; unstable survivors, stable and growth enterprises (Steel, 2003).

Unstable survivors: These are the kind of businesses considered not to be credit worthy due to lack of stability. The chances for its survival are limited and it therefore consideration of mfis to revert the situation remains wastage of time and costs increase with time. Growth enterprise: The business shows high possibility to grow and microfinance institutions are interested in the objective of the SMEs to create jobs and move from the informal sector to formal. Mfis help provide services that lead to SMEs gaining economic independence to meet their needs. Stable survivors: This kind of business rarely grows due to low profit margins which inhibit them to reinvest and unstable environment. Basically SMEs at this level need funds from Mfi to meet their production and consumption needs (Yaron, 1997).

2.4 Impact of Microcredit on Growth of Small and Medium Enterprises

SMEs need capital injection to facilitate their operations and growth, but the existence of the financing gap requires microcredit to fill the gap. (Derbile, 2003) implies that success of microcredit has been achieved in alleviating poverty in developing countries. SMEs gain selfemployment, create job opportunities and women gain economic empowerment to meet their family needs.

(Mayoux, 1997) asserts that microcredit programmes have been promoted as among key strategies for poverty alleviation and women empowerment. Economic independence is gained by SMEs enabling them meet their basic needs. Microcredit programmes provides SMEs with access to networks and equipping markets to necessitate wider experience by individuals.

Microcredit programmes results in social benefits. Establishments of adult literacy programmes have been put in place to encourage business training. Providers of education gain earn income as they are employed to do so. SMEs that participate in literacy programs, places them in better position in decision making hence reducing chances of failure.

(Hoque,2008) shows that, many studies have been done in the past and reveal that micro credit improves capacity to cope with economic difficulties because there is a positive influence on the well being of borrowers.

Despite the positive impacts of micro credit, there are arguments against microcredit. Micro credit does not create assets for the poor and the very poor borrowers, but increases income to meet daily expenditure. To some it reduces assets due to the demand of repayment of loan as it is severe that borrowers are compelled to sell assets to repay loan.

2.4.1 Constraints of SMEs Growth in Kenya

SMEs face issues that affect the growth and profitability of their businesses, which diminishes the ability to contribute effectively to sustainable development. The below constraints are associated with the sector.

Regulatory constraint: The process involved in application of certificates and registration is burdensome to SMEs. The process requires time and money for the SMEs to be allowed to carry out their business activities as per the legal law requirements. Failure to comply with the regulatory standards risks closure and penalties by the law.

Lack of credit: Access to finance remains a challenge for SMEs. Insufficient funds affect technology choice by limiting the number of alternatives to be considered. In Kenya credit constraints forces underdeveloped capital markets to rely on self financing or borrowing from friends. Lack of access to long term credit for SMEs forces them rely on high cost short term finances (Wanjohi and Mugure,2008).

Inadequate business skills: The scarcity of entrepreneurial and business management skills remains a constraint on SMEs development. For instance juakali sector which is informal boosts Kenya's economy. The individuals who run the juakali sector lack adequate business skills which are usually attributed to low levels of education.

HIV/AIDS pandemic: The disease threatens the survival of SMEs. It is as much business issue as well as a humanitarian concern, the IFC aims at promoting the involvement of the private sector in the fight against the disease. SMEs being the leading sector in private sector, IFC provides training programs to build businesses mitigate the impact o HIV/AIDS in their operations (Conner, 2000).

2.4.2 Sources of Finance for SMEs

Survival and growth of SMEs relies on a dependable source of funding the business. There are informal and formal ways of credit accessibility as a source of funds. (Schein, 2004) argues that choice of financing a business entity is a crucial part of whether the existing business can survive. He states that the choice of financing is a requirement for an entrepreneur to raise cash when you possess a limited history. Schein makes it clear that there exist various sources of financing a business entity but sustainability of the alternatives depends on the stage of the business. Sources of finance include; getting funds from friends, relatives, personal savings, venture capital, factoring and assist based lending.

(Brody, 2004) identifies microcredit as a key strategy in attaining the millennium development goals. The goal of poverty eradication and financial systems that meet the needs of the very poor people. Microcredit remains a way of intervention to development which can offer social benefits.

2.4.3 Microfinance Institution-SMEs relationship

(Omeke,2010) emphasized that microfinance institutions provides both financial and non financial services to SMEs, loans, savings mobilization, micro insurance and money transfer. The microfinance industry has been identified as a tool of poverty eradication and improvement of household welfare. For accessibility of funds to become a reality a relationship of cooperation between lenders and clients need to coexist.

(Ozkan, 2004) argues that maintaining and building relationships with financial institutions improve firm's ability to access external financing. He suggests that firm's with higher proportion of bank debt enables accessibility of external financing more easily. Establishing Mfi relationships with SMEs reduces information asymmetry and agency problems. The valuable information required to be provided by SMEs to Mfi are disclosed. Establishing stable links with financial institutions improves availability of funds by lowering their costs.

(Kumar, 2007) concurs with previous studies that good relationship town SMEs and mfis helps them easily access finances and information. He adds that capacity building of staff preparedness is a task Mfi enhances as a way of operation rapport between staff and remote clients. In case of emergency, Kumar established that Mfi personals were often the first to reach affected communities.

2.5 Indicators of Growth

This study will focus on increase in volume of sales, employment levels, and profitability and total assets as a measure of growth of SMEs.

2.6 Review of Empirical Studies

Muthengi,(2012) conducted a study on the impact of microcredit on the growth small and microenterprises in Kitui District. His findings were that 80% of the sampled population used credit before. The result also showed that microcredit had impacted positively on the growth of SMEs in the District. The study recommended that the government should improve the existing facilities and establish those which are lacking in order to better the working atmosphere and hence performance of SMEs operating in the district.

Pius,(2010) investigated on the influence of microcredit finance on the growth of small scale women entrepreneurs in Kenya. She used survey research designs to conduct the study. The target population as the small scale women entrepreneurs in Mosoch division, Kisii central district. The sample study constituted 36 respondents out of 120 entrepreneurs spread over three markets. Simple random sampling technique was used to determine the study sample. The research findings revealed that

the small scale entrepreneurs faced problems in operating their businesses. Lack of collateral to access loans came up as a major challenge in the study. The study established that the entrepreneurs did not receive as much loan as they needed and the process involved in accessing loans was lengthy. The further revealed the repayment period affected the cashflow into the business. The other major finding was that most of the entrepreneurs had not been trained on the basic business management skills and therefore most of them had no focused strategies but operated on trial and error methods. In spite of many challenges, the study found out that most of the entrepreneurs depended wholly on their businesses. They said that they could still take loans even with the high interest rates long as the loans are available. The entrepreneurs seemed positive about the loans they get from the lenders.

Microfinance contributes to the reduction of poverty through its impact on income and asset level as per findings carried out by (Mosley, 1999). The mechanism through which poverty levels are reduced; keep on varying from one institution to the other. On average institutions that offer small loans reduce poverty much more by lifting borrowers above the poverty line. On the other hand institutions that give larger loans reduce it more by expanding the demand amongst the poor.

Amin et al, (2003) carried out panel data set on monthly consumption and income before they received loans. The findings were that microcredit is successful in reaching the poor and failure to the vulnerable. Coleman (1999) explains that debt is not necessarily an effective tool towards helping the poor enhance their economic condition. The poor are poor as a result of other reasons rather than lack of access to credit.

Kessy, (2006) conducted a study on contributions of microfinance institutions on poverty reduction. His findings were that Mfi's operations impacted positive changes in the living standards of people who accessed their services. Clients of Mfi had complaints on the higher interest rates charged and the weekly meeting was considered time wastage. The clients preferred rather than weekly meetings the time be used in doing productive activities. The study recommended Mfi to lower its interest rate, increase grace period and provide proper planning to SMEs.

Hulmes, (1998) found evidence of a trade-off between the very poor and substantial impact on household income. His findings were that programmes with higher income households had a greater impact on household income. The individuals below the poverty line did not gain much and the very poorest were negatively affected. The poorest were more risk averse and used their loans to maintain consumption levels rather than improved technology.

Nicholas, (2004) carried out a case study to establish the impact of Mfi upon the lives of the poor in the rural setting. His findings were that participation of poor in Mfi program led to positive impacts in their personal life. Their income increased, spending on educational and health also increased therefore improving the standards of living. There were visible sign of higher wealth level within the village.

Coleman et al, (2005) argued that management of mfis should assess and recommend projects to be funded. Findings overtime assists businesses realize which kind of business experience leads to the least kind of business failures. The managers of Mfi are in position to offer advice to their clients due to knowledge and skills they possess. For management to be able to know if funds are properly and efficiently put to use, monitoring of operations carried out by SMEs reduce default rate.

Chijoriga, (2000) evaluated the performance and financial sustainability of Mfi in Tanzania. He randomly selected 28 Mfi and 194 SMEs, which resulted to findings that the overall performance of Mfi in Tanzania is so poor and only few have clear objectives. Further observation was that most Mfi lack participatory ownership and are donor driven. The operational performance shows low loan repayment rates. In conclusion, it was pointed out by the author to be due to poor infrastructure and low income as constraints to MFI.

2.7: Conclusion

This chapter reviewed literature by other scholars on the impact of microcredit on the growth of SMEs. Despite SMEs facing financial constraint, its impact on economy cannot be overlooked. Availability of credit remains a necessity to the growth of SMEs. Financing decisions for small and new ventures becomes complex when linked

to personal wealth. The agency problem faced by SMEs and information asymmetry need to be addressed. The existence of microcredit gives an alternative to people that are not included in the traditional banking sector and hence rely on the informal sector to attend to their financial necessities.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the study outlines the methods used by the researcher. It highlights the research design, population, sample, data collection methods, data analysis techniques, data validity and reliability.

3.2 Research Design

According to (Orodho, 2003) research design is a programme that guides the researcher in collecting, analyzing and interpreting observed facts. This study will use descriptive and correlation methods. The researcher aimed at establishing the relationship between variables of microcredit and growth of SMEs in terms of employment and asset base. Both qualitative and quantitative approaches to data analysis were used by the researcher in analyzing data. The researcher used a likert scale of five in the questionnaire.

3.3 Population

(Ngechu, 2004), population is a set of people, services, elements, events, group of household that are being investigated. The target population of this study was registered SMEs found within Nairobi. According to NSE during the listing of SMEs there are about 50000 formally registered SMEs. This population was given importance due to getting empirical evidence.

3.4 Sample

A simple random technique was adopted to select a total of fifty (50). SMEs were divided into small and medium enterprises. (Cooper and Schindler, 2003) random sampling frequently minimizes the sampling error in the population, which in turn increases the precision of any estimation methods used.

3.5 Data collection

This involves the techniques to be used by the researcher in data gathering. Data was collected from primary sources through self administered questionnaire. The questionnaires were structured in a way to capture information from SMEs sector, on the nature of business and its size. The study variables and comments from the respondents before and after utilization of microcredit. The use of questionnaire enabled the researcher to collect larger amount of data touching on the study. Drop and pick later method was used as it was appropriate and convenient for the researcher. It gave the respondents time to fill the questionnaires and also allowed the researchers the opportunity to review the questionnaires for completeness before picking.

3.6 Data analysis

Data collected was checked for completeness of recording from the respondents and its accuracy. The researcher used both descriptive and statistical approaches in analyzing and processing the data. Both qualitative and quantitative methods were used as they both complemented each other. Qualitative data was analyzed on a comparison basis and merging those which were similar in narrative form. On the other hand quantitative data was analyzed by use of statistical package for social sciences (SPSS- Version 17.0) and Microsoft excel. The findings were presented in the form of tables, figures and charts.

The hypothesis was structured to ascertain the extent to which microcredit has enhanced the expansion capacity of SMEs in the study.

A multiple regression model was used to analyze the relationship between the variables of growth of SMEs as depicted below

$$Y_t = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \dots\dots\dots (1)$$

Table 3.1 Operationalization of the Variables

symbol	Variable
Y	Growth of the Enterprise
A	Constant term
X ₁	Microcredit (loan size)
X ₂	Number of employees

X_3	Entity's Total assets
β_1	Coefficient of loan size
β_2	Coefficient of number of employees
β_3	Coefficient of Entity's total assets
P	Error term
T	Time period of 5 years

The dependent variable is growth of the small medium Enterprise which was measured by the annual turnover. The independent variables included the loan size which represents the microcredit level of the entity, number of employees and the total assets depicting the size of the business. These variables were measured by looking at the absolute figures from the annual reports.

3.7 Data Validity and reliability

Validity is the measure of accuracy of the data given by the respondents. The data collection instrument was designed in a way to measure the opinions and attitudes of respondents. Few respondents were interviewed by the researcher to validate answers given in the questionnaire. Questionnaires were validated by the help of the supervisor. Reliability refers to the consistency of measurement and were assessed using the test retest reliability method. In order to obtain reliable data; the researcher designed a questionnaire through a series of revisions under the guidance of the supervisor to ensure high quality data collection. To measure reliability, the researcher used a checklist of questions to get data consistency and completeness from respondents.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the analysis of data collected from the administered questionnaires. 50 questionnaires in total were administered but the researcher managed to obtain 48 completed questionnaires representing a 96% response rate. The questionnaire contained questions that addressed the objectives of the study.

4.2 Data Analysis and Presentation

The collected questionnaires were edited and cleaned for completeness in preparation for coding. Once the questionnaires were coded, they were entered into the Statistical Package for Social Sciences (SPSS) version 17 computer package for analysis.

Descriptive statistics such as mean, standard deviation and frequency distribution were used to analyze data. Quantitative technique was used to analyze the closed-ended questions and qualitative technique was used to analyze the open ended questions, content analysis was used to categorize common answers according to their commonality. Inferential statistics (regression analysis) was also used to establish the relationship between microcredit and growth of SMEs in Kenya.

4.2.1 Business Type

Respondents were required to indicate the nature of their businesses. 62.5% of them indicated that their businesses were small and the remaining 37.5% of them were medium. The findings therefore reveal that there was proportional representation of the two categories of businesses. The findings are as shown in Table 4.1 and Figure 4.1 below.

Table 4.1 Business Type

Business	Frequency	Percentage
Small	30	62.5
Medium	18	37.5
Total	48	100.0

Source: Research Data 2013

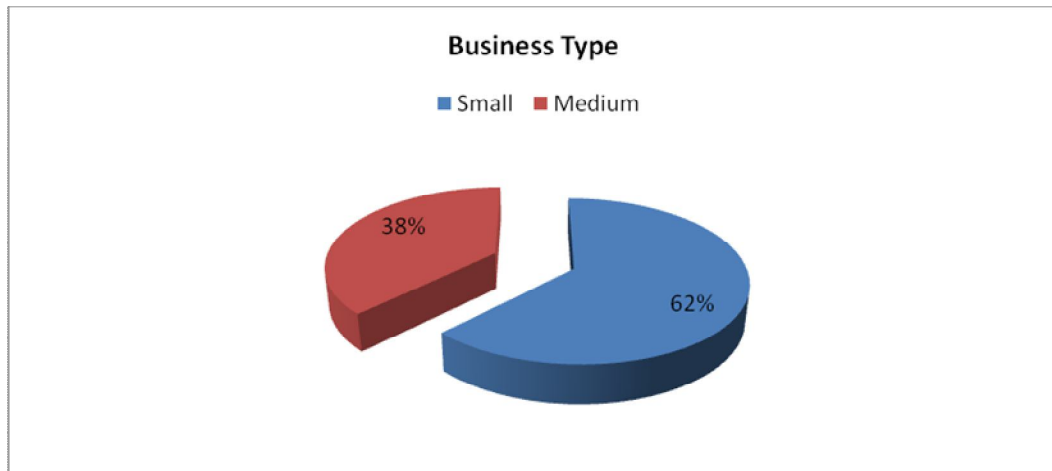


Figure 4.1 Business Type

4.2.2 Number of Employees

Respondents were further required to indicate the number of employees their businesses had. 75% of them indicated that they had less than 5 employees in their businesses and the remaining 25% of them had between 6-20 employees. The findings reveal that most of the SMEs had few employees working for them attributable to the small scale of operation. The findings are presented as shown in Table 4.2 and Figure 4.2 below.

Table 4.2 Number of Employees

Employees	Frequency	Percentage
Less than 5	36	75.0
6-20	11	25.0
Total	48	100.0

Source: Research Data 2013

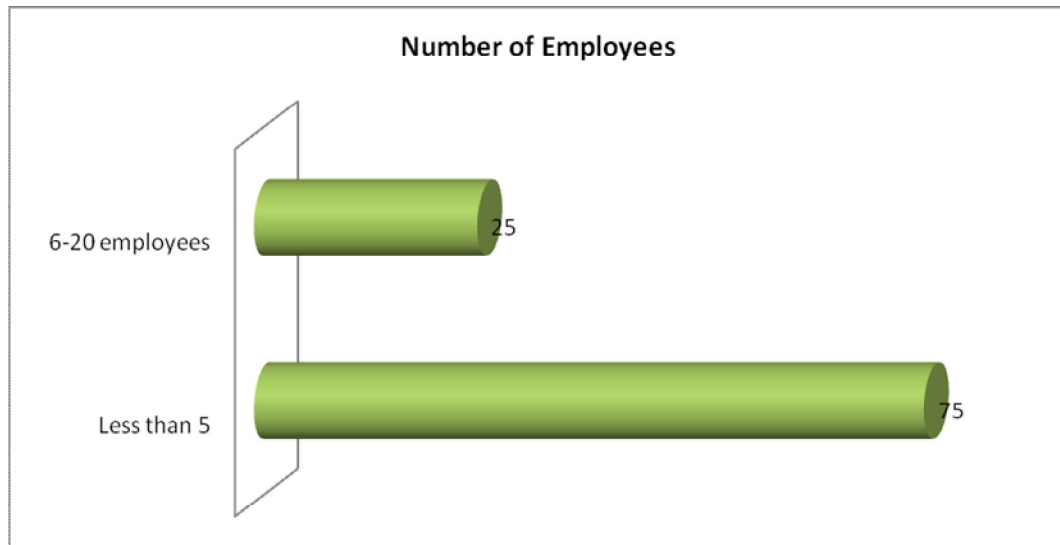


Figure 4.2 Number of Employees

4.2.3 Period SME had been in Operation

Majority (83.3%) of the respondents in this study had been in operation for a period of less than 10 years. Another 12.5% of them had been in operation for a period of between 11-20 years and the remaining 4.2% of them had been in operation for a period of more than 30 years. This indicates that majority of the SMEs had been in operation for long enough to enable them access credit. The findings are as shown in Table 4.3 and Figure 4.3 below.

Table 4.3 Period SME has been in Operation

Period	Frequency	Percentage
10 years or less	40	83.3
11-20 yrs	6	12.5
More than 30 yrs	2	4.2
Total	48	100.0

Source: Research Data 2013

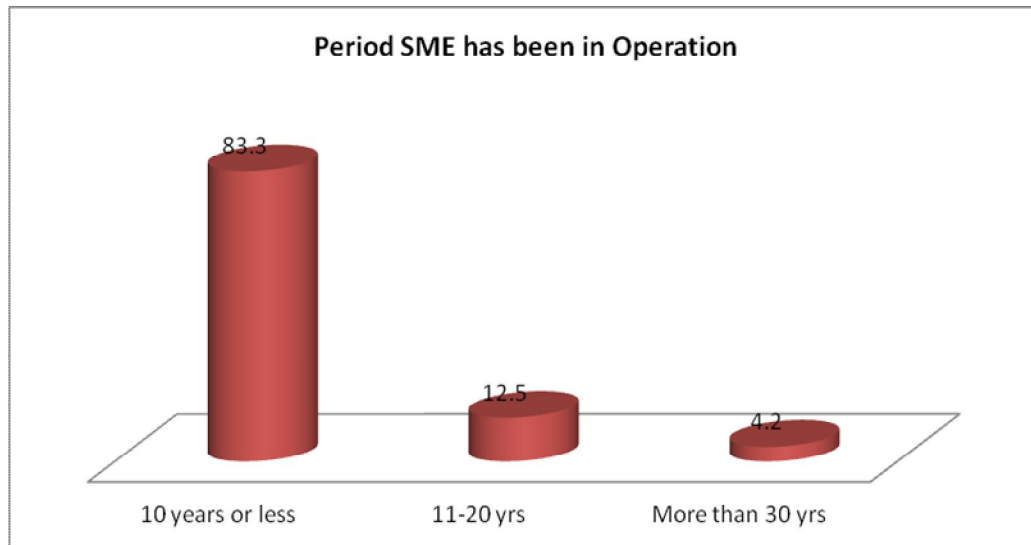


Figure 4.3 Period SME has been in Operation

4.2.4 Sales Level before Getting Credit

Respondents were further required to indicate the approximate average sales of their businesses before getting credit. 56.3% of the respondents indicated that they made sales of between 50,001-100,000 in a month, 22.9% of them made sales of between 0-50,000, 12.5% of them made sales of between 100,001-200,000 and the remaining 8.3% of them made sales of over 200,000 in a month as shown in Table 4.4 and Figure 4.4.

Table 4.4 Sales Level before Getting Credit

Sales	Frequency	Percentage
0-50,000	11	22.9
50,001-100,000	27	56.3
100,001-200,000	6	12.5
200,001 and above	4	8.3

Source: Research Data 2013

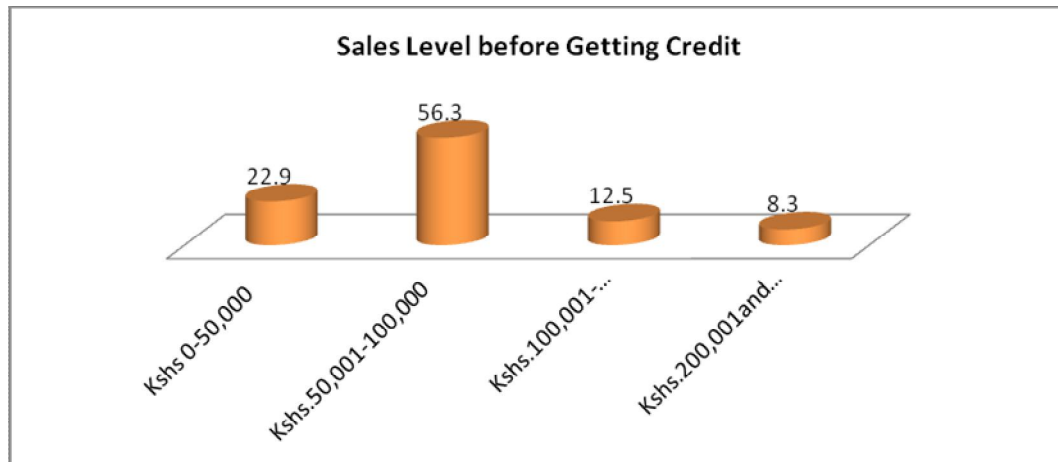


Figure 4.4 Sales Level before Getting Credit

4.2.5 Sales after Using Credit

43.8% of the respondents indicated that they made sales of between 50,001-100,000, 33.3% of them made sales of between 100,001-200,000, 14.6% of them made sales of 200,001 and above and the remaining 8.3% of them made sales of between 0-50,000. This indicates that utilization of microcredit by SMEs had a positive impact on their growth. The findings are as shown in Table 4.5 and Figure 4.5.

Table 4.5 Sales after Using Credit

Warehouse	Frequency	Percentage
0-50,000	4	8.3
50,001-100,000	21	43.8
100,001-200,000	16	33.3
200,001 and above	7	14.6

Source: Research Data 2013

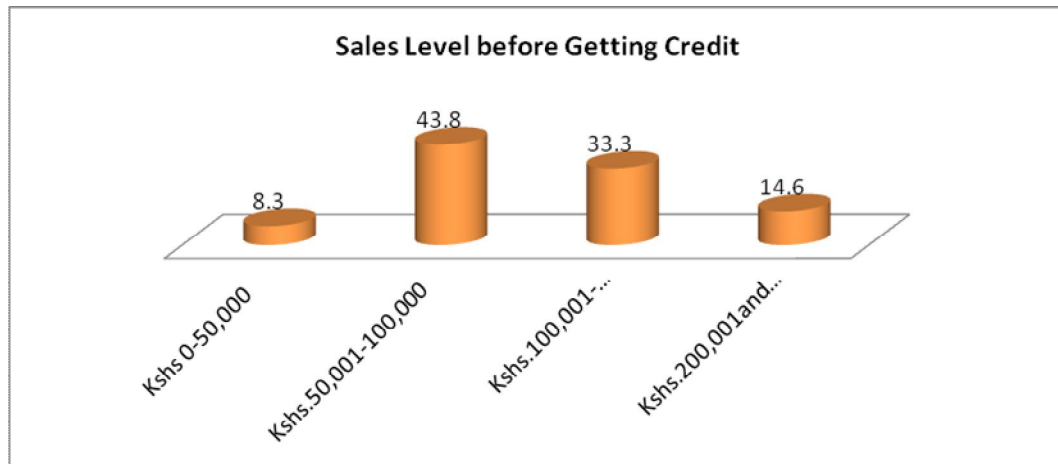


Figure 4.5 Sales Level before Getting Credit

4.2.6 Benefits of Microcredit

Respondents were further required to indicate the extent to which their businesses benefited in terms of sales volume as a result of using microcredit. 60.4% of the respondents were of the opinion that their businesses improved in terms of sales volume as a result of using microcredit. 27.1% of them indicated that their sales volume had highly increased. However, 8.3% of them indicated that their sales volume had not changed and another 4.2% of them had highly decreased. The findings are as shown in Table 4.6 and Figure 4.6.

Table 4.6 Benefits of Microcredit

Benefited	Frequency	Percentage
Highly increased	13	27.1
Highly decreased	2	4.2
No change	4	8.3
Improved	29	60.4
Total	48	100.0

Source: Research Data 2013

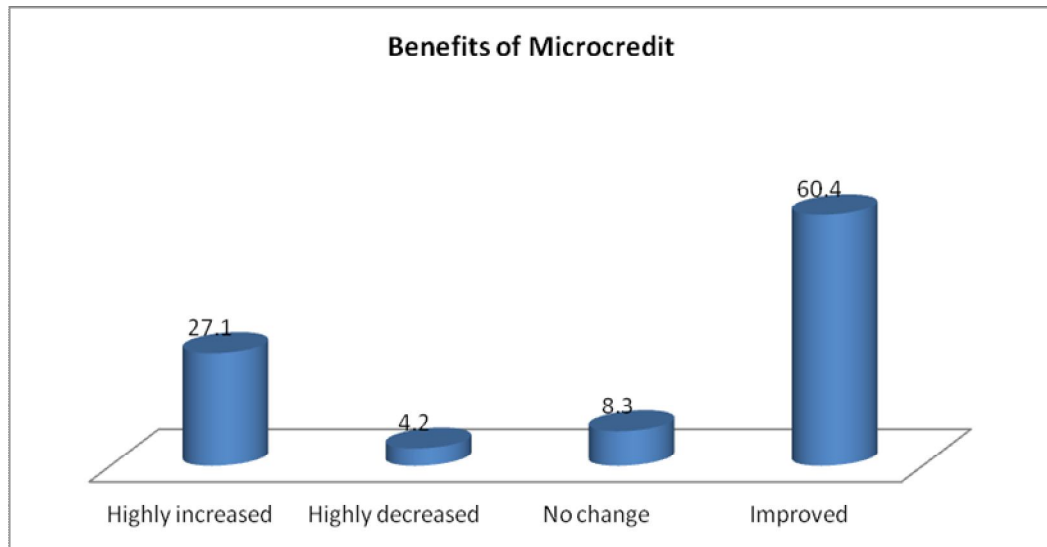


Figure 4.6 Benefits of Microcredit

4.2.7 Percentage of Annual Profits Contributed from Microcredit

Respondents were further required to indicate their annual profits contributed from using microcredit in the last financial year. 37.5% of them indicated that between 11-15% of their annual profits was contributed by use of microcredit. Another 31.3% of them indicated that over 15% of their annual profits was contributed by use of microcredit in their businesses. The findings are as shown in Table 4.7 and Figure 4.7.

Table 4.7 Percentage of Annual Profits Contributed from Microcredit

Annual Profits (%)	Frequency	Percentage
0-5	4	8.3
6-10	11	22.9
11-15	18	37.5
15 and above	15	31.3
Total	48	100.0

Source: Research Data 2013

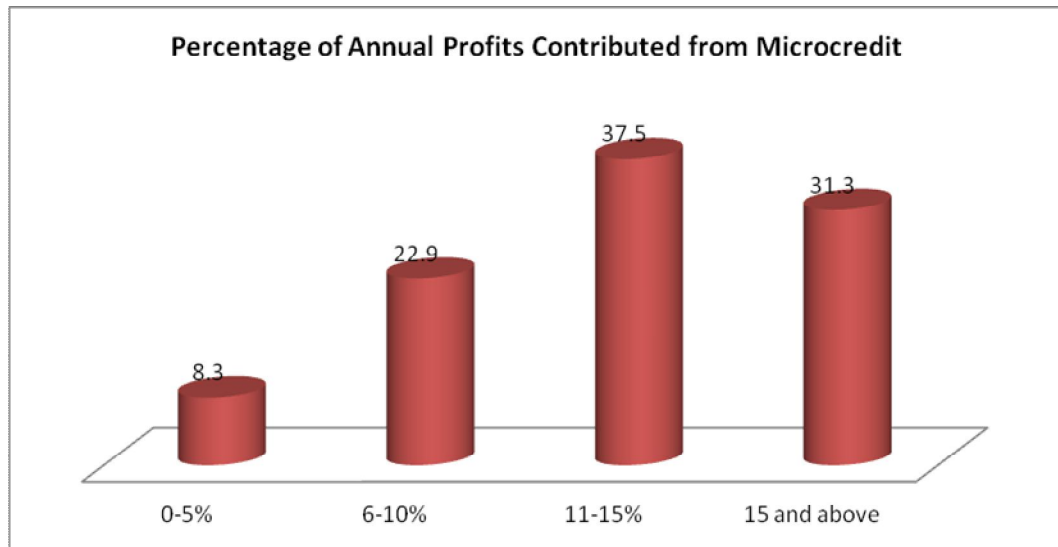


Figure 4.7 Percentage of Annual Profits Contributed from Microcredit

4.2.8 Increase in Total Assets by use of Credit

47.9% of the respondents indicated that their total assets increased as a result of using credit to some extent, 29.2% to a little extent, 12.5% to a great extent and the remaining 10.4% to a very little extent. The findings are as shown in Table 4.8 and Figure 4.8.

Table 4.8 Increase in Total Assets by use of Credit

Total Assets	Frequency	Percentage
Very little extent	5	10.4
Little extent	14	29.2
Some extent	23	47.9
Great extent	6	12.5
Total	48	100.0

Source: Research Data 2013

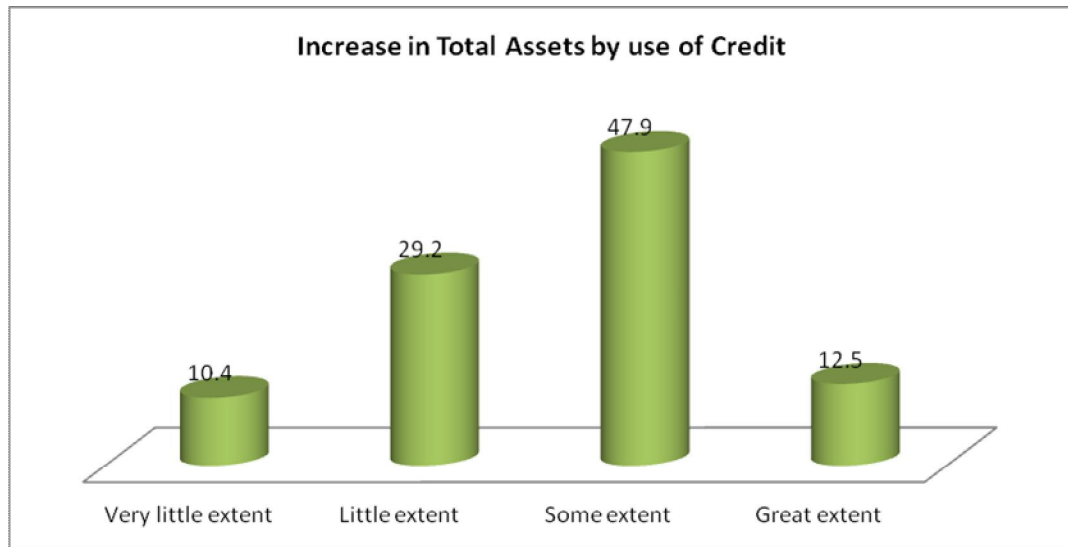


Figure 4.8 Increase in Total Assets by Use of Credit

4.2.9 Role of Microcredit on Sales Growth

Respondents were further required to indicate whether the availability of microcredit had a role to play in the growth of sales level of SMEs. 50% of the respondents were of the opinion that it had a role to some extent, 20.8% of them to a little extent, 18.8% of them to a great extent and the remaining 10.4% of them to a very little extent. The findings are as shown in Table 4.9 and Figure 4.9.

Table 4.9 Role of Microcredit on Sales Growth

Sales Growth	Frequency	Percentage
Very little extent	5	10.4
Little extent	10	20.8
Some extent	24	50.0
Great extent	9	18.8
Total	48	100.0

Source: Research Data 2013

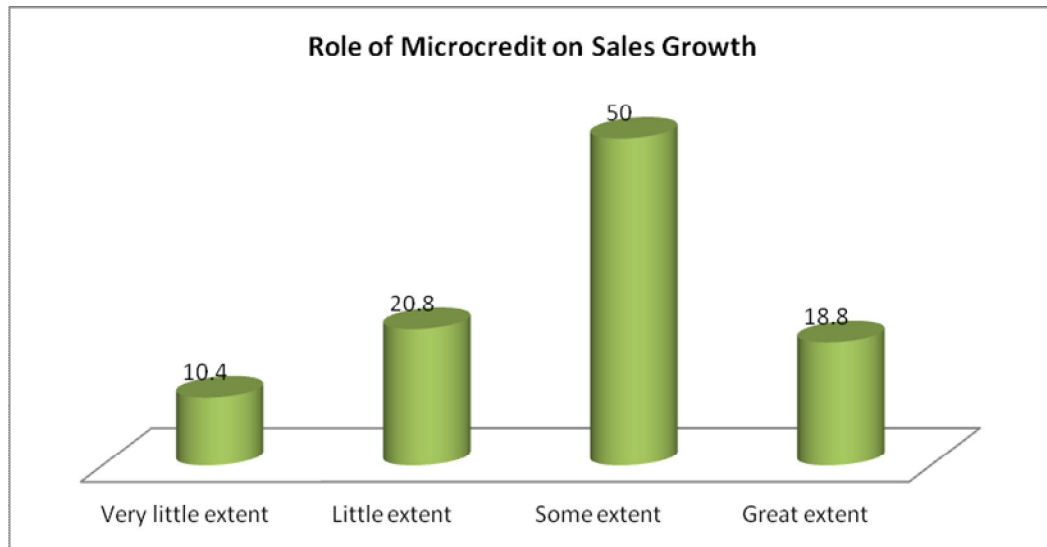


Figure 4.9 Role of Microcredit on Sales Growth

4.2.10 Microcredit and Employment

Respondents were further required to indicate whether the use of microcredit influenced the employment levels within the SMEs sector. 39.6% of them were of the opinion that it did so to a great extent, 29.2% of them to some extent, 18.8% of them to a little extent and 6.3% of them each to a very little extent and to a very great extent. The findings are as shown in Table 4.10 and Figure 4.10.

Table 4.10 Microcredit and Employment

Employment	Frequency	Percentage
Very little extent	3	6.3
Little extent	9	18.8
Some extent	14	29.2
Great extent	19	39.6
Very great extent	3	6.3
Total	48	100.0

Source: Research Data 2013

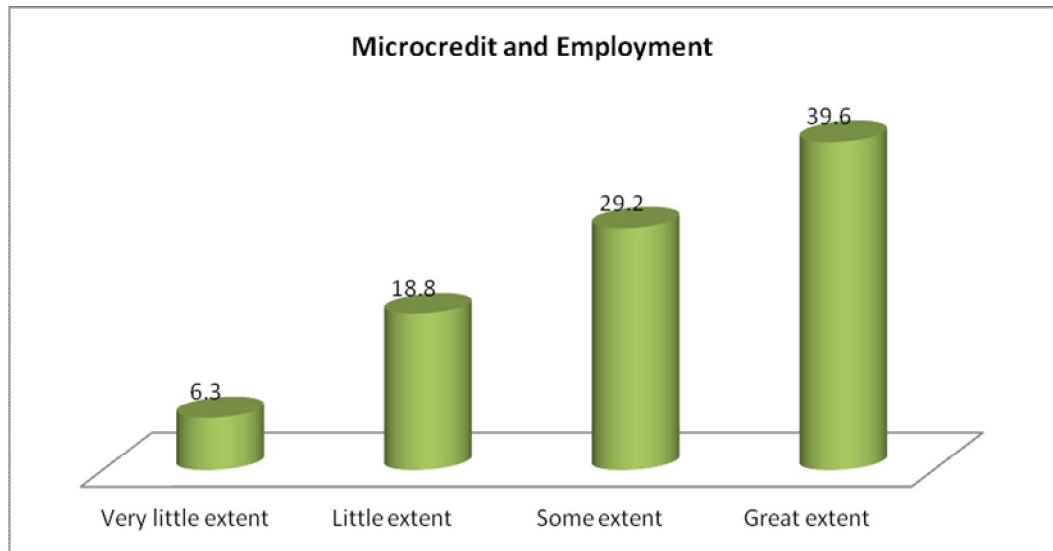


Figure 4.10 Microcredit and Employment

4.2.11 Microcredit and Creation of More SMEs

Respondents were further required to indicate whether the use of microcredit influenced the creation of more SMEs. 39.6% of them were of the opinion that it did so to a great extent, 35.4% of them to some extent, 12.5% of them to a little extent and 6.3% of them each to a very little extent and to a very great extent. The findings are as shown in Table 4.11 and Figure 4.11.

Table 4.11 Microcredit and Creation of More SMEs

Creation of SMEs	Frequency	Percentage
Very little extent	3	6.3
Little extent	6	12.5
Some extent	17	35.4
Great extent	19	39.6
Very great extent	3	6.3
Total	48	100.0

Source: Research Data 2013

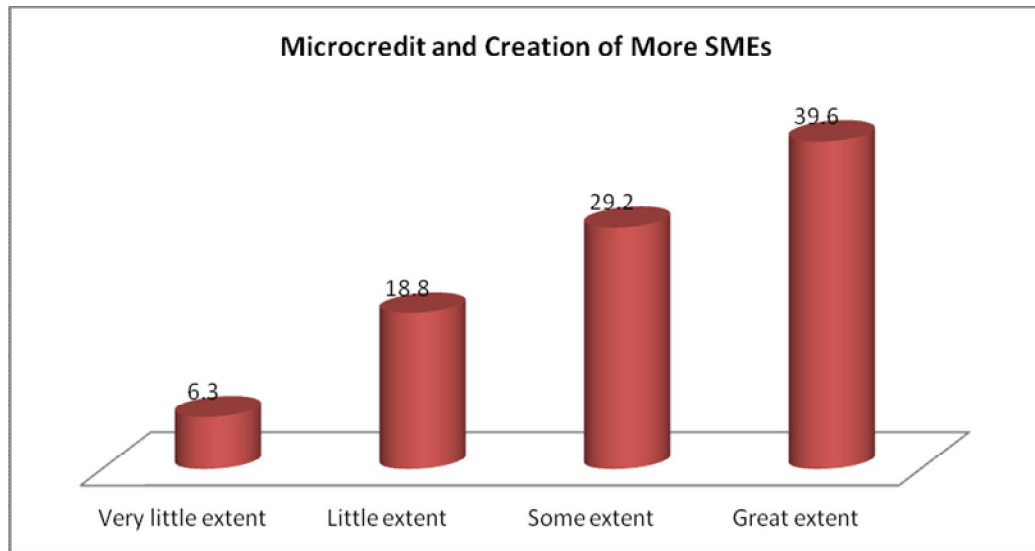


Figure 4.11 Microcredit and Creation of More SMEs

4.2.12 Microcredit and Growth in Business

Respondents were further required to indicate whether the use of microcredit led to growth in business. 52.1% of them were of the opinion that it did so to some extent, 18.8% of them either to a great extent or to a little extent, 6.3% of them to a very little extent and 4.2% of them to a very great extent. The findings are as shown in Table 4.12 and Figure 4.12.

Table 4.12 Microcredit and Growth in Business

Growth in Business	Frequency	Percentage
Very little extent	3	6.3
Little extent	9	18.8
Some extent	25	52.1
Great extent	9	18.8
Very great extent	2	4.2
Total	48	100.0

Source: Research Data 2013

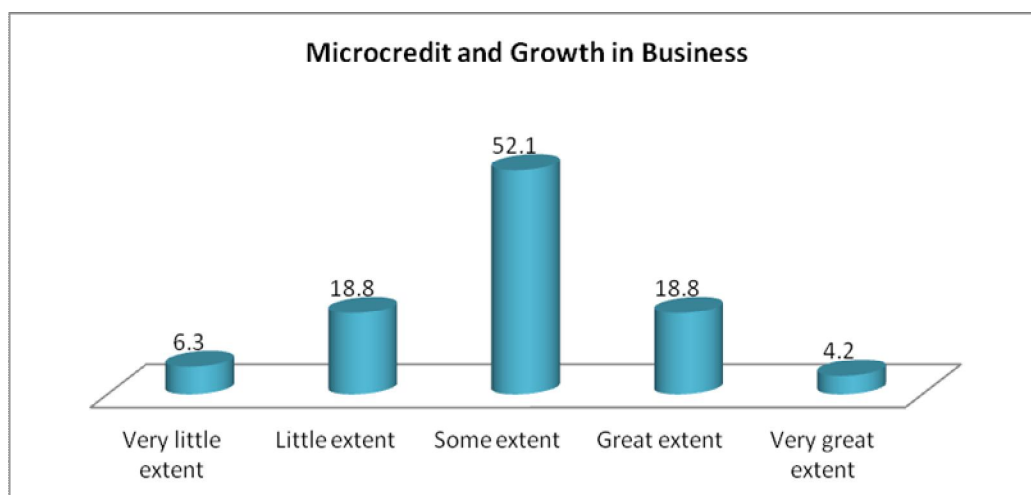


Figure 4.12 Microcredit and Growth in Business

4.2.13 Use of Loans for Business

Respondents were further required to indicate whether clients used all loans granted for business use. 47.9% of them were of the opinion that they used the loans granted to them for business activities to some extent, 33.3% of them to a great extent, 10.4% of them to a little extent, 6.3% of them to a very little extent and 2.1% of them to a very great extent. The findings are as shown in Table 4.13 and Figure 4.13.

Table 4.13 Use of Loans for Business

Use of loans	Frequency	Percentage
Very little extent	3	6.3
Little extent	5	10.4
Some extent	23	47.9
Great extent	16	33.3
Very great extent	1	2.1
Total	48	100.0

Source: Research Data 2013

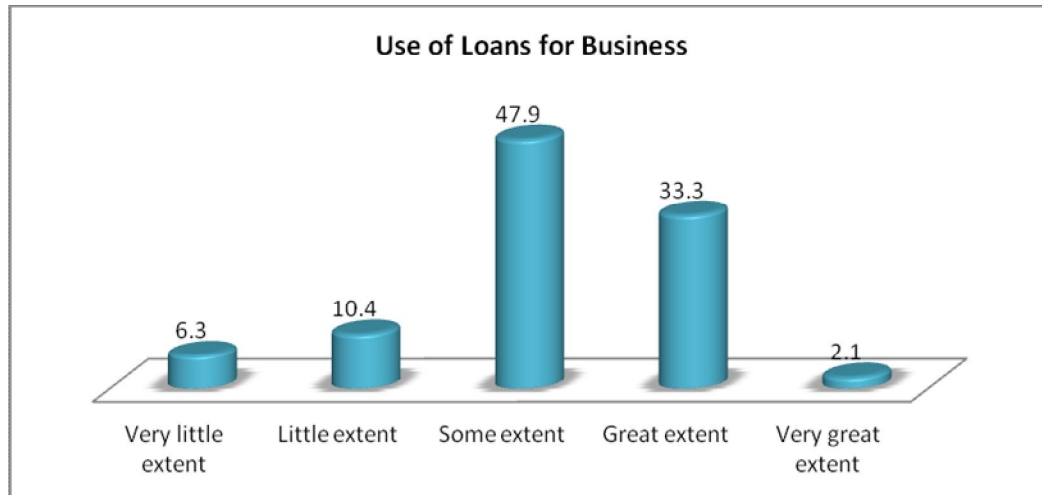


Figure 4.13 Use of Loans for Business

4.2.14 Activities Clients use Loans for

Respondents were further required to indicate other uses of loans granted other than the intended purpose. They mentioned the following: Building houses; buying cars; buying clothes, buying land; addressing emergencies like hospital fees; entertainment and luxury; expanding and increasing stock; paying school fees; paying house rent and lending to their friends. Respondents further indicated the following as ways of avoiding credit misappropriation: Account for every use of loans; account for the amount of cash lost through other activities such as emergencies; appraisal of the loan purpose so that it can deliver, avoid using loans for other purposes; borrowing loans with a viable project; commit the credit to business; diversifying fund to other uses than business plan; educating business men on how to use it; ensuring that the credit yield a return; give loan to credit worthy clients; lenders to advice SMEs while issuing loans on how to account for loan spending; limit loan usage on unworthy projects; monitoring credit usage; prior planning for the budget and stick to that budget; replace the amount used for other purposes on time; sticking to purpose of the loan; the microcredit should have a follow up programme to make sure clients have put the loan in the stated purpose, thorough training through public awareness and withdrawing enough or little cash needed from the bank to avoid excessive use or misuse or purchasing things that were not planned for.

4.2.11 Regression Analysis

The research study wanted to evaluate the relationship between microcredit and the growth of SMEs in Kenya. The research findings indicated that there was a very strong positive relationship ($R = 0.852$) between the variables. The study also revealed that 72.7% of growth in the SMEs could be explained by the variables under study. From this study it is evident that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain growth in the SMEs sector in Kenya. The findings are as shown in the Tables 4.14, 4.15 and 4.16.

Table 4.14 Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
	.852	.727	.398		.95469

Source: Research Data 2013

Table 4.15 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.518	47	.138	.746	.003
Residual	.185	1	.185		
Total	1.702	48			

Source: Research Data 2013

Table 4.16 Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.441	1.820		2.440	.059
Microcredit (Loan size)	.253	.244	.323	1.039	.047
Number of employees	.136	.232	.157	.587	.053
Entity's total assets	.147	.358	.172	.410	.049

Source: Research 2013

From this study it was evident that at 95% confidence level, the variables produce statistically significant values for this study (high t-values, $p < 0.05$). A positive effect is reported for all the variables under study hence influence growth in the SMEs sector in Kenya chain positively. The results of the regression equation below shows that for a 1- point increase in the independent variables, growth in SMEs is predicted to increase by 4.441, given that all the other factors are held constant. The equation for the regression model is expressed as:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

$$Y = 4.441 + 0.253X_1 + 0.136X_2 + 0.147X_3$$

Where

β_1 , β_2 and β_3 are correlation coefficients

Y= SMEs growth

X_1 = Microcredit (Loan size)

X_2 = Number of employees

X_3 = Entity's total assets

4.3 Summary and Interpretation of Findings

This research sought to evaluate the relationship between microcredit and the growth of SMEs in Kenya. 62.5% of the businesses considered were small while the remaining 37.5% of them medium hence relative representation of the two categories of businesses. Majority of them had less than 5 employees attributable to their small scope of operations. Majority of these businesses had been in business for a period of less than 10 years (83.3%). However a significant 12.5% of them had been in business for a period of between 10-20 years which was long enough for them to build a credit history.

The following major findings were established: Access of credit significantly led to increase in sales level. 60.4% of the respondents were of the opinion that their businesses improved in terms of sales volume as a result of using microcredit. 27.1% of them indicated that their sales volume had highly increased. 37.5% of them indicated that between 11-15% of their annual profits was contributed by use of microcredit. Another 31.3% of them indicated that over 15% of their annual profits was contributed by use of microcredit in their businesses. This reveals that access and utilization of microcredit by SMEs leads to increased profitability due to increased working capital. Further, 47.9% of the respondents indicated that their total assets increased as a result of using credit to some extent. 50% of the respondents indicated that microcredit influenced growth of SMEs to some extent. However, another 18.8% of them indicated microcredit influenced the growth of SMEs to a great extent. On the other hand 39.6% of them categorically indicated that microcredit increased employment levels attributable to increased employment power. Businesses which had more working capital can recruit more employees to execute assignments. Another 39.6% of them were of the opinion that use of microcredit influenced the creation of more SMEs. This is attributable to the fact that microcredit can be used as initial capital.

The inferential statistics indicated that there was a very strong positive relationship ($R= 0.852$) between the variables. The study also revealed that 72.7% of growth in the SMEs could be explained by the variables under study. From this study it is evident that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain growth in the SMEs sector in Kenya.

Muthengi,(2012) conducted a study on the impact of microcredit on the growth small and microenterprises in Kitui District. His findings were that 80% of the sampled population used credit before. The result also showed that microcredit had impacted positively on the growth of SMEs in the District. Pius,(2010) investigated on the influence of microcredit finance on the growth of small scale women entrepreneurs in Kenya. The research findings revealed that the small scale entrepreneurs faced problems in operating their businesses. Lack of collateral to access loans came up as a major challenge in the study. Amin et al, (2003) carried out panel data set on monthly consumption and income before they received loans. The findings were that microcredit is successful in reaching the poor and failure to the vulnerable. Coleman (1999) explains that debt is not necessarily an effective tool towards helping the poor enhance their economic condition. The poor are poor as a result of other reasons rather than lack of access to credit.

All the empirical studies are in line with the study findings. It can be concluded that access and utilization of microcredit has a positive effect on the growth of SMEs in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1 Summary

This research sought to evaluate the relationship between microcredit and the growth of small and medium enterprises in Kenya. A descriptive and correlation research design was used. This research targeted all registered SMEs found within Nairobi County estimated at 50,000. This population was given importance due to getting empirical evidence. A sample of 50 SMEs was selected using random sampling.

A semi-structured questionnaire which contained both open-ended and close-ended questions was used to obtain information from the respondents. The questionnaire was structured in such a way to capture information from SMEs sector, on the nature of business and its size. The study variables and comments from the respondents before and after utilization of microcredit. Drop and pick later method was used as it is appropriate and convenient for the researcher. This gave the respondents time to fill the questionnaires and also allowed the researcher the opportunity to review the questionnaires for completeness before picking. The questionnaires contained questions that addressed the objective of the study.

50 questionnaires in total were administered but the researcher managed to obtain 48 completed questionnaires. Access of credit significantly led to increase in sales level. 60.4% of the respondents were of the opinion that their businesses improved in terms of sales volume as a result of using microcredit. 37.5% of them indicated that between 11-15% of their annual profits was contributed by use of microcredit. This reveals that access and utilization of microcredit by SMEs leads to increased profitability due to increased working capital. Further, 47.9% of the respondents indicated that their total assets increased as a result of using credit to some extent. 50% of the respondents indicated that microcredit influenced growth of SMEs to some extent. However, another 18.8% of them indicated microcredit influenced the growth of SMEs to a great extent. On the other hand 39.6% of them categorically indicated that microcredit increased employment levels attributable to increased employment power. Businesses which had more working capital can recruit more employees to execute assignments. Another 39.6% of them were of the opinion that use of microcredit influenced the creation of more SMEs. This is attributable to the fact that microcredit can be used as

initial capital. The inferential statistics indicated that there was a very strong positive relationship between the variables. All the empirical studies are in line with the study findings. It can be concluded that access and utilization of microcredit has a positive effect on the growth of SMEs in Kenya.

5.2 Conclusion

From the study findings, it would be safe to conclude that access and utilization of microcredit leads to growth of SMEs. The conclusion is supported by the study findings which showed that there was a very strong positive relationship ($R= 0.852$) between the variables. The study also revealed that 72.7% of growth in the SMEs could be explained by the variables under study. From this study it is evident that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain growth in the SMEs sector in Kenya.

Access of credit significantly led to increase in sales level. Businesses improved in terms of sales volume as a result of using microcredit. There is increased profitability of SMEs by using microcredit which is attributable to increased working capital. There is a notable increase in the total asset base attributable to increased purchasing power. Microcredit increases employment levels attributable to increased recruitment power. Businesses which have more working capital can recruit more employees to execute assignments. Use of microcredit influences the creation of more SMEs because the credit facilities can be used as initial capital. These conclusions are supported by both descriptive and inferential statistics as indicated.

5.3 Recommendations for Policy and Practice

With due regard to the ever increasing desire to have growth in the SMEs sector in Kenya, there is need to invest in proper microcredit strategies so as to meet these expectations. This should be done in a manner in which all the stakeholders are happy. This therefore calls for embracing proper microcredit strategies which are

acceptable, accessible, ethically sound, have a positive perceived impact, relevant, appropriate, innovative, efficient, sustainable and replicable.

The management of lending institutions should ensure that they sensitize the owners of SMEs and their management on best financial management practices. This will go a long way in helping them to account for every use of loan, account for the amount of cash lost through other activities such as emergencies. Lending institutions should also advise borrowers on how to appraise their projects for viability so that they can deliver and avoid misappropriations to execute projects they were not meant for. This will go a long way helping the business owners realize the objectives of the business and the credit to yield high returns. Banks should engage professional marketers of credit facilities to the SMEs which will increase uptake of loans by SMEs. They should also ensure that the lending procedure is clear and precise and timely to encourage SMEs to take up the loans. Flexible repayment periods should be facilitated by management of lending institutions.

The owners and management of SMEs should always monitor their credit usage to avoid misappropriation. This should start even before accessing the credit by prior planning for the budget and sticking to that budget. In the event of misappropriation they should replace the amount used for other purposes on time so as to stick to purpose of the loan. Banks should also have a follow up programme to make sure clients have put the loan in the stated purpose.

The government should enact legislation which regulates the microfinance industry. This legislation should ensure that banks and other lending institutions charge affordable interest rates on SMEs. The legislations should also ensure that the lending institutions accept a wide range of documentation to access a loan as a security. Stringent requirements should be removed.

5.4 Limitations of the Study

The researchers encountered quite a number of challenges related to the research and most particularly during the process of data collection. Some respondents were biased while giving information due to reasons such as privacy and busy schedules at their places of work.

Due to inadequate resources, the researcher conducted this research under constraints of finances and therefore collected data from SMEs located in Nairobi County. Travelling to other places could be more costly to the researcher.

The research was also constrained by time factor and therefore longitudinal methods study cannot be used. Time allocated for this project to meet the university's deadline caused the researcher spend sleepless nights analyzing data and researching about the contents to be included within the topic of study.

The study will only sample 10% of the population making sampling restrictions a limitation. Some respondents may be suspicious and hence give inaccurate information. Aside from receiving inaccurate information, some considered information on credit as confidential leading to rejection of responding to the questionnaires.

5.5 Suggestions for Further Studies

Arising from this study, the following directions for future research in finance are as follows: First, this study focused on SMEs located in Nairobi and therefore, generalizations cannot adequately extend to other SMEs outside Nairobi. Future research should therefore focus on all SME in Kenya. A broad based study on microcredit issues and performance in both private and public should also be carried out.

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APPENDIX: Questionnaire

PART 1: Introduction

This is a questionnaire on the effect of microcredit on the growth of SMEs in Kenya being conducted for the purpose of research at the University of Nairobi.

Kindly complete this questionnaire, considering each question thoughtfully and honestly. Your responses will be treated as confidential and the information will be used only for the purposes of this study.

PART 2: BACKGROUND INFORMATION

1.Name of the SMES(optional).....

2.Business type: Small[] Medium []

3.How many employees are there?

6-20 []

21-50 []

4.For how long has the SMES been in operation?

10 years or less []

11 to 20 years []

21 to 30 years []

More than 30 years[]

PART 3:ACCESSIBILITY AND UTILIZATION OF MICROCREDIT BY SMES

5.What was the approximate average sales levels before getting credit?.....

.....

6 What was the approximate average sales after using credit?.....

.....

7.How has the business benefited from in terms of sales volume from the microcredit?

Highly increased []

Highly decreased []

No change []

Decreased []

Improved []

8. What percentage of your annual profits was contributed from using microcredit in the last financial year?.....

.....

9. Did the firm's total assets increase as a result of use of credit?

Very little extent []

Little extent []

Some extent []

Great extent []

Very great extent []

10. Did the availability of microcredit have a role in the growth of sales level of SMEs?

Very little extent []

Little extent []

Some extent []

Great extent []

Very great extent []

11. Has the use of microcredit influenced employment levels within the SMEs sector?

Very little extent []

Little extent []

Some extent []

Great extent []

Very great extent []

12. Does the use of microcredit influence the creation of more SMEs?

Very little extent []

Little extent []

Some extent []

Great extent []

Very great extent []

13. As per your evaluation, do loans granted lead to growth in their businesses?

Very little extent []

Little extent []

Some extent []

Great extent []

Very great extent []

14. Do clients use all loans granted for business activities?

Very little extent []

Little extent []

Some extent []

Great extent []

Very great extent []

15. If no, what activities do you know clients use the loans for?

.....
.....
.....
.....

16. Kindly suggest how credit misappropriation can be avoided.

.....
.....

17. What would you recommend that needs to be done to improve accessibility of microcredit by SMEs?.....

.....
.....
.....

Any other comment?.....

.....
.....

THANK YOU FOR YOUR TIME.