

**EFFECT OF MICROFINANCE SERVICES ON GROWTH OF MICRO AND
SMALL BUSINESS ENTERPRISES IN THE TEXTILE INDUSTRY IN NAIROBI,
KENYA**

BY

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DECLARATION

I declare that this dissertation proposal is my original work and has not been previously published or submitted elsewhere for the award of the degree of Master of Science in Commerce, (Finance & Investments).

I also declare that this dissertation proposal contains no material written or published by other people except where due reference is made and the author duly acknowledged.

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ABSTRACT

In the Kenya Textile industry, past statistics shows that most of the micro and small business enterprises do not survive third year of their incubation period since three out of five micro-enterprises fail within the first few months of operation (Ogindo, 2009). Access to microfinance services such as credit, training, micro insurance and mobile banking services should enable the micro and small business enterprises to achieve increased growth but this is hardly the case among many micro and small business enterprises in Kenya textile industry. The study main objective was to investigate the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya. The study specifically aimed to determine the effect of access to credit on growth of micro and small business enterprises in the textile industry in Kenya; establish the effect of training on growth of micro and small business enterprises in the textile industry in Kenya and to assess the effect of micro-insurance on growth of micro and small business enterprises in the textile industry in Kenya. The study adopted a descriptive research design and the target population will be a total of 1220 micro and small business enterprises in Nairobi. The study will apply a stratified random sampling technique to select 122 owners of micro and small business enterprises as the study respondents. Questionnaires were used as the main data collection instruments and a pilot study will be conducted to pretest questionnaires for validity and reliability. Descriptive statistics and multiple regression analysis were used to analyze the gathered data and the results were presented on Tables, figures and graphs. The study findings indicated that access to credit; training and micro-insurance are the key major microfinance services that affect the growth of growth of micro and small business enterprises in the textile industry in Kenya. The study drew conclusions that access to credit; training and micro-insurance and the major microfinance services that affects the growth of micro and small business enterprises in the textile industry in Kenya. The study also concluded that training with a coefficient of 0.560 is the major microfinance service that affects the growth of micro and small business enterprises in the textile industry in Kenya. This is then followed by micro insurance with a coefficient of 0.440 and then lastly access to credit with a coefficient of 0.086. The study recommended that as measure to improve access to credit by micro and small business enterprises. Microfinance institutions in should design effective and affordable credit services by reducing high interest rates fee and offering favorable credit payment terms and credit payment period. Microfinance institutions should also avoid insisting on high values collateral from the owners of micro and small business enterprises and provide different credit options depending with the nature of business. The management of microfinance institutions should offer the owners and operators of micro and small enterprises with alternative training methods by engaging them in business seminars, workshops, and encouraging them to access training institutions hence making them to get an opportunity to learn on how to implement various business growth and development strategies. Micro finance institutions should guide the owners and operators of micro and small business enterprises on how to conduct on the job training and technical training institutions should design up to date vocational training programs depending with the skills needs of individual owners and operators of micro and small enterprises in textile industry in Kenya.

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DEDICATION

To my loving family for encouragement and continuous support throughout my studies

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ACRONYMS AND ABBREVIATIONS

ICT Information Communication Technology

KM Knowledge Management

KR Knowledge Retention

KT Knowledge Transfer

TERMS AND DEFINATIONS

A micro-enterprise is defined as any business that employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed KShs500,000 (Harrington, 2008).

A small business enterprise is an enterprise that employs more than ten but less than 50 employees and annual turnover of between Kshs five hundred thousand and five million. (Kessy and Urio, 2009).

Training is the process of enhancing the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies (Armstrong, 2008).

Micro-insurance is the packaging of insurance for the low income earners. Micro insurance aims at enabling low income earners manage risks such as Accident, Illness, Theft, Death, Fire and Natural Disasters such as Flood and Drought. Micro insurance cover is provided in exchange for affordable insurance premium tailored to the needs, income and nature of risks faced by buyers. Those targeted by micro insurance include the Jua Kali sector, farmers, farm workers and house helps among others (IRA, 2016).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Microfinance enables the low income earners and excluded section of people in the society who do not have access to formal banking to build assets, diversity livelihood options and increase income, and reduce their vulnerability to economic stress (Howard, 2011). In the past, it has been experienced that the provision for financial products and services to poor people by MFIs can be practicable and sustainable as MFIs can cover their full costs through adequate interest spreads and by operating efficiently and effectively. Microfinance is not a magic solution that will propel all of its clients out of poverty. But various impact studies have demonstrated that microfinance is really benefiting the low income earners enterprises (Littlefield and Rosenberg, 2007).

Microfinance is defined as a development tool that grants or provides financial services and products such as very small loans, savings, micro-leasing, micro-insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses (Robinson, 2008). Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients (Asiama, 2007). Microfinance or micro credit has therefore been associated with helping empower the low income earners to account properly and independently for their small businesses.

In addition to financial services, some MFIs provide social intermediation services such as the formation of groups, development of self-confidence and the training of members in that group on financial literacy and management (Ledgerwood, 2009). There are different providers of microfinance (MF) services and some of them are; Non-Governmental Organizations (NGOs), savings and loans cooperatives, credit unions, government banks, commercial banks or non-banking financial institutions. The target group of MFIs are self-employed low income entrepreneurs who are; traders, seamstresses, street vendors, small farmers, hairdressers, rickshaw drivers, artisans blacksmith etc (Ledgerwood, 2009).

1.1.1 Micro and Small Business Enterprises

In Kenya, a micro-enterprise is defined as any business that employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed KSh500,000 (Harrington, 2008). This business segment cuts across all sectors of the economy and provides one of the most prolific sources of employment (Kinuthia, 2012). Micro enterprises are small in nature, either in terms of number of employees, capital and asset turnover. Their working capital and assets is limited and their overall turnover is usually small compared to larger enterprises (Mburu, 2012). According to Kessy and Urio (2009), a small business enterprise is an enterprise that employs more than ten but less than 50 employees and annual turnover of between Kshs five hundred thousand and five million.

Micro and Small Business Enterprises are of major importance for economic growth. Proportional to their size, small firms create more jobs than large firms do. According to the annual report of 2009 on European Union, in 2008, there were over 20 million enterprises in the European Union. Out of which about 43,000 were large scale enterprises, while the vast majority (99.8%) were micro business enterprises. Micro enterprises create a higher degree of competition leading to a positive effect on aggregate employment growth five to eight years later. Similar studies on enterprises in Asia by Asian Development Bank (2009) indicate that a large share of Asian workers are engaged in micro business enterprises, therefore they are a major source of the employment in the country.

Micro and Small Business Enterprises are the backbone of many economies in Sub-Saharan Africa (SSA) and hold the key to possible revival of economic growth and the elimination of poverty on a sustainable basis (Kinuthia, 2012). Despite the substantial role of the Micro enterprises in SSA's economies, they are denied official support, particularly credit, from institutionalized financial service organizations that provide funds to businesses. According to, these enterprises account more than one – half of the economic activities of the countries within the region (Hamisi Madole, 2013). The introduction of MFI's in Tanzania is seen as the best alternative source of financial

services for low income earners and their MSEs as a means to raise their income, hence reducing their poverty level and contributing in country economy (Kessy&Urrio, 2007). In Uganda, the services of microfinance institution to majority of citizens who are low income earners have created opportunity to them including managing scarce household and enterprises resources more efficiently, protection against financial risks by taking advantages of investment opportunities and gaining economic returns (Chijoriga, 2007).

Micro finance enables clients to protect, diversify and increase their incomes, as well as to accumulate assets, reducing their vulnerability to income and consumption shocks (Robinson, 2012). Since Kenya attained independence in 1963, considerable efforts have been directed towards the nation's industrial development. The initial efforts were government-led through the vehicle of large industry, but lately emphasis has shifted to Micro enterprises. The government encourages the microfinance crediting through licensing them and also giving them credit by loaning them through the Central Bank of Kenya. The Microfinance industry has become a major backbone in the sustenance and survival of Micro enterprises in Kenya. Micro and Small Business Enterprises need both financial and non-financial services to enhance their productivity, profitability and growth. Sievers and Vanderberg (2007) hold the view that access to financial and business development services are essential for growth and development of Micro and Small Enterprises.

1.1.2 Textile Industry in Kenya

The textile industry in Kenya is relatively diverse and can be divided broadly into four main areas of production as follows: cotton growing and ginning; yarn and thread production; fabric manufacture and apparel manufacture. Kenya's textile and apparel sector has the potential to play a key role in anchoring the country's deeper movement into middle income status and in serving as a source of gainful employment for its fast growing, young population. As a manufactured good, it offers opportunities for increased value capture and streamlined trade logistics, and for the building of skills and experience from the factory floor to management level. The textile sector serves as a potential gateway to other manufactured goods, offering opportunities for Kenya to capture an increasing share of global trade and to advance economic diversification (Ministry of

Industry Trade and Cooperatives, 2016).

The textile sector has been facing many challenges and one of them is that the local design capabilities are not being exploited either by the companies operating in the EPZs or by the medium and large firms servicing the domestic market. In this value-chain local designers and small tailors are non-existent. They have instead created a self-employment space for themselves, with some employing as many as 50 people. Most of the 75,000 micro enterprises in the textile industry operate under cottage industry framework and mind-set. They source their requirements – machinery, fabrics and accessories – from local suppliers and wholesalers of imported materials. Most of them work on a “made to measure” basis for their clients, making a wide range of items, including shirts, trousers, suits, dresses, and traditional and ethnic wears. Some have structured workshops to make ready-to-wear garments, mainly school uniforms, corporate gear, shirts, trousers, suits, dresses, and gowns. A few textile firms manufacture high quality garments, semi-haute couture, under their own label that is sold in boutique shops (Kessy and Urio, 2009).

The textile industry contributes just 0.6% to GDP and accounts for only 6% of the manufacturing sector, still earns 7% of total export earnings and holds tremendous economic promise. The Kenya Vision 2030 identified the clothing sector as the driver of Kenyan industrialization. The fashion and clothing sector in Kenya currently comprises 22 large foreign owned companies operating in the Export Processing Zones (EPZs), 170 medium and large companies, 8 ginneries, 8 spinners, 15 weaving and knitting companies, 9 accessories manufacturers and over 75,000 micro and small business enterprises, including fashion designers, tailoring units and cloth retail sellers. It spans the Fiber to Fashion (F2F) value-chain (cotton cultivation, ginning, spinning, weaving, knitting, dyeing and finishing, garment and accessories manufacturing) (Mburu, 2012).

The potential of textile sector in Kenya remains largely untapped due to systemic and structural weaknesses of the clothing industry, which, despite its rich history of over 100 years, remains fragmented, uncoordinated and misaligned. The sector is skewed towards cottage industries and low value-addition garment making, with an attendant steady decline in the textile sector. The situational analysis of the Kenya clothing industry is

characterized by: Existence of a dynamic textile and clothing sector, fairly well integrated with cotton cultivation, ginning and spinning, weaving, knitting, dyeing and finishing facilities; the clothing sector primarily caters for traditional and African wear (Kitenge, Kanga, Kikoye and Masai wears); local fabrics are not suitable for western type clothing; there is unfair competition from good quality second hand imported garments (Fashion Industry Report,2015).

The Kenyan domestic market for textile and clothing is complex and competitive. The market is catered by: Large import of new and second-hand used clothing (mitumba) of good quality and which are sold at very competitive prices in selected shops and by street vendors and micro-enterprises situated in urban centers. The distribution of locally manufactured and imported new cloths is done by specialty clothing and apparel stores, such as jades, Truworth and Woolworth and Brand Shops. These are mostly foreign owned chain stores and offer a wide range of quality clothing and home textile products at reasonable prices (Kinuthia, 2015).

1.1.3 Nairobi County

Nairobi is the capital and largest city of Kenya. It is famous for having the Nairobi National Park, the world's only game reserve found within a major city. The name "Nairobi" comes from the Maasai phrase Enkare Nairobi, which translates to "cool water"(UN, 2016). Nairobi is home to the Nairobi Securities Exchange (NSE), one of Africa's largest. Nairobi is a home to many manufacturing industries; goods manufactured in Nairobi include clothing, textiles, building materials, processed foods, beverages, and cigarettes. Several foreign companies have factories based in and around the city (Business Daily, 2016).

There are many micro and small business enterprises that operate within Nairobi, these micro-enterprises conduct different businesses, which include selling clothes and shoes, health and beauty products, food and beverages, ICT gadgets; and many more. Within the CBD, over 50% of micro-enterprises relies on various forms of credit or microfinance services for their survival. In Nairobi Central Business District along Moi Avenue Street, there are many cloth micro- business enterprises (NCBD, 2015).

1.2. Statement of the Problem.

The Kenya textile industry is dominated by many Micro and Small Business Enterprises; most of these enterprises are located within Nairobi. Micro and Small Business Enterprises plays a significant role towards promotion of country's economic development through employment creation and income generation (Kibet, 2015). Majority of micro-business enterprises in Kenya are mostly out of scope of formal banking services as they depend on MFIs loans to finance their business operations (Ngugi, 2010). Microfinance services are therefore important to enhance survival and growth of MSEs in Kenya. Micro And Small Business Enterprises in the Kenya textile industry are important because they are able to provide new jobs and also reduce the erosion of human capital by providing alternative employment opportunities for relatively skilled yet unemployed workers (Kenyan Economic Survey, 2013). The economic survey of 2011 indicated that 50% of new jobs created in 2005 were contributed by Micro and Small Business Enterprises (GoK, 2009). According to Economic Survey Report (2013) the micro-business enterprises sector contributed to 18.4% of the country's gross domestic product, which is an important indicator of a country's economic growth.

For the past ten years, the number of MFI institutions that provide microfinance services continues to grow rapidly in Nairobi and in Kenya at large. Most microfinance institutions have gone a long way to improve the growth of micro and small business enterprises by granting them micro-credit and loans to finance their businesses (Koech, 2011). In addition to these financial services, MFIs also provide non-financial services like business training in order to help improve the capacity of owners of medium and small enterprises in managing their business enterprises (Kamau, 2010). However, most micro and small business enterprises continue to record a declined growth despite having access to the microfinance services. In the Kenya Textile industry, statistics shows that most of the micro and small business enterprises do not survive third year of their incubation period since three out of five micro-enterprises fail within the first few months of operation (Ogindo, 2009).

Access to microfinance services such as credit, training, micro insurance and mobile

banking services should enable the micro and small business enterprises to achieve increased growth but this is hardly the case among many micro and small business enterprises in Kenya textile industry. Therefore, it is hence against this background that this study was hence undertaken to fill the missing knowledge gap in literature by investigating the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya.

1.3 Objectives of the Study

The study was guided by the following objectives:

1.3.1 General Objectives

To investigate the effect of microfinance services on growth of micro and small business enterprises in the textile industry in Nairobi, Kenya.

1.3.2 Specific Objectives

The study sought to achieve the following specific objectives:-

- a) To determine the effect of access to credit on growth of micro and small business enterprises in the textile industry in Nairobi, Kenya.
- b) To establish the effect of training of Micro and Small Business owners on growth of micro and small business enterprises in the textile industry in Nairobi, Kenya.
- c) To assess the effect of micro-insurance on growth of micro and small business enterprises in the textile industry in Nairobi, Kenya.

1.4 Research Questions

The study sought answers to the following research questions:

- a) How does access to credit affect the growth of micro and small business enterprises in the textile industry in Nairobi, Kenya?
- b) What is the effect of training of Micro and Small Business owners on micro and small business enterprises in the textile industry in Nairobi, Kenya?
- c) How does micro-insurance affect the growth of micro and small business enterprises in the textile industry in Nairobi, Kenya?

1.5 Justification of the Study

The study will be of great significance to microfinance institutions in Kenya since the study findings will provide reliable information on the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. The Mfis will be able to train their credit officers on what kind of investment opportunities are viable for micro and small business enterprises. The credit officers will not only give out credit, but also advise owners and managers of micro and small business enterprises on profitable projects to consider investing in.

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 micro and small business enterprises. Effective implementation will see the micro and small business enterprises 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 micro and small business enterprises 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 study is of great significance to micro-enterprise operators since it would help to educate them on the importance of insurance policy like micro-insurance. The businesses will then be empowered to plan and implement effective measures to run their businesses, including taking out insurance policies to protect their businesses against a wide range of risks.

Academicians and future researchers will also find the conclusions useful for reference in the course of their search for further knowledge. The information will be used for literature review by other researchers conducting studies on effects of microfinance services on growth of micro and small business enterprises in Kenya. This will stimulate interest among scholars focusing on microfinance and micro and small business enterprises in their research projects. The findings will hence contribute in constructing a

foundation for further research in the area of microfinance service's and micro-enterprises and the industry at large.

1.6 Scope of the Study

The study will be undertaken in Nairobi, The study will specifically investigate the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya in terms of access to credit; training and micro-insurance services. The target population will comprise of micro and small business enterprises in Nairobi. The study will be undertaken within duration of one month.

1.7 Limitations of the Study

The study was expected to have limitations that may affect the accuracy and the process of the study findings. Some major limitation that experienced included that location for the study since Nairobi is large region and the researcher many not be able to reach all small and microbusiness enterprises within the City. Another limitation is that cases of respondents not filling or completing the questions or some issues being misunderstood, inadequate responses to questionnaires and unexpected occurrences like people going in leave before completing the questionnaire. This was mitigated through constant reminder to the respondents during the period they will be having the questionnaire.

The confidentiality policy of most owners and managers operating small and microbusiness enterprises restricted most of the respondents from answering some of the questionnaires since it might be considered to be against the organization confidentiality policy to expose the organization confidential matters. The researcher presented an introduction letter obtained from the university and this helped to avoid suspicion and enable the owners and managers operating small and microbusiness enterprises to disclose much of the information sought by the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the relevant literature to form a basis for the study. It evaluates both theoretical and empirical literature on the effects of microfinance services on growth of micro and small business enterprises.

2.2 Theoretical Framework

A theoretical framework provides the researcher with the lens through which to view the world. It relates to the philosophical basis on which the research would be founded and forms the link between the theoretical aspects and practical components of the problem under investigation (Orodho, 2009). In this study, the theoretical framework consisted theories related to the determinants of insurance uptake by micro-enterprises in Kenya. It is within this framework that the research problem under study evolves. The theoretical framework thus explains the credit risk theory, human motivation theory and agency theory.

2.2.1 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. Micro and small business enterprises in the textile industry in Kenya are constrained by low incomes and lacks

better infrastructure such as business assets and collateral for securing borrowed credit; hence they are seen as risky borrowers and limited to small loans or are unable to access any credit facility from MFIs. The theory is relevant to determine the effect of access to credit on growth of micro and small business enterprises in the textile industry in Kenya. The theory will be used to determine the effect of access to credit on growth of micro and small business enterprises in the textile industry in Kenya.

2.2.2 Human Motivation Theory

The human motivation view as one among them explains the effects of business owners' behavior on the performance of enterprises. Subscribers of this theory assert that the social and psychological motive can significantly influence growth seeking behavior and therefore growth of the enterprise (Benzing and Chu, 2009). They further argue personal needs of owner managers motivate them to seek further growth and that these needs are socially generated, sustained and changed. This implies that human motivation factors are very important for business growth regardless of whether the business has enough capital or not. These factors and human needs can be shaped through training. Other motivation for growth include the completion of challenging tasks, having control over one's own job, upward movement of enterprises activities, creating more opportunities for enterprises, learning new skills by working in challenging environments and sometimes poverty reduction motive (Singh and Belwal, 2008). In this respect, people including micro and small business enterprises owners with a high need for achievement, would value particular work-task situations and perform well in them, while their counterparts will perform poorly. Likewise, the clients of micro and small business enterprises with high achievement needs for growth are expected to have higher growth than those with low need for achievement. It should be however noted that some of these motivation characteristics can be acquired through training and learning from others (Roomi, 2009). This theory will be applied to establish the effect of training on growth of micro and small business enterprises in the textile industry in Kenya. The theory will be used to establish the effect of training on growth of micro and small business enterprises in the textile industry in Kenya.

2.2.3 Agency Theory

Agency theory is concerned with agency relationships. Two parties have an agency relationship when they co-operate and engage in an association where one party (the principal) delegates decisions and/or work to another (an agent) to act on its behalf (Eisenhardt, 2009; Rungtusanatham et al., 2007).

The important assumptions underlying agency theory are that; potential goal conflicts exist between principals and agents; each party acts in its own self-interest; information asymmetry frequently exists between principals and agents; agents are more risk averse than the principal; and efficiency is the effectiveness criterion.

Two potential problems stemming from these assumptions may arise in agency relationships: An agency problem and a risk-sharing problem (Xingxing, 2012). An agency problem appears when agents' goals differ from the principals' and it is difficult or expensive to verify whether agents have appropriately performed the delegated work (i.e. moral hazard). This problem also arises when it is difficult or expensive to verify that agents have the expertise to perform the delegated work (i.e. adverse selection) that they claim to have. A risk-sharing problem arises when principals and agents have different attitudes towards risk that cause disagreements about actions to be taken (Boyer, 2007).

Insurance companies, which are the principals, use insurance agents to facilitate the sale of micro-insurance services. However, misunderstandings between the principal and the agent would lead to poor delivery of micro-insurance services or misrepresentation, which affects the sale of insurance to targeted customers. The theory will be applied to assess the effect of micro-insurance on growth of micro and small business enterprises in the textile industry in Kenya. The theory will be used to assess the effect of micro-insurance on growth of micro and small business enterprises in the textile industry in Kenya.

2.3 Empirical Literature

A number of studies have been conducted on effect of microfinance services on growth

of micro-business enterprises. This section discusses some of the previous studies in relation to effect of access to credit; effect of training and the effect of micro-insurance on growth of micro and small business enterprises in Kenya.

2.3.1 Access to Credit and Growth of Micro and Small Business Enterprises

The accessibility of credit by micro and small business enterprises is usually considered as an important factor in the growth of micro and small business enterprises. Credit helps micro and small business enterprises improve their income levels, alleviate poverty and create job opportunities, 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 (Hiedhues, 2011).

A study by Navajas (2010) found out that accessibility of microcredit by micro and small business enterprises has played a major role in promoting the growth and development of many micro and small business enterprises in India. Navajas (2010) noted that even though access to credit to most of the small business enterprises was difficult, a number of business enterprises that accessed microcredit loans were able to finance their assets hence resulting to increased growth and development especially in micro and small business enterprises in textile industry.

According to findings by Coleman (2009) access to credit by micro and small business enterprises supported the growth of many business enterprises in Bagladesh since many village banks credit did not help in physical asset accumulation. Coleman (2009) found out that micro and small business enterprises in Textile industry were mostly owned by women who 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. A study by Hoque (2008) found out that micro-credit improves capacity to cope economic difficulties as there is positive influence of microcredit on the wellbeing of borrowers. Growth of SMEs depends on the capital injection into the business and non-financial services like training to develop the micro and small business sector

A study by Steel (2013) identified that in Africa, most micro and small business enterprises are faced with challenges of how to be access credit from MFIs. 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.

Unstable survivors are the kind of micro and small business enterprises 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: is the business that 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, 2012). Jones (2015) notes that In many developing nations, lack of collateral, types of credit, interest rates and nature of business hampers many micro and small business enterprises to access credit from microfinance institutions.

A study by Mosley and Hulme (2008) concluded that microfinance loans help many small scale entrepreneurs in Africa to invest textile industry but lack of business training affects the growth of textile business enterprises. Karlan & Zinman (2010) did a study on effect of micro finance services on loan accessibility by micro-businesses in Ghana and noted that lack of collateral hindered many micro-business owners to access micro loans and this affected the growth of their business enterprises.

Besides, the empirical evidence emerging from various studies such as Mkazi (2007)

about the MFIs loans on growth of micro businesses, there has so far yielded mixed results that are inconclusive especially for developing countries like Kenya. Zeller and Sharma (2007) study on microfinance revealed that microfinance aid in the improvement or establishment of micro businesses by lending loans at lower interest rates and this helps in poverty eradication. Burger (2008) study on microfinance and growth of micro business in fashion industry revealed that, micro loans have played a major role towards facilitating the growth of Kenya textile industry by providing alternative source of capital.

Niru (2012) conducted a study to establish the impact of microfinance services on growth of business enterprises in Nairobi CBD. The study used 200 business enterprises that have been financed by microfinance loans. The business enterprises were drawn from Nairobi CBD in Kenya. The study established that business enterprises made significant growth after accessing credit from MFI and textile enterprises experienced the highest growth rate. The study noted that MFIs loans have helped in improving the growth of business enterprises in fashion industry.

2.3.2 Training and Growth of Micro and Small Business Enterprises

Training entails the process of enhancing the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies (Armstrong, 2008). Successful implementation of business growth strategy requires owners and employees of micro and small business enterprises to be first trained in order to improve and develop the organization human resource capacity. Many microfinance institutions provides training services to owners and employees of micro and small business enterprises in form of seminars, workshops and on job training.

The importance of training as one tool for micro and small business enterprises growth has been recognized worldwide. Many studies have revealed that training contributes significantly in the growth of enterprises. For example, Edgcomb (2012) established that training has significant impact on participant characteristics and final participant

outcomes. Training adds to the skills of micro and small business enterprises owners, change their behavior on how they perceive and conduct business activities and in turn enhance their ability to perform better. With the right skills; the micro and small business enterprises owners can gain important edges even under stiff competitive environment. Through training, the enterprise owners/managers can acquire networks, transfer technology, develop commercial entities and acquire new and better management techniques. This is because business training is mainly geared towards building entrepreneurial skills and traits of the recipients in order to better their businesses practices (Roomi, 2009).

Limited access to soft productive resources (particularly basic management and financial literacy) can restrict the capacity of business owners to participate effectively in business activities (Heino and Pagan, 2011). Moreover, different others advocate that the most impending and strategic factor inputs for micro and small business enterprises are capital and business skills (Gebru, 2009).

Microfinance programmes were introduced as a means to provide credit which is an important source of the needed capital. However, as argued above, provision of credit alone without business skills it will not be possible for enterprises to perform at an optimal level. It is also possible that the outcry from micro and small business enterprises for credit could be reduced through enhanced business skills as the owners get exposed and gain more knowledge on how to better use/manage resources they have. Therefore micro enterprises are required to be receiving both micro credit and training services in order to perform better than those receiving credit alone (Heino and Pagan, 2011).

A study by Baron (2009) revealed that in Germany as measure to ensure that micro and small business enterprises had competent employees, the government enacted a Vocational Training Act that required all companies, including one-person companies, need to comply with the same rule: they had to be accredited for apprenticeship by the relevant chamber. However, the study failed to explain how the Vocational Training Act leads to increased level of employees' competence and its contribution in access of

business advisory services by MSEs. The study also failed to explain how MSEs employees should be trained on various business skills that influences the to seek business advisory services.

Tan (2009) study noted that in Africa, one of the main obstacles that often prevent micro and small business enterprises owners from taking systematic approaches to training and competence development is the difficulty to assess their training and competence needs. The study gave emphasis on training and thus failed to determine the influence of employees' competence on the use of business advisory services in micro and small enterprises in Kenya.

Alarape (2007) did a study to examine the impact of owners/managers of micro-business enterprise participating in entrepreneurship programs on operational efficiency and growth of small enterprises in Nigeria. The study was a cross-sectional analysis of impact of exposure of owners' managers of small businesses on their performance of operational efficiency and growth rate. The data was collected from primary and secondary sources. Both descriptive and inferential statistics were employed for the analysis. The findings were that small business whose owners, managers had experience of participating in training were able to repay the borrowed MFIs loans and expand their businesses that those who did not have business training experience.

Bran and Woller (2010) carried out a study to establish the effects of microfinance on growth of textile micro-businesses in India. The study concluded that microfinance has brought better psychological and social empowerment than economic empowerment on women operating textile micro-businesses in textile industry. The study further recommended that the impact of microfinance services like training helped in managerial ability decision making process and this increased the business growth.

Nderi (2012) conducted a study to find out the constraints that hinder growth of micro and small business enterprises in Kenya. The researcher adopted the case study approach and targeted SMEs in Kamukunji District. The study findings showed that many owners

and managers operating micro and small business enterprises failed to access business training services from MFIs and this made them to lack the required competencies and management skills to execute their business activities effectively. Most micro and small business enterprises especially in textile industry were found to be employing poor marketing strategies and lacked capability to adopt new technology like ICT and production methods.

2.3.3 Micro-Insurance and Growth of Micro and Small Business Enterprises

Micro-insurance is the protection of low-income people, i.e. those living on between approximately \$1 and \$4 per day(below \$4)) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved (Atmanand,2008). Alexander (2012) notes that micro-insurance is a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. In his study on micro- insurance in Uk, Alexander (2012) affirmed that micro-insurance does not refer to: the size of the risk-carrier (some are small and even informal, others very large companies). Micro-insurance also does not refer to the scope of the risk since the risks themselves are by no means "micro" to the households that experience them). Further micro-insurance also does not refer the delivery channel since it can be delivered through a variety of different channels, including small community-based schemes, credit unions or other types of microfinance institutions, but also by enormous multinational insurance companies, etc.

A study by Churchill (2009) found out that in many developed nations, insurance functions on the concept of risk pooling, and likewise, regardless of its small unit size and its activities at the level of single communities, so does micro-insurance. Micro-insurance links multiple small units into larger structures, creating networks that enhance both insurance functions (through broader risk pools) and support structures for improved governance (i.e. training, data banks, research facilities, access to reinsurance etc.). This mechanism is conceived as an autonomous enterprise, independent of permanent external financial lifelines, and its main objective is to pool both risks and resources of whole

groups for the purpose of providing financial protection to all members against the financial consequences of mutually determined risks. Churchill (2009) study concluded that micro-insurance plays major role in the protection of micro and small business enterprises against financial loss and this promotes business growth.

A study by Hassan (2010) revealed that in India and Africa micro-insurance, like regular insurance, is offered for a wide variety of risks. These include both health risks (illness, injury, or death) and property risks (damage or loss). A wide variety of Micro insurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc Micro insurance has made a significant difference in countries like Mali, as Maxime Prud'Homme and Bakary Traoré describe in *Innovations in Sikasso*. Still, many countries face continuing challenges. Specifically in Bangladesh, micro health insurance schemes are having trouble with financial and institutional sustainability,

According to a study by International Micro-insurance Conference, Nigeria (2013). Micro and small business enterprises are vulnerable to risks, a fact that is widely recognized as one of key drivers of underdevelopment. In Africa, a continent with many infectious diseases, limited infrastructure, largely agrarian populations and fragile economies, owners of micro and small business enterprises are exposed to a multitude of risks that keep them in a vicious cycle of poverty. Illness, death, natural disasters, damage to and loss of property, and accidents all have devastating effects on livelihoods especially in situations where there is no buffer to help business owners mitigate the financial impact of these events.

Harrington (2008) notes that as opposed to developed countries, African countries do not have the financial means to provide the necessary government safety nets to successfully mitigate significant portions of their risks. Failure of informal schemes and government led programs to address the population's risk management needs opens a significant window of opportunity for micro-insurance to mitigate micro and small business

enterprises vulnerability to risks and help them to achieve increased growth.

FinAccess conducted a study in (2009) and revealed that the rate of insurance penetration is below 3% of GDP, with only 7% of the Kenyan population having any form of insurance. It further revealed that the majority of the insured are drawn from the formal sector, which accounts for about 5% of the total 8 population. This therefore means that majority of Kenyans in the informal sector mostly dominated by micro and small business enterprises are not adequately provided for by conventional insurance. Micro- insurance is therefore necessary to facilitate the required growth by tapping into the potential existing in the informal sector.

A study by Oyugi (2011) noted that Smallholder farmers, small traders and manufacturers and people generating livelihoods on a small and generally vulnerable scale constitute the base of the untapped micro-insurance market in Kenya. Although the banking sector has been active in tapping into this market through micro finance institutions and savings societies, the insurance industry is yet to make a meaningful impact. With this realization, micro insurance remains a form of financial inclusion and access both of which are necessary preconditions for increasing insurance penetration. By giving insurance access to the low-income and economically vulnerable households, the micro-insurance agenda will support the Government's financial sector policy objectives as outlined in the Vision 2030.

In Kenya, Micro insurance is the packaging of insurance for the low income earners. Micro insurance aims at enabling low income earners manage risks such as Accident, Illness, Theft, Death, Fire and Natural Disasters such as Flood and Drought. Micro insurance cover is provided in exchange for affordable insurance premium tailored to the needs, income and nature of risks faced by buyers. Those targeted by micro insurance include the Jua Kali sector, farmers, farm workers and house helps among others. This group lacks appropriate mechanisms to control risks allowing losses to drive them into helpless situations and abject poverty given that they cannot afford conventional insurance products. It is important to note that the majority of the Kenyan population falls

within this category. IRA has recognized this need and is keen on facilitating the insurance industry to develop affordable insurance products to serve the needs of this group (IRA, 2016).

A study by Holmstrom (2009) revealed that micro insurance works better with groups than with individuals because the cost of selling micro insurance to individuals is higher than that of selling to groups. Also, insurers find it cheaper to underwrite group risks compared to individual risks. This is the reason Banks, Microfinance Institutions, Chamas, Trade Associations, Social Welfare Groups, Saccos, Large Corporations and the Government take advantage of their existing group structures to buy cheap insurance. Some of these groups rarely go through insurance intermediaries when buying insurance for their staff/members.

In Kenya, the current state of Micro-insurance today is that some insurance and non-insurance institutions have welcomed micro insurance by introducing products such as Afya Bora by CIC and Salama Sure by UAP with Faulu Kenya offering Faulu Afya. Most of these products focus on primary risks such as Livestock and Crop, Health, Funeral and Life Insurance. Other financial institutions facilitate the development of micro-insurance through marketing, distribution as well as serving as premium collection and claims payment points. These include Banks, Microfinance Institutions, Mobile Money Transfer Providers and Saccos (IRA, 2016).

2.4 Research Gaps

The literature review demonstrates that there exist various studies that have attempted to establish the effects of microfinance services on growth of micro and small business enterprises in the textile industry. However there lacks a specific study that have focused on the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya in terms of access to credit, training and micro-insurance.

A study by Steel (2013) identified that in Africa, most micro and small business enterprises are faced with challenges of how to be access credit from MFIs and a Njiru

(2012) conducted a study to establish the impact of microfinance services on growth of business enterprises in Nairobi CBD, however these studies did not clearly explain how access to credit affect the growth of micro and small business enterprises in Kenya.

Tan (2009) study noted that in Africa, one of the main obstacles that often prevent micro and small business enterprises owners from taking systematic approaches to training and competence development; Alarape (2007) did a study to examine the impact of owners/managers of micro-business enterprise participating in entrepreneurship programs on operational efficiency and growth of small enterprises in Nigeria and a study by Nderi (2012) conducted a study to find out the constraints that hinder growth of micro and small business enterprises in Kenya. These studies also failed to link training and growth of micro and small business enterprises.

According to a study by International Micro-insurance Conference, Nigeria (2013). Micro and small business enterprises are vulnerable to a risk which affects their development; a study by Holmstrom (2009) revealed that micro insurance works better with groups than with individuals because the cost of selling micro insurance to individuals is higher than that of selling to groups. These studies focused on nature of business risks and effective ways to sell micro-insurance products but N failed to critically explain how micro insurance services affects the growth of micro and small business enterprises in Kenya. This study unlike previous studies aims to fill the missing gaps in literature by narrowing towards investigating the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya in terms of access to credit, training and micro-insurance.

2.5 Conceptual Framework

This section explains the conceptual framework of the research study. According to Sekeran (2003) a conceptual framework describes the relationship between the research Variables; a Variables is a measurable characteristic that assumes different values among subjects. An independent variable is that variable which is presumed to affect or determine a dependent variable (Orodho, 2009). A dependent variable is a variable

dependent on another variable like the independent variable. In conducting the study, a conceptual framework is used to show the relationship between the independent variables and dependent variable. In this study the dependent variable is growth of Medium and Small Enterprises and independent variables includes; access to credit, training and micro-insurance. The relationships between the research variables are illustrated in the following figure 1.

Independent Variables

Dependent Variable

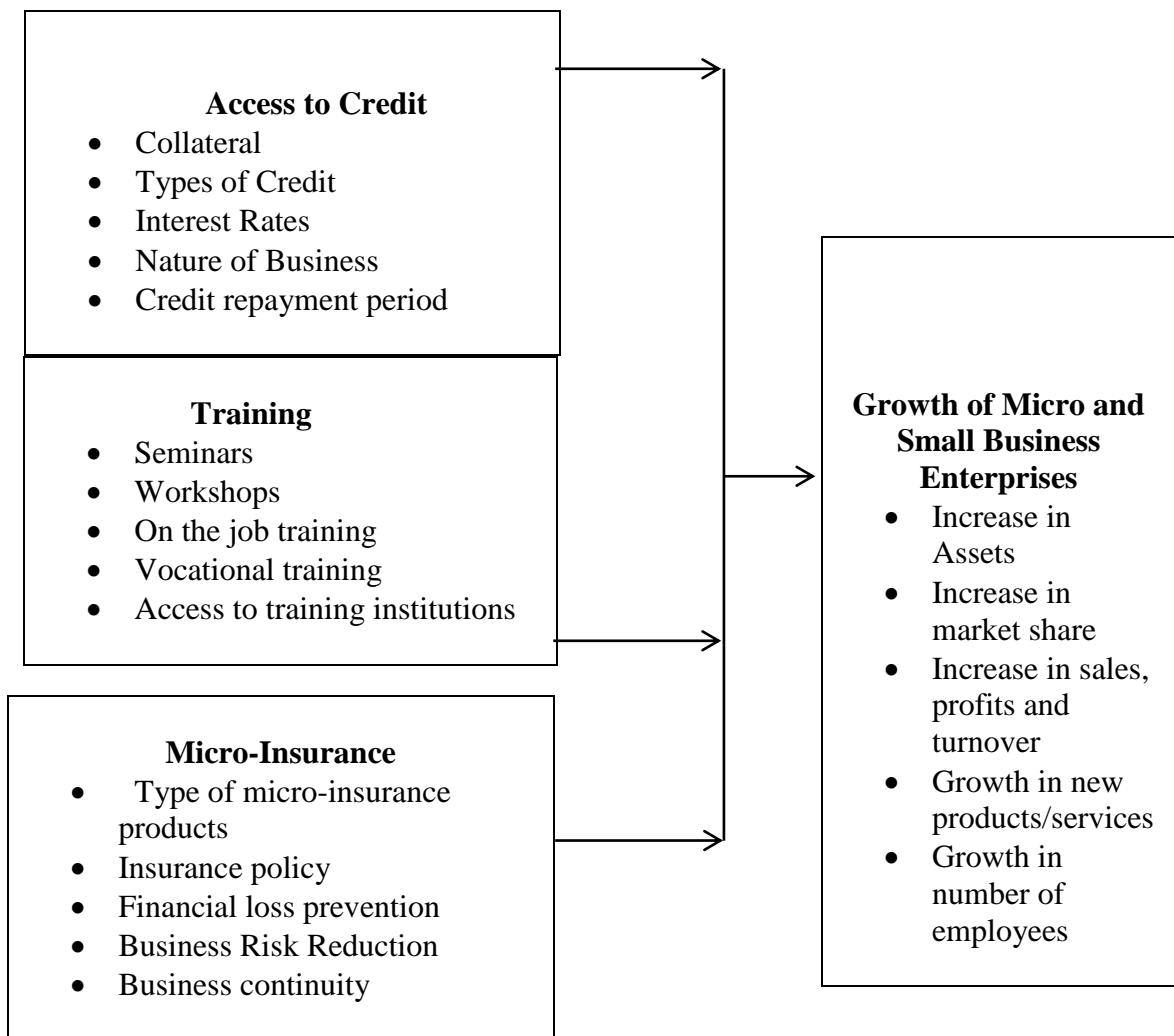


Figure 2.1 Conceptual Framework

2.6 Operationalization of Research Variables

The variables of the study will be operationalized as shown in Table 2.1

Table 2.2 Operationalization of Research Variables

Variable	Type	Measurement
Access to Credit	Independent	<ul style="list-style-type: none"> • Collateral • Types of Credit • Interest Rates • Nature of business • Credit repayment period
Training	Independent	<ul style="list-style-type: none"> • Seminars • Workshops • On the job training • Vocational training • Access to training institutions
Micro-insurance	Independent	<ul style="list-style-type: none"> • Type of micro-insurance products • Insurance policy • Financial loss prevention • Business Risk reduction • Business continuity
Growth of Micro and Small Business enterprises	Dependent	<ul style="list-style-type: none"> • Increase in Assets • Increase in market share • Increase in sales, profits and turnover • Growth in new products/services • Growth in number of employees

Hypotheses

H₀: Access to credit does not significantly affect the growth of micro and small business enterprises in the textile industry in Kenya.

H₀: Training does not significantly affect the growth of micro and small business enterprises in the textile industry in Kenya.

H₀: Micro-insurance does not significantly affect the growth of micro and small business enterprises in the textile industry in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses research design and methodology of the study. The chapter covers, research design, target population, sample and sampling procedure, instrumentation and data collection, validity and reliability of data collection instruments and data analysis and presentation.

3.2 Research Design

The study adopted a descriptive research design. According to Kombo and Tromp (2006), descriptive studies are non experimental in that they deal with the relationships between non manipulated variables in a natural rather than laboratory setting. Since the events or conditions have already occurred, the researcher selects the relevant variables for an analysis of their relationships. Descriptive studies use the logical methods of inductive-deductive reasoning to arrive at generalizations, descriptive studies employ methods of randomization so that error may be estimated when inferring population characteristics from observations of samples and in descriptive research, the variables and procedures are described Cooper and Schindler,2003).The study considered this design appropriate since it will facilitate application of a stratified random sampling technique to obtain information from few respondents in order to establish the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya.

3.3 Target Population

Target population defines those units for which the findings of the survey are meant to generalize (Mugenda and Mugenda, 2008). The target population was a total of 1220 textile shops which are micro and small business enterprises in the textile industry in Nairobi Kenya. According to the Nairobi County Government Business Registration department, there is a total of 1220 registered textile shops as micro and small business enterprises in textile industry in Nairobi.

Table 3.2 Population

Population Category	Target population
Micro business enterprises	800
Small business enterprises	420
Total	1220

Source: Nairobi County Government (2017).

3.4 Sample size and Sampling Procedure

This study applied a stratified random sampling procedure. Stratified random sampling is whereby the population is divided into segments and thereafter subjects are drawn in proportion to their original numbers in the population (Bougie & Sekaran, 2010). According to Orodho (2009) stratified random sampling is considered appropriate since it gives all respondents an equal chance of being selected and thus it has no bias and eases generalization of the findings. The target population was divided into two sub-groups/stratas notably micro business enterprises and small business enterprises. The criteria for stratification was the type of business enterprise. Simple random sampling was then be applied to select 10% of the respondents from each population subgroup/strata leading to a total of 122 respondents as the sample size for the study. According to Orodho (2009) a sample size of between of 10% per cent of the target population supports gathering of unbiased data from the target population and assists in generalization of the research findings. The sample size of the study was thus be 82 respondents as shown in Table 3.2.

Table 3.2 Sample Size

Population Category	Target population	Sample Ratio	Sample Size
Micro business enterprises	800	10%	80
Small business enterprises	420	10%	42
Total	1220	10%	122

Source: Nairobi County Government (2017).

3.5 Instrumentation

Data collection is the process of gathering respondents' opinions on the study problem (Kothari, 2003). Primary data will be gathered through the use of structured questionnaire (close ended questions) (Cooper & Schindler, 2003). Questionnaires will be the main data collection instruments. Close-ended questionnaires will be used. Questionnaires will be preferred since according to Dempsey (2003) they are effective data collection instruments that allow respondents to give much of their opinions pertaining the researched problem. According to Sekeran (2003) the information obtained from questionnaires is free from bias and researchers influence and thus accurate and valid data was gathered. Secondary data will be obtained through desk research and e-resources from past published scholarly articles on small scale suppliers' performance. The questionnaires will be self-administered to a total of 122 respondents and later picked for data analysis and tabulated through the use graphs, charts and reports.

3.6 Validity and Reliability of the Research Instruments

Data validity refers to the degree to the results represents the phenomenon under study and therefore the results are accurate, meaningful and free from interference (Mugenda, 2008). To establish the validity of the data collection instruments, the research instruments will be given to various respondents, i.e. 10% of the population. The respondents will be expected to tick the relevance of questionnaires in gathering data on the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. The content of the responses given by the staff will be checked against the study objectives and rated using a scale of 1(very relevant) to 4 (not very relevant). The Content Validity Index was used to determine the validity by adding up all the items rated using a scale of 3 and 4 by the staff and dividing the total sum by the total number of items in the questionnaires. An average context of validity coefficient index of 3 and above implied that the questionnaires are valid research instrument for the study.

Reliability refers to the consistence, stability, or dependability of the data. Whenever a researcher measures a variable, researcher wants to be sure that the measurement provides dependable and consistent results (Cooper & Schindler, 2003). A reliable

measurement is one that if repeated a second time will give the same results as it did the first time. Cronbach's alpha a coefficient of reliability that gives an unbiased estimate of data generalizability will be used to test reliability of the answered questionnaires. According to Zinbarg (2005), Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability. An alpha coefficient higher than 0.75 indicates that the gathered data has a relatively high internal consistency and could be generalized to reflect opinions of all suppliers' respondents in the target population. After obtaining an alpha coefficient of higher than 0.75, questionnaires were issued to all respondents. Data reliability played an important role towards generalization of the gathered data on the effects of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya.

3.7 Data Analysis and Presentation

Quantitative methods of data analysis was employed with both descriptive and inferential statistics being applied to explain the results of the study. Descriptive statistics was preferred because it aids the study to meaningfully describe the population of study; descriptive statistics was used to compute data frequency, percentage, percentage mean and STD deviation results aided by Statistical Packages for Social Science (SPSS Version 23). SPSS was considered appropriate since it is user friendly and allows the researcher to follow clear set of quantitative data analysis procedures that led to increased data validity and reliability and demonstrated the relationship between the research variables. SPSS will also assist in cross tabulation and recording of data frequencies. The quantitative findings of the study was presented using Tables. Further inferential statistics was done using multiple regression model to establish the relationship between the research variables. The following multiple regression model was applied:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i$$

Where: Y= Growth of micro and small business enterprises

β_0 = Constant;

X_1 = Access to credit

X_2 = training

X_3 = Micro-insurance

$\hat{\epsilon}$. = error term,

a = Constant and

β_1 , β_2 and β_3 = coefficients.

The findings were presented using Tables and charts.

3.8 Diagnostic Test

Diagnostic tests was applied to verify the suitability of the model. In this study, correlation analysis, Analysis of Variance (ANOVA) and t-test will be applied. The study conducted correlation analysis to test the strength of association/relationship between the research variables. Correlation analysis results give a correlation coefficient which measures the linear association between two variables (Crossman, 2013). Values of the correlation coefficient range between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear. A correlation of -1 indicates that two variables are negatively linearly related and a correlation coefficient of 0 indicates that there is no linear relationship between two variables (Sekaran, 2006).

The study used Analysis of Variance (ANOVA) in order to test the significance of the overall regression model. Green & Salkind (2003) posits that one way Analysis of Variance helps in determining the significant relationship between the research variables.

The t test will also be used, the t-test is any statistical hypothesis test in which the test statistic follows a Student's t-distribution under the null hypothesis. A t-test is most commonly applied when the test statistic would follow a normal distribution if the value of a scaling term in the test statistic were known. When the scaling term is unknown and is replaced by an estimate based on the data, the test statistics (under certain conditions) follow a Student's t distribution (Dempsey,2003). The t-test was used, to determine the overall significance of the regression model.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses data analysis procedures, presentation and interpretation of the research finding on effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya. The chapter covers descriptive statistics data analysis and presents data using charts and Tables inform of frequency, percentages, mean, standard deviation and variance results.

4.2 Response Rate

The study conducted an analysis of response rate to determine the actual number of the respondents who answered and submitted back the questionnaires for data analysis. From the results in Table 4.1 the response rate was (64) 53% of the total sample size and the non-response rate was (58) 47%. The response rate of 53% was accepted since it helped in gathering sufficient data that was generalized to reflect the opinions of respondents on the on effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya. According to Kombo and Tromp (2006) a response rate that exceed 30% of the total sample size of the study is deemed acceptable in gathering of sufficient data that could be generalized to represent the opinions of all respondents in the target population when the research design is descriptive. The response rate of 53% was as result of use of self-administered questionnaires and pre-notification of the study respondents on the study intention, in addition of making follow up calls to clarify queries as well as to prompt the respondents to fill the questionnaires.

Table 4.1 Response Rate

Response rate	Frequency	Percentage
Response	64	53%
Non Response	58	47%
Total	122	100%

4.3 Pilot Study Test Results

The study conducted a pilot study to test the validity and reliability of the questionnaires which were the main data collection instruments. According to Sekeran (2003), a pilot study is necessary for testing the reliability of data collection instruments. Joppe (2000) explains reliability of research as determining whether the research truly measures that which it is intended to measure or how truthful the research results are. The pilot study respondents involved 12 (10%) of the target population. According to Kombo and Tromp (2006) 10% of the sample population is a good representative to test the validity from the whole population. This ensures to determine if the instruments are important in obtaining the required data from the field and make valid conclusions.

4.3.1 Validity

To establish the validity of the data collection instruments, the research instruments were given to 13 respondents. The respondents were expected to tick if the item in the questionnaires could be used to investigate the effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya. The Content Validity Index of 1(not relevant) to 5 (very relevant) was used to determine the validity by adding up all the items rated using a scale of 1 and 5 by the selected project management professionals and dividing the total sum by the total number of items in the questionnaires. The coefficient of the data gathered from the pilot study was then computed with assistance of Statistical Package for Social Sciences (SPSS). An average content validity index of 5 was obtained and this implied that the questionnaires were valid research instrument for the study (Joppe, 2000).

4.3.2 Reliability Analysis

To measure the reliability of the data collection instruments an internal consistency technique using Cronbach's alpha was applied using SPSS. Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability (Zinbarg, 2005). As presented in Table 4.2 all the study variables had an Alpha coefficient of above 0.75 and this satisfied Zinbarg (2005) that an alpha coefficient of 0.75 or higher indicates that the gathered data is reliable as it has a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population. This thus

implied that the data collection instruments were reliable in gathering sufficient data that can be generalized to investigate the effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya.

Table 4.2 Reliability Results

Constructs	Items	Cronbach's Alpha Values	Comments
Access to Credit	8	.9100	Accepted
Training	8	.8246	Accepted
Micro insurance	8	.8508	Accepted
Growth of micro and small business enterprises	8	.8523	Accepted

4.4 Demographic Data

This section presents the results of respondents' personal information

4.4.1 Gender

On gender, Figure 4.1 presents that majority 62% of the respondents were female and 38% were male. This implies majority of micro and small business enterprises in textile industry are operated by women.

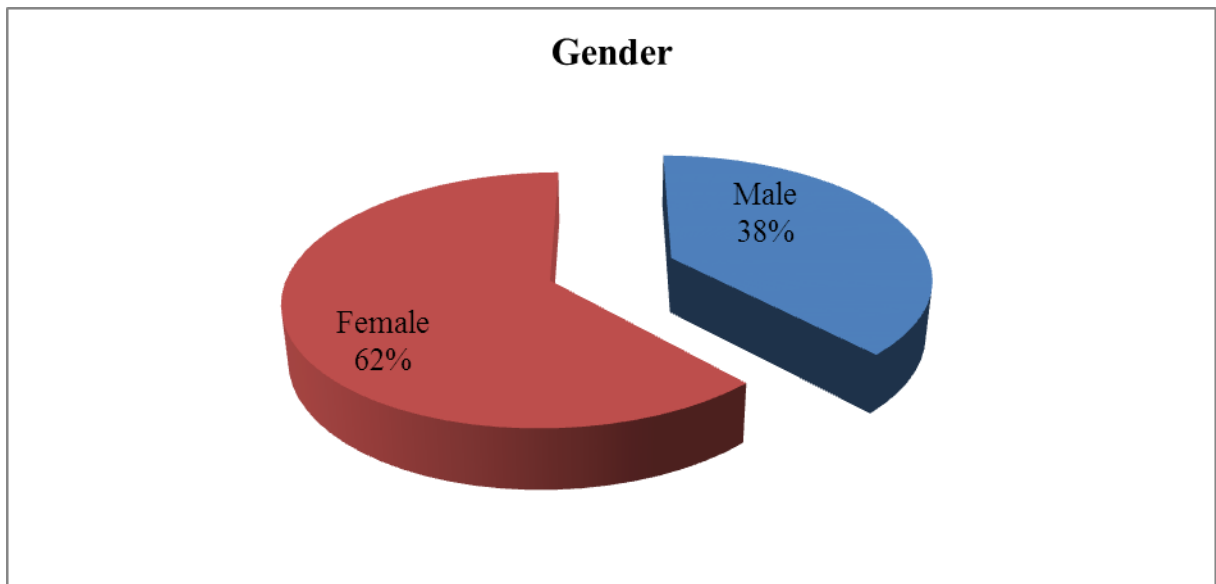


Figure 4.1 Gender

4.4.1 Age of the Respondents

The study aimed to establish the age of the respondents in order to determine if the age corresponded with their working experience in textile trading. This was important since it helped in determining how respondents had experienced the on effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. Figure 4.2 presents that majority (53%) of the respondents were in the age category of 31-40 years, followed by 22% who were in the age category of 41-50 years, then 16% who were in the age category of 18-30 years and lastly 9% of the respondents who were in the age category of 51 years and over.

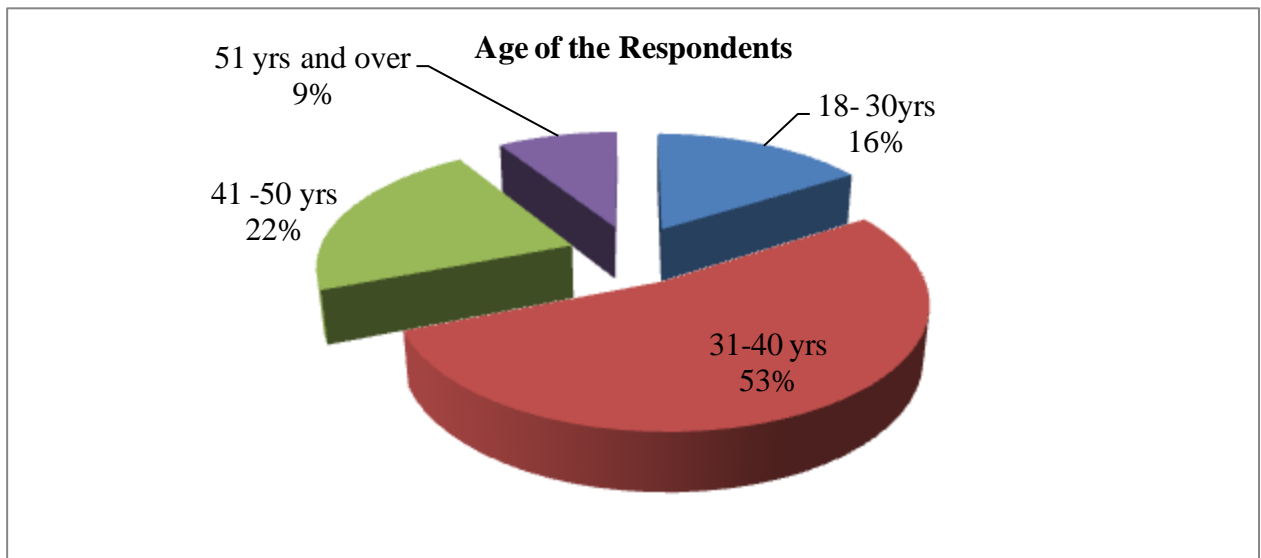


Figure 4.2 Age of the Respondents

4.4.2 Respondents Highest Education Level

The study aimed to establish the highest education level held by the study respondents in order to establish if they were equipped with relevant knowledge and skills on micro finance services and textile industry. From the study findings as presented in figure 4.3, majority (50%) of the respondents had secondary education level, followed by (25%) of the respondents with college education level, then 16% of the respondents had university education level and only 9% of the respondents had post graduate education level.

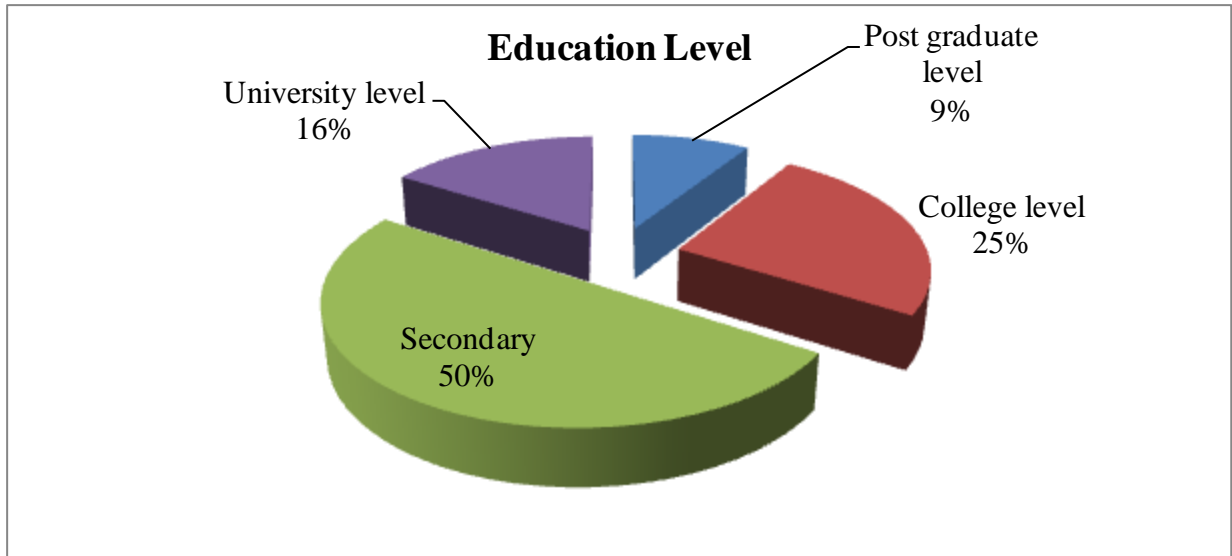


Figure 4.3 Highest Education Level

4.4.3 Respondents Working Experience

The study further found out it was important to establish the respondents working experience in order to determine if their experience could be relied upon to make conclusions for the study, based on their working experience on effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. As can be observed in Figure 4.4, majority (42%) of the respondents had a working experience of 9-12 years, 28% had a working experience of 4-8 years, 16% of the respondents had a working experience of 13-18 years, 8% of the respondents had a working experience of 19 years and above and finally 6% of the respondents had a working experience of less than 3 years.



Figure4. 4 Working Experience

4.4.4 Nature of Business

The study further found out it was important to establish the respondent’s nature of business. As can be observed in Figure 4.5, majority (50%) of the respondents were in garments selling business. 28% of the respondents were in tailoring business and 22% of the respondents were selling fabrics.

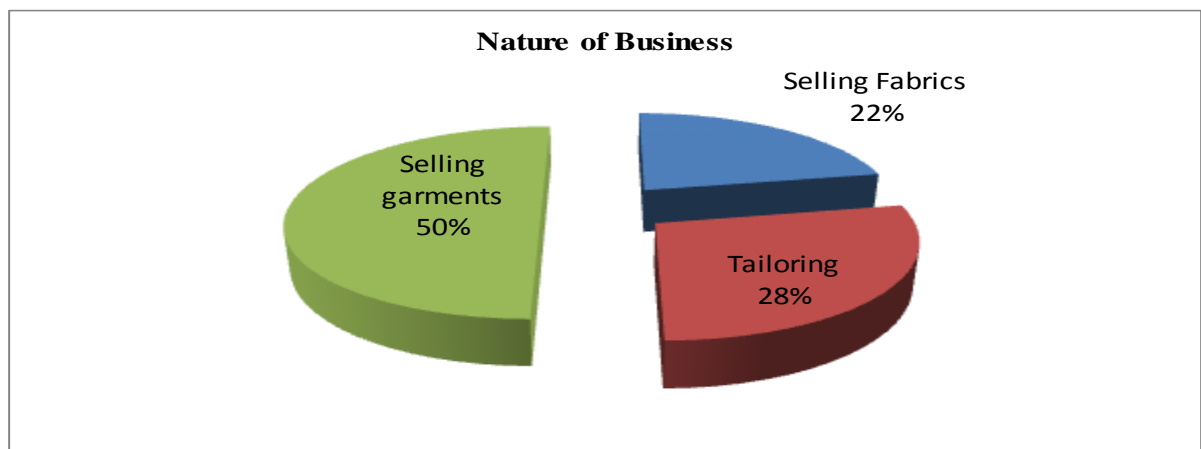


Figure 4.5 Nature of Business

4.5 Study Variables

The study overall objective was to investigate the effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya. Specifically, the study analyzed data in this section based on the research variables which included; access to credit; training and micro-insurance. The means, standard deviation and variance results were used to make inferences.

4.5.1 Access to Credit

The study aimed to determine the effect of access to credit on growth of micro and small business enterprises in the textile industry in Kenya. The study requested respondents to rate the extent to which Key factors in relation to access to credit affect the growth of micro and small business enterprises. Using a scale of 1 to 5 (1=not at all, 2= small extent, 3= moderate extent, 4=large extent and 5=very large extent. The Key factors in relation to access to credit included; collateral, types of credit, interest rates, nature of business and credit repayment period. The means, standard deviation and variance results were used to make inferences. From the results in Table 4.3; collateral had a mean score of 4.0781; types of credit had a mean score of 4.0000; interest rates had a mean score of 4.0625; nature of business had a mean score of 4.0469 and credit repayment period had a mean score of 4.0781. On average all the access to credit factors had an average mean score of 4.053; standard deviation of 0.86320 and a variance of 0.7446. Table 4.3 also indicates that the standard deviation and variance results on all the access to credit factors were less than 1 and this implies that majority of the respondents gave similar responses and there were only few respondents had divergent views or different opinions. These findings thus implies that majority of the respondents indicated that all the access to credit factors to a large extent affects the growth of micro and small business enterprises in the textile industry in Kenya.

According to Ramsey (2003) standard deviation and variance are both measures of variation for interval-ratio variables. They describe how much variation or diversity there is in a distribution (Sekaran, 2003). Both the variance and standard deviation increase or decrease based on how closely the scores cluster around the mean. Standard deviation provides an indication of how far the individual responses to a question vary or deviate

from the mean. It tells the researcher how spread out the responses are from the mean, and explains if the respondents' responses are concentrated around the mean, or scattered far & wide (Graham, 2002). If the standard deviation and variance are each greater than 1 it means that the respondents had divergent views and if they are each less than 1, then this means that the respondents had similar opinions on the issues concerned (Ramsey, 2003).

Table 4.3 Access to Credit Mean, Standard Deviation and Variance

<i>Access to Credit</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
a) Collateral	64	4.0781	.80287	.645
b) Types of Credit	64	4.0000	.99203	.984
c) Interest Rates	64	4.0625	.99203	.726
d) Nature of business	64	4.0469	.85217	.438
e) Credit repayment period	64	4.0781	.67682	.930
Average	64	4.053	0.8632	0.7446

4.5.2 Training

The study aimed to establish the effect of training on growth of micro and small business enterprises in the textile industry in Kenya. The study requested respondents to rate the extent to which Key factors in relation to training affect the growth of micro and small business enterprises. Using a scale of 1 to 5 (1=not at all, 2= small extent, 3= moderate extent, 4=large extent and 5=very large extent). The Key factors in relation to training included; seminars, workshops, on the job training, vocational training and access to training institutions. The analysis was computed using means, standard deviation and variance results.

From the results in Table 4.3; seminars had a mean score of 4.1094; workshops had a mean score of 4.0625; on the job training had a mean score of 4.0156; vocational training had a mean score of 4.0000 and access to training institutions had a mean score of 4.40781. On average all the training factors had an average mean score of 4.0531; standard deviation of 0.70056 and a variance of 0.4938. Table 4.4 also indicates that the standard deviation and variance results on all the training factors were less than 1 and this implies that majority of the respondents gave similar responses and there were only few respondents had divergent views or different opinions. These findings thus indicated that

majority of the respondents indicated that type of insurance products; insurance policy, financial loss prevention, business risk reduction and business continuity to a large extent affect the growth of micro and small business enterprises in the textile industry in Kenya.

Table 4.4 Training Mean, Standard Deviation and Variance Results

<i>Training Factors</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
a) Seminars	64	4.1094	.64531	.416
b) Workshops	64	4.0625	.68718	.472
c) On the job training	64	4.0156	.72358	.524
d) Vocational training	64	4.0000	.79682	.635
e) Access to training institutions	64	4.0781	.64990	.422
Average	64	4.0531	0.70056	0.4938

4.5.3 Micro-insurance

The objective was to assess the effect of micro-insurance on growth of micro and small business enterprises in the textile industry in Kenya. The study requested respondents to rate the extent to which Key factors in relation to micro-insurance affect the growth of micro and small business enterprises. Using a scale of 1 to 5 (1=not at all, 2= small extent, 3= moderate extent, 4=large extent and 5=very large extent). The Key factors in relation to micro-insurance included; type of insurance products, insurance policy, financial loss prevention, and business risk reduction and business continuity. The analysis was computed using means, standard deviation and variance results. The means, standard deviation and variance results were used to make inferences.

From the results in able 4.5; Type of insurance products had a mean score of 4.1875; insurance policy had a mean score of 4.0937; financial loss prevention had a mean score of 4.0312; business risk reduction had a mean score of 4.0469 and business continuity had a mean score of 4.0000. On average all the micro-insurance factors had an average mean score of 4.0719; standard deviation of 0.71445 and a variance of 0.5138. Table 4.5 also indicates that the standard deviation and variance results on all the micro-insurance factors was less than 1 and this implies that majority of the respondents gave similar responses and there were only few respondents had divergent views or different opinions. These findings thus indicate that majority of the respondents indicated that type of insurance products, insurance policy, financial loss prevention, business risk reduction

and business continuity to a large extent affect the growth of micro and small business enterprises in the textile industry in Kenya.

Table4. 5 Micro-insurance Mean, Standard Deviation and Variance Results

<i>Micro insurance</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
a) Type of insurance products	64	4.1875	.68718	.472
b) Insurance policy	64	4.0937	.63543	.404
c) Financial loss prevention	64	4.0312	.79620	.634
d) Business Risk reduction	64	4.0469	.67682	.458
e) Business continuity	64	4.0000	.77664	.603
Average	64	4.0719	0.71445	0.5138

4.5.4 Growth of Micro and Small Business Enterprises

The study aimed to identify the factors that determine the growth of micro and small business enterprises. From the results in Table 4.6; Increase in Assets had a mean score of 4.2344; Increase in market share had a mean score of 4.1563; Increase in sales, profits and turnover had a mean score of 4.0781; Growth in new products/services had a mean score of 4.0937 and Growth in number of employees had a mean score of 4.40469. On average all the micro and small business enterprises growth factors had an average mean score of 4.1219; standard deviation of 0.7426 and a variance of 0.555

Table 4.6 also indicates that the standard deviation and variance results on all the micro and small business enterprises growth factors were less than 1 and this implies that majority of the respondents gave similar responses and there were only few respondents had divergent views or different opinions. These findings thus indicate that majority of the respondents indicated that increase in assets, increase in market share, increase in sales, profits and turnover, growth in new products/services and growth in number of employees determine the growth of micro and small business enterprises in textile industry in Kenya.

Table 4.6 Growth, Mean, Standard Deviation and Variance Results

<i>Growth of micro and small business enterprises</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
Increase in Assets	64	4.2344	.70693	.500
Increase in market share	64	4.1563	.67185	.451
Increase in sales, profits and turnover	64	4.0781	.82240	.676
Growth in new products/services	64	4.0937	.70640	.499
Growth in number of employees	64	4.0469	.80533	.649
Average	64	4.1219	0.7426	0.555

4.6 Regression Analysis

Further inferential statistics was applied using multiple regression model to establish the relationship between the research variables. The following multiple regression model was applied:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon.$$

Where:

Y= Growth of micro and small business enterprises

β_0 = Constant;

X_1 = Access to credit

X_2 = training

X_3 = Micro-insurance

Regression analysis is a statistics process of estimating the relationship between variables. Regression analysis helps in generating equation that describes the statistics relationship between one or more predictor variables and the response variable (Green & Salkind,2003).The regression analysis results were presented using regression model summary Table, Analysis of Variance (ANOVA) Table and beta coefficients Table.

The relationships between the dependent variable and independent variables, and the results of testing significance of the model were respectively interpreted. In interpreting the results of multiple regression analysis, the three major elements considered were: the

coefficient of multiple determinations, the standard error of estimate and the regression coefficients. R squared was used to check how well the model fitted the data. R squared is the proportion of variation in the dependent variable explained by the regression model. These elements and the results of multiple regression analysis were presented and interpreted in Table 4.7, Table 4.8 and Table 4.9.

From the findings of the study, the regression model in Table 4.7 coefficient of determination (R^2) was 0.926 and R was 0.962 at 0.05 significance level. This is an indication that the three independent variables notably; access to credit; training and micro-insurance significantly affect the dependent variables (Y) which was growth of micro and small business. The coefficient of determination (R^2 , 0.923) indicates that 92.3% of the variation on growth of micro and small business is determined by, access to credit; training and micro-insurance. The remaining 7.7 % of the variation on growth of micro and small business is determined by other variables not included in the study model. This shows that the model has a good fit since the value is above 75%. This concurred with Graham (2002) that (R^2) is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains all the variability of the response data around its mean. In general, the higher the (R^2) the better the model fits the data.

Table 4.7 Regression Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.962(a)	.926	.923	.19651

The study further used one way Analysis of Variance (ANOVA) in order to test the significance of the overall regression model. Green & Salkind (2003) posits that one way Analysis of Variance helps in determining the significant relationship between the research variables. Table 4.8 indicates that the high value of F (251.368) with significant level of p-value 0.00 which is less than 5% level of significance is enough to conclude that all the independent variables significantly affect the growth of micro and small business. This implies goodness of fit of the model and thus the variables can be carried

on for further analysis to determine the significance of the level of influence of each variable.

Table 4.8 Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.121	3	19.707	251.368	.000(a)
	Residual	2.317	60	.039		
	Total	31.438	63			

Table 4.9 further presents the results of the test of beta coefficients which shows the extent to which each independent variable affect the growth of micro and small business. As presented in Table 4.9, (X_1) access to credit coefficient of 0.086 was found to be positive at significant level of 0.01 and this indicates that access to credit positively affect the growth of micro and small business. (X_2) training Coefficient of 0.560 was found to be positive at significant level of 0.00 and this indicates that training positively affect the growth of micro and small business. (X_3) micro-insurance coefficient of 0.440 was found to be positive at significant level of 0.000 and this indicates that micro-insurance positively affect the growth of micro and small business.

The study therefore rejected the following null hypothesis;

H_0 : Access to credit does not significantly affect the growth of micro and small business enterprises in the textile industry in Kenya.

H_0 : Training does not significantly affect the growth of micro and small business enterprises in the textile industry in Kenya.

H_0 : Micro-insurance does not significantly affect the growth of micro and small business enterprises in the textile industry in Kenya.

This clearly demonstrated that all the independent variables significantly affect the growth of micro and small business and thus the regression equation was; $Y=0.428 + 0.086X_1 + 0.560X_2 + 0.440X_3 + e$

Table 4.9 Coefficients

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>T</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>		
1	(Constant)	.428	.240	.1783	.080
	X1	.086	.034	2.544	.001
	X2	.560	.056	9.963	.000
	X3	.440	.047	9.331	.000

$$Y = 0.428 + 0.086X_1 + 0.560X_2 + 0.440X_3 + e$$

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the major findings on the effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya. The chapter draws the study conclusions and discusses major recommendations and gives suggestion for further studies.

5.2 Summary of the Findings

The study overall objective was to investigate the effect of microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. A case study of Nairobi Kenya. The study findings indicated that access to credit; training and micro-insurance are the key major microfinance services that affect the growth of growth of micro and small business enterprises in the textile industry in Kenya

5.2.1 Access to Credit

The study found out that lack of access to credit hampers the growth of micro and small business enterprises in the textile industry in Kenya. The study identified that the major factors in relation to access to credit that affected the growth of micro and small business enterprises in the textile industry included; collateral, types of credit, interest rates, nature of business and credit repayment period. On average all the access to credit factors had an average mean score of 4.053; standard deviation of 0.86320 and a variance of 0.7446. These findings thus implies that majority of the respondents indicated that all the access to credit factors to a large extent affects the growth of micro and small business enterprises in the textile industry in Kenya. It was noted that lack of credit access challenges such as lack of collateral to secure business development loan, lack of favorable business credits and high interest rates hampers many operators of micro and small business enterprises to access credit from financial institutions and this affects the growth of many micro and small business enterprises in the textile industry in Kenya.

These findings are in agreement with Mnjama (2007) that challenges such as lack of collateral to secure business development loan, lack of favorable business credits and high interest rates hampers many operators of micro and small business enterprises to access credit from financial institutions and this affects the growth of many micro and small business enterprises in the textile industry in Kenya. Murphy (2012) also observed that many micro and small business enterprises in developing nations fails to realize increased growth rate due to financial challenges associated with access to credit in terms of high interest rates and unfavorable credit payment terms and credit payment period. The findings also support findings by Wangombe who found out that lack of collateral due to nature of business makes it difficult for many informal micro and small business enterprises in the textile industry in Kenya to access business development loans.

5.2.2 Training

The study found out training was one of the major microfinance service that affected the growth of growth of micro and small business enterprises in the textile industry in Kenya. It was noted that majority of the owners and operators of micro and small business enterprises lacked better business training and this made it difficult to employ effective business strategies. Training problems in terms of lack of attending of business seminars, participating in business workshops, poor methods for on the job training, lack of vocational training and lack of access to training institutions denied most owners and operators of micro and small business enterprises opportunities for gaining better business management skills and this negatively affected the growth of their enterprises. On average all the training factors had an average mean score of 4.0531; standard deviation of 0.70056 and a variance of 0.4938. These findings are in agreement with findings by Reynolds (2014) that majority of the owners and operators of micro and small enterprises fails to train in business seminars, workshops, and lacks access to training institutions hence making them to get an opportunity to learn on how to implement various business growth and development strategies. These findings also concurs with Okoth (2011) where he identified that lack of application of effective on the job training methods and failure to access vocational training hampers the growth of many micro and small enterprises in the informal sector in Kenya. The study therefore inferred that lack of attendance of business seminars, workshops, on the job training, vocational training and

access to training institutions affects the growth of many micro and small enterprises in textile industry in Kenya.

5.2.3 Micro insurance

The study revealed that lack of micro-insurance services greatly affected the growth of micro and small business enterprises in the textile industry in Kenya. It was identified that most enterprises owners indicated there lacked proper type of insurance products, lacked insurance policy and lacked means of recovering financial losses in cases of unexpected business risks like fire and theft. In some instances the insurance policies are there but there lacks knowledge on how to execute when losses are experienced. The study identified that most of the owners of micro and small business enterprises operated under risky conditions and this affected business continuity in cases of risk occurrence. The analysis was computed using means, standard deviation and variance results. The means, standard deviation and variance results were used to make inferences. On average all the micro-insurance factors had an average mean score of 4.0719; standard deviation of 0.71445 and a variance of 0.5138. These findings are in agreement with findings by Mnjama (2007) that lack of suitable insurance products for micro and small business enterprises and the fact that many micro and small business enterprises lack knowledge of any insurance policy leads to a high financial loss like in cases of fire or theft and this affects the growth of micro and small business enterprises in the textile industry in Kenya.

5.2.4 Growth of Micro and Small Business Enterprises

The study aimed to identify the factors that determine the growth of micro and small business enterprises. On average all the micro and small business enterprises growth factors had an average mean score of 4.1219; standard deviation of 0.7426 and a variance of 0.555. These findings thus indicate that majority of the respondents indicated that increase in assets, increase in market share, increase in sales, profits and turnover, growth in new products/services and growth in number of employees determine the growth of micro and small business enterprises in textile industry in Kenya. These findings confirmed findings by Grant (2009) that increase in assets, increase in market share,

increase in sales, profits and turnover ,growth in new products/services shows that there is a slow growth rate of many micro and small business enterprises in textile industry in Kenya.

5.3 Conclusion

The study overall objective was to investigate the effect of microfinance services on growth of micro and small business enterprises in the textile industry in Nairobi, Kenya. The study drew conclusions that access to credit; training and micro-insurance and the major microfinance services that affects the growth of micro and small business enterprises in the textile industry in Kenya. The study also concluded that training with a coefficient of 0.560 is the major microfinance service that affects the growth of micro and small business enterprises in the textile industry in Kenya. This is then followed by micro insurance with a coefficient of 0.440 and then lastly access to credit with a coefficient of 0.086.

The study also concluded that micro and small business enterprises fail to realize increased growth rate due to financial challenges associated with access to credit in terms of high interest rates and unfavorable credit payment terms and credit payment period. The study hence deduced that access to credit by micro and small business enterprises in the textile industry in Kenya is hampered by lack of collateral, types of credit, interest rates, nature of business and credit repayment period, these negatively affects the micro and small business enterprises in the textile industry in Kenya.

It was also noted that majority of the owners and operators of micro and small enterprises fail to train in business seminars, workshops, and lacks access to training institutions hence making them to get an opportunity to learn on how to implement various business growth and development strategies. The study therefore inferred that lack of attendance of business seminars, workshops, on the job training, vocational training and access to training institutions affects the growth of many micro and small enterprises in textile industry in Kenya.

The study further concluded that lack of suitable insurance products for micro and small business enterprises and the fact that many micro and small business enterprises lack

knowledge of insurance policy on place leads to a high financial loss like in cases of fire or theft and this affects the growth of micro and small business enterprises in the textile industry in Kenya. It was therefore concluded that that type of insurance products; insurance policy, financial loss prevention, business risk reduction and business continuity to a large extent affect the growth of micro and small business enterprises in the textile industry in Kenya.

The study finally concluded that the major factors that determine the growth of micro and small business enterprises includes increase in assets, increase in market share, increase in sales, profits and turnover, growth in new products/services and growth in number of employees determine the growth of micro and small business enterprises in textile industry in Kenya.

5.4 Recommendations

The study recommended that as a measure to improve access to credit by micro and small business enterprises. Microfinance institutions should design effective and affordable credit services by reducing high interest rates and offering favorable credit payment terms and credit payment period. Microfinance institutions should also avoid insisting on high values collateral from the owners of micro and small business enterprises and provide different credit options depending on the nature of business.

The management of microfinance institutions should offer the owners and operators of micro and small enterprises alternative training methods by engaging them in business seminars, workshops, and encouraging them to access training institutions hence making them to get an opportunity to learn on how to implement various business growth and development strategies.

Micro finance institutions should guide the owners and operators of micro and small business enterprises on how to conduct on the job training and technical training institutions should design up to date vocational training programs depending with the skills needs of individual owners and operators of micro and small enterprises in textile

industry in Kenya.

Microfinance institutions should design suitable insurance products for micro and small business enterprises that match their business risks needs. Microfinance institutions should offer a better insurance policy at affordable rates like payment of insurance premium on monthly bases. Microfinance institutions should also train the owners of micro and small business enterprises on how to manage various business risks and offer them better insurance products with affordable terms in order to ensure business continuity in case of huge financial loss as result of damages caused by fire and theft.

5.5 Suggestions for Further Studies

The study effect of microfinance services on growth of micro and small business enterprises in the textile industry in Nairobi, Kenya drew focus on access to credit, training and micro insurance. Further studies should therefore be undertaken to effect of other microfinance services on growth of micro and small business enterprises in the textile industry in Kenya. Similar study should also be undertaken in other micro and small business enterprises situated in other parts of the country.

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APPENDIX I: QUESTIONNAIRE

This questionnaire is meant to collect information “*EFFECTS OF MICROFINANCE SERVICES ON GROWTH OF MICRO AND SMALL BUSINESS ENTERPRISES IN THE TEXTILE INDUSTRY IN NAIROBI, KENYA.*”. The information is being sought solely for academic purposes and will be treated with confidence. Please answer the questions below by ticking the boxes provided or writing a brief statement as required.

SECTION A

Personal Information: (Instruction -Tick where appropriate)

1. Gender:

- Male
- Female

2. Age:

- 18- 30yrs
- 31-40 yrs
- 41 –50 yrs
- 51 yrs and over

3. Highest Education Level

- Secondary level
- College level
- University level
- Post graduate level
- Professional Qualification

4. Working Experience

- Less than 3 years
- 4-8 Years
- 9-12years
- 13-18 years
- 19 yrs. and above

5. Nature of Business

- Selling Fabrics
- Tailoring
- Selling garments

SECTION 2: ACCESS TO CREDIT

(ii) By using a scale of 1 to 5 (1=not at all, 2= small extent, 3= moderate extent, 4=large extent and 5=very large extent. Rate the extent to which the following factors in relation to access to credit affect the growth of micro and small business enterprises.

Access to Credit	1- not at all	2-small extent	3- moderate	4-large extent	5-very large extent
a) Collateral					
b) Types of Credit					
c) Interest Rates					
d) Nature of business					
e) Credit repayment period					

SECTION 3: TRAINING

(ii) By using a scale of 1 to 5 (1=not at all, 2= small extent, 3= moderate extent, 4=large extent and 5=very large extent. Rate the extent to which the following factors in relation to training affect the growth of micro and small business enterprises.

Training	1- not at all	2-small extent	3- moderate	4-large extent	5-very large extent
a) Seminars					
b) Workshops					
c) On the job training					
d) Vocational training					
e) Access to training institutions					

SECTION 4: MICRO-INSURANCE

(ii) By using a scale of 1 to 5 (1=not at all, 2= small extent, 3= moderate extent, 4=large extent and 5=very large extent. Rate the extent to which the following factors in relation to micro-insurance affect the growth of micro and small business enterprises.

Micro-Insurance	1- not at all	2-small extent	3-moderate	4-large extent	5-very large extent
f) Type of insurance products					
g) Insurance policy					
h) Financial loss prevention					
i) Business Risk reduction					
j) Business continuity					

SECTION 5: GROWTH OF MICRO AND SMALL BUSINESS ENTERPRISES

(ii) By using a scale of 1 to 5 (1=not at all, 2= small extent, 3= moderate extent, 4=large extent and 5=very large extent. Rate the extent to which the following factors determine the growth of micro and small business enterprises.

Growth of micro and small business enterprises	1- not at all	2-small extent	3-moderate	4-large extent	5-very large extent
a) Increase in Assets					
b) Increase in market share					
c) Increase in sales, profits and turnover					
d) Growth in new products/services					
e) Growth in number of employees					

APPENDIX II: WORK PLAN

	May	June	July	Aug	Sept	Oct
✓ Development of Proposal						
✓ Presentation of proposal ✓ Data correction						
✓ Data Analysis ✓ Report writing						
✓ Writing of the research report ✓ Presentation of the project						
✓ Submitting the research project report						

APPENDIX III: BUDGET ESTIMATES

ITEM	QUANTITY	UNIT COST (KSHS)	TOTAL COST (KSHS)
Stationary	5 reams	500	2,500
Traveling (Fuel)	21 kms (6 days)	1000	6,000
Typing services	80 pages (5 copies)	10	10,000
Binding	80 pages (5 copies)	100	500
Photocopying	80 pages (5 copies)	2	800
Data collection and analysis			60,000
Lunch	6 lunches	300	1,800
Supervision			21,000
Total			102,600