THE INFLUENCE OF INFORMAL GROUP BASED FINANCING ON THE GROWTH OF WOMEN OWNED MICRO AND SMALL ENTERPRISES IN KIBERA SLUM - NAIROBI

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MASTER OF ADMINISTRATION (CORPORATE MANAGEMENT)

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DECLARATION

I declare that this Dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and authors duly acknowledged.

Student Name: EVAYNE CHEMUTAI Reg. No. 05/10729

Sign…………………………………………... Date………………………………….

I do hereby confirm that I have examined the Master's dissertation of

EVALYNE CHEMUTAI

And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

Sign…………………………………………. Date………………………………….

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ABSTRACT

Informal Savings and Credit Groups (ISCG) are among the oldest and most prevalent savings institutions found in the world and play an important role in savings mobilization in many developing economies. Women face various barriers that inhibit their full potential in business management. The world is changing at an alarming rate prompting new challenges that are making business operation in SMEs difficult. However informal savings and credit groups as a strategy has sustained the growth of most micro and small business. In particular, the study sought to establish the relationship between Informal Group Based savings and credit services and the growth of Women Owned MSEs; to establish the relationship between Informal Group Based loans and growth of Women Owned MSEs; to establish the influence of experiences shared among the group members on the growth of women owned MSEs; to establish the influence of business partnership among group members on the growth of women owned Mses. The study applied a descriptive survey design. The target population of this study was 245 SMEs operating in the Kibera Slum Nairobi County. This study applied the simple random sampling technique to select 200 SMEs. In this study, the members of the informal savings and credit groups were the respondents. Data collected was mainly quantitative in nature and was appropriately analyzed using descriptive statistics. The descriptive statistical tools in SPSS helped the researcher to describe the data and determine the extent used. Correlation analysis was used to analyze the relationship between the variables. The results of this study were presented in both tabular and graphic formats. The study concluded that the saving services, Loans/Credit, Experience shared and Business Partnership were all significantly associated with the growth of women owned micro the small micro enterprises. The study recommends that external finance in group activities is found to have a positive contribution for enterprise growth. Therefore, adequate provision of finance should be the main element in the development programs of the groups and to all stakeholders interested in this informal group finance sector.

Key words: Informal Group Financing, Women Owned Enterprises.

TABLE OF CONTENT

ABBREVIATIONS AND ACRONYMS

MSE	Micro and small enterprises
SMEs	Small and Medium enterprises
MFIs	Micro Finance Institutions
ISCG	Informal savings and credit groups
UN	United Nations
UNDP	United Nations Development Programme
NGO	Non-governmental organizations
IFGBFI	Informal group based financial institutions
WOMSEs	Women owned micro and small enterprises
IHC	International Housing Coalition
ROSCAs	Rotating Savings and Credit Associations
IFC	International Finance Corporation
MYWO	Maendeleo Ya Wanawake Organization
SHG	Self Help Group

OPERATIONAL DEFINITION OF TERMS

Informal Financing – Financial services that include credit and savings mobilization that take place outside a country's formalized financial institutions and are not governed by any recognized laws and regulations often based on personal relationships

Informal group base financing –Financial services that include credit and savings mobilization that take place outside a country's formalized financial institutions and are not governed by any recognized laws and regulations targeting groups of person with a common goal to acquire such services

Empowerment - The process of increasing the capacity of individuals or community to make choices and to transform those choices into desired actions and outcomes that transform their lives

Entrepreneurs - A person who is able to identify an existing business opportunity and is able to translate the opportunity into a profitable business venture despite the risks involved

Women owned enterprises – business ventures whose idea and capital has been contributed by a woman

Micro and Small enterprises – A type of business often having up to ten employees and is managed directly by the owner

Micro finance - "Microcredit, or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of. Millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral."(Gert van Maanen, Microcredit: Sound Business or Development Instrument, Oikocredit , 2004)

Slum settlement – heavily populated urban area characterized by substandard Housing inhabited by low income earners

Informal savings and credit groups – Groups that provide credit and savings services to its but operate outside a country's formalized financial institutions and are not governed by any recognized laws and regulations targeting groups of person with a common goal to acquire such services

Savings mobilization–Development of programs that are geared towards encouraging people especially the poor to make savings

Saving – To increase in one's assets or net worth by forgoing current consumption/spending of available resources

Savings – Assets and deposits accumulated over time through saving

Credit accessibility – The ease at which loan facilities are available to those seeking

Merry go-round –A concept common with women groups. Members contribute a specified agreed amount over agreed time intervals for example monthly. The lump sum amount is then given to a single member identified mainly through ballot process

Table banking – A rural finance concept that involves group members making contribution to a revolving fund. The accumulated contributions are the loaned to members at an agreed interest rate

ROSCAS – an advanced version of merry go round where the members contribute some monthly shares and also disburse loans to members

Social capital –The value that people derive from social networks through goodwill of those they interact with

Self-help groups –An informal organization of people with common situation with an intention to pull resources to address their common situation most commonly poverty reduction.

Collateral - Properties or assets offered to secure a loan to be seized and disposed to repay outstanding loan in case of default

Group collateral – Loan security provided by members of the same group. In case of loan default by the borrower, the group members are required to repay the outstanding amount. This is often common with the poor people who cannot provide collateral in form of assets

Entrepreneurial opportunity – A circumstance that creates a need for a new product or service in the market that an entrepreneur can take advantage of to start a business

Macroeconomic environment – General conditions that exist in a business environment that is not specific to any particular business

Experience sharing – A process through which a group of persons share what they have learnt or experienced in the course of their daily work or running their businesses

Independent variables – A variable whose variation is not dependent on another variable in a test or experiment

Dependent variables – A variable whose variation in an experiment is dependent on another variable i.e. independent variable. Changes in the independent variable would affect the dependent variable

Intervening variables – Other variables in a study not under consideration but may affect the final outcome

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

1.1.1 Informal based group financing.

Group based financing involves the act of offering services to group enterprises which in turn enables these enterprises to allocate finances to the members within the group and there by performing a centralized management of the group. Informal systems are those that are not guided by any formal behavior or structure such as lack of formal procedures in carrying out tasks, no documentation neither is there any formal way of communication.

Informal systems are an important source of basic financial services to the communities that cannot access formal financial services. The informal group based financing come in various forms such as ; Merry-Go- Round, Table Banking Rotating Financings and Credit Association and Informal Savings and Credit Groups. The main principle behind the informal system lies in group formation (Martin 1999).

Merry-go-round is composed of less than 20 members who contribute a specified amount of money regularly. Members vote on who is to be given lump sum amount. The merry go – rounds are most common with women mainly for the purposes of buying household items. This model does not charge any interest rate.

Table 'banking' is a unique rural finance concept that is widely practiced in Western Kenya especially in Bungoma District. It involves group members who come together and make regular contributions. The members contribute shares to a revolving fund, which is loaned to members. During the meetings, the members who have loans make their payment plus the interest, and then every member makes the agreed contribution. All the cash collected is intended to be loaned out in the same meeting. All the transactions are recorded and every member is required to obtain a loan. The loans do not require collateral and there is a high degree of accountability and trust since all the money transactions are done on the table in the presence of all members. The members are willing to take loans at high interest rate for they know they stand to gain from the interest accruing from the loans. The interest rate varies from group to group but ranges between 10 to 20 % per loan period. The repayment period is short-term usually monthly but varies with the group (Martin 1999).

The Rotating Financing and Credit Association (ROSCAs) variant is an advanced version of merry go round where the members contribute some monthly shares and also disburse loans to members. They have their roots in the traditional mutual guarantee system. The actual number of ROSCAS in Kenya is not known, however these associations provide credit to many low-income people. A typical ROSCA involves a group of 5 to 30 members. The Merry go round is embedded in the model. The association offer short-term loans to members at interest rates that range between 5-20% per period. Some ROSCAs and especially in Rift Valley are financially very strong and have managed to buy assets such as land and buildings (Martin 1999).

Informal Group Based Financing has been observed around the world, and over time have attracted considerable theoretical and empirical research in recent years. Informal Group Based Financing are popular among high-income as well as low-income households and flourish in economic settings where formal financial institutions seem to fail to meet the needs of a large fraction of the population. (Kamani, 2007)

Informal savings and credit groups (ISCG) are among the oldest and most prevalent savings institutions found in the world and play an important role in savings mobilization in many developing economies. This group's participation is particularly high in Africa. Estimates suggest that informal savings and credit groups' participation ranges from 50% to 95% in many rural areas in Liberia, Ivory Coast, Togo, and Nigeria (Tazul 2007).

While informal savings and credit groups are highly concentrated in African economies where formal credit markets are thin or non -existent, they are also found in more developed areas where individuals have access to formal banking institutions. Further, ISCG have been reported among employees of the International Monetary Fund and among bank employees in Bolivia (Venderlack, 2008).

There is a growing recognition of the fact that mainstream micro finance approaches have failed to reach significant scale and depth of outreach in many parts of the world with few countries gaining outreach of more than 1% of the population. Formal financial sector reaches less than 20% of African households (Honohan, 2004).The continuing failure of MFIs to reach remote rural areas and the pockets of slum settlement, especially in Kenya, has renewed interest in finding alternative models of service delivery that can achieve this goal meaning that persons have deviated towards Informal systems.

1.1.2 Women Entrepreneurship.

In the last few years, there has been renewed interest by women in searching for financial models that can be used to deliver sustainable financial services to the rural poor in Africa. According to Honohan and Beck (2007), women play a critical role in national development. In many parts of the world, women account for a large and growing proportion of agricultural workers and household food production and consumption (Ying 2008).

Women's efforts and contributions have also been recognized by UN member states when they were setting the Millennium Development Goals, (UN Millennium project 2005). Despite their immense contribution and energy invested in their work, women are still worst affected by poverty and multiple disadvantages in nearly every country.

According to the UNDP Human Development Report (1995), women in Africa represent 52% of the total population, contribute approximately 75percent of the agricultural work and produce 60 to 80 percent of the food. Yet they earn only 10 percent of African incomes and own just 1 per cent of the continent's assets. These numbers shows challenges women face despite interventions by governments, NGOs and development agencies. Women are still sidelined to micro enterprises, informal tasks, part-time and temporary workers. The implications of these mean women working in the informal economies are likely to have less access to basic health care services, education, financial capital, political appointments, employee rights and land ownership, (Tazul, 2007).

Most literature also supports the fact that women entrepreneurs, mostly in developing countries, do not have easy access to credit for their entrepreneurial activity (Ibru, 2009; Iganiga, 2008; Iheduru, 2002; Kuzilwa, 2005; Lakwo, 2007; May, 2007; Okpukpara, 2009), whereas the rate of women participation in the informal sector of the economy is higher than males (Akanji, 2006; Akinyi, 2009). Lack of capital to start or run business led them to request for credits from micro-finance institutions (Ibru, 2009; Kuzilwa, 2005). This is due to poverty, unemployment, low household and business income and inability to save (May, 2009; Otero, 1999; Porter &Nagarajan, 2005; Roomi& Parrot, 2008). Women entrepreneurs, mostly in developing countries, lack the ability to save (Akanji, 2006; Mkpado&Arene, 2007), yet savings are needed to protect income, act as a security for loan and could be re-invested in the business (Akanji, 2006).

According to Kamani (2007), women also face various barriers that inhibit their full potential. These include: barriers to ownership and education as a result of prevailing attitudes and discriminatory laws and institutions low remuneration package compared to their male counterparts in similar jobs (World Bank 2001, 2007) and moreover their employment is often informal and lack of access to credit/finance. It is against this background that microfinance institutions have grown with their main target being the rural populations and especially the women. Their main objective is to provide alternative financial services to women who are excluded from the formal and informal financial sectors. Microfinance programs have been a popular economic strategy over the past two decades to assist poor and landless women to enter self –employment or start their own business, (UN Millennium Project, 2005).

1.1.3 Micro and Small Enterprises in Kenya.

The Micro and Small Enterprises (MSE) Bill 2012 defines **Micro enterprises** to be "any firm, trade, service, industry or a business activity, formal or informal that has an annual turnover that does not exceed Kenya Shillings 500,000 and employing 1-9 people. The total assets and financial investment or the registered capital of the enterprise does not exceed Kshs 10 million in the manufacturing sector and does not exceed Kshs 5 million the service and farming sectors".

Small enterprises are firms that trade, provide services, industry or business activities that post an annual turnover of between Ksh500, 000 and Ksh5 million and have 10 to 50 employees .For the manufacturing sector, investment in plant and machinery should be between Kshs 10 million and Kshs 50 million and registered capital of the enterprise between Kshs 5 million and Kshs 25 million in the service and farming sector. (Finance Bill, 2012)

The profile of SMEs in Kenya is believed to have majority of the businesses falling under micro enterprises owned by individuals. These businesses are mostly not registered. They engage mostly in the food industry, hawking enterprises, hardware, artisans and so on. Those that are registered however have premises are licensed and have trading permits issued by the County Governments. It is estimated that there were 1.3 million Micro and Small Enterprises country-wide by end of 1999.These were mainly found in rural areas and reflected a little increase in the number of enterprises, compared to the 1.2 million enterprises noted in the 1995 survey. By end of the year in2002, the SME sector comprised of 74.2% of total national employment. By 2003, Misemployed about 4.6 million people in the construction, services, transport, manufacturing and communication. This was also an increase in contribution to employment from the early 2000s (CBS, K Rep and ICEG 1999)

Additionally according to the National Bureau of Statistics survey (2016), there were about 1.56 Million licensed SMEs and 5.85 Million unlicensed businesses. The survey also established that in 2016, the SMEs contributed 28.5% of the economy. This is an indication of the continuing growth of SMEs.

SMEs comprise both formal and informal businesses. But majority of the MSEs operate informally. The Kenya Economic Report 2013 estimates that only over 35,000 SMEs are formal Mses. Currently, the number of informal groups is unknown given that SMEs are highly unregistered groups. According to the 1999 MSE Survey, 88.6 percent of MSEs operated informally.

SMEs are characterized by main features including but not limited to; they are mainly cash based businesses, there is ease of entry and exit, the nature of activities are highly small scale, it is self-employment with employees being relatives and friends, they have limited access to formal credits, their owners have little level of education and training, they have very high turnover rate, they are less concerned about value addition and they operated in unregulated markets.

1.1.4 Small and Micro Firm Growth and theories.

Many studies have been carried out and have tried to explain the determinants of small firm growth. (Wang and Yao, 2002; Biggs and Shah, 2006; Bhaumik and Estrin, 2007).Despite the massive studies done on this area, a big gap still exists since no single study has been able to explain all the approaches to small firm growth. This could be explained possibly by the heterogenic nature of small firms and the fact that growth is not easily measurable since it can be measured both objectively and subjectively. (Loi and Khan, 2012).

According to Penrose (1999), growth implies an increase in the amount of output, sales and not as a result of a process pasey. Although most managers pursue value growth the main limits on the growth of SMEs are the intensity of competition arising from the inability or unwillingness of management to deal with the increasing administrative burden arising from expansion.

Due to a complete absence of any discussion of an appropriate measure of growth in the various studies, several models have been put forward explaining small firm growth as explained by Broke and Evans, 1986; First is the **stochastic model** of small firm growth which suggests that firm size, which is often times determined by employment follows a random walk .This means that the probability of firm's growth is purely by chance and the size distribution of the small firms follows the stochastic process. This model agrees with the law of proportionate effects as proposed by Gibrat in 1931 which proposes that the expected growth rate of a firm is dependent on its size at inception of the firm.

The second model of firm growth is the **human capital model** as proposed by Lucas (1978).The model puts forward the assumption that individual entrepreneurs possess specific management ability which determines their success in business. According to this model, skills vary among employees and consequently the size distribution of small firms is dependent on entrepreneurial skills of the employees. Human capital is considered relevant to internal environment.

Finally the learning model proposed by Jovanic (1982) points out that there exists a variance in management entrepreneurs' ability. The fact about the difference in the ability however remains unknown among the business owners. Further various firms have various degrees or levels of performance and efficiency which are not directly observable and that a firm's performance can only be learnt gradually after which performance can be adjusted. This indicates that both size and age of a firm are important factors to growth of a business.

Broke and Evans(1989) conclude that the key indicators of growth is size and confirm that growth decreases with firm size for firms of the same age and decreases with age for firms of the same size.

1.2 Problem Statement

From the background of study, it is apparent that women compared to men have embraced social groups and tend to take this opportunity to conduct business within the informal groups. (Johnson, 2009). However as Moya(2013) observed, very few of these businesses thrive with data showing that close to 50% of these small businesses fail within the first year while about 95% only perform up to five years. Moya (2013) sighted lack of management skills for their failure.

Few studies in done in Kenya have revealed that women owned enterprises do not experience much growth despite obtaining financing; Muguro(2013) observed that the lending practices, loan sizes given to the group and the extent of membership had significant influence on the growth of women owned small and medium enterprises .Mungiru (2015) studied on the effects of informal financing on the growth of SMEs in Kiambu County and observed that Self-help group finance, family and friends finance; trade credit finance has a positive influence on the performance of SMEs while shylock finance sources have a negative influence on the performance of SMEs.Migayi (2012) specifically looked at the influence of access to loans on the growth of small business and concluded that the default penalties had a significant influence on access to loans by SMEs .From the studies done in Kenya, it's apparent that there are varied reasons that influence the growth of women owned small and medium enterprises. Of concern however is that while women owned enterprises have been in existence for long and have been receiving funding, their businesses are still smaller compared to those of men. The gap in the number of businesses owned across gender has however narrowed nationally but the average revenues of majority women owned businesses were still only 27% of the average majority men owned businesses. It is not clear whether the financing activities are the hindrance to this growth. In addition the declining outreach of MFI to reach the unbanked due to growing demand has necessitated formation of informal savings and credit groups especially amongst women. It is against this background that the study seeks to establish the influence of informal group based financing on the growth of women owned small and medium enterprises.

1.3 Objectives of the Study.

1.3.1 General Objectives of the Study.

The main objective of this study is to examine the influence of informal group based financing on the growth of women owned micro and small enterprises in Kibera slum – Nairobi

1.3.2 Specific Objectives of the Study.

i. To establish the contribution of Informal Group Based **savings services** on the growth of Women Owned MSEs

ii. To ascertain the contribution of Informal Group Based **credit accessibility** on the growth of Women Owned MSEs.

iii. To find out the contribution of **experiences** shared among the group members on the growth of women owned MSEs.

iv. To examine the contribution of business **partnership** among group members on the growth of women owned MSEs.

1.4 Research Questions.

This study aimed at answering the following questions

i. How do informal group savings contribute to growth of women owned MSEs?

ii. How does informal saving and financing group's loans influence growth of women owned MSEs?

iii. How do experiences shared among informal group members contribute towards growth of their business enterprises?

iv. How do business partnerships among group members contribute to the growth on women owned MSEs?

1.5 Significance of the Study.

First and foremost this study will help women groups to increase their strategic alliance across the country in enhancing their business through group credit financing portfolio. Women will benefit because the study will enable them to appreciate the importance group synergy in driving their entrepreneurial ventures.

Secondly the study will be significant to the general public because the researcher hopes that this study will increase their knowledge on the role of women towards economic Growth and enterprise development.

Thirdly the findings of the study will also help other researchers who would want to carry out research on similar topics relating to women micro enterprise Growth through group credit financing and other interventions.

Last but not least the findings of the study will also help MFIs in increasing their capacity and capability in supporting women micro enterprise Growth through group credit financing.

Finally for non-governmental institutions that provide and leverage assistance to bring about change, policy reforms essential for development and growth of a country, will benefit in terms of addressing their objectives in mobilizing resources to offer services to the poor and those in need.

1.6 Scope of the Study

The study will be conducted in Kibera slum in Nairobi County, and the target populations will be women in Kibera who own micro and small enterprises. Kibera slum was chosen as the site for the research due to the fact that UN-Habitat 2005 describes the economic condition there as very low despite the presence of MFIs and informal savings groups. Also it presents a large sample from which representative sample size will be drawn. The subject of the study will be relevant to the target area in that the area reflects diversified and integrated socioeconomic and cross cultural backgrounds and had a large representative pool of target respondents.

1.7 Limitations of the study.

First the study will be dependent on respondents' honesty, cooperation and goodwill. To overcome this, the researcher will explain to both the groups' team leaders and members the significance of the study, the need for truthfulness and the principle of confidentiality.

Secondly, the study will face the challenge of security of the researcher while moving within the slums. To overcome this, the researcher will notify the local administration and at the same time use the village elders to guide him around the Kibera slums.

Finally, since study will be limited to informal group based financing managed by women in the micro businesses. The study will only focus its findings from Kibera Slum in Nairobi; therefore the conclusion of the study will only be much applicable in Kibera as each and every slum is unique in character and pattern of living. The study will only focus on the following variables i.e. savings, credit accessibility, experience sharing and partnership in assessing the role of informal group based financing on women micro enterprise growth

1.8 Assumptions of the Study

The study assumes that the sample represents the entire population. That the instrument has validity and will measure the desired constructs. The study further assumes that respondents are knowledgeable in the study area and that they will answer the survey questions truthfully.

1.9 Summary

The chapter gives background of the study by showing that Informal Group Based Financing has been observed around the world, and over time have attracted considerable theoretical and empirical research in recent years. The chapter gives purpose of the study, problem statement, objectives of the study, research questions, significance of the study, and delimitation of the study, study limitation and assumptions of the study

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines literature related to Informal group based financing and their contribution specifically in women owned Small and Micro Enterprises. The literature review has been divided into the following sections; Section one gives the theories guiding the study and section two gives empirical studies.

2.2 Theoretical Review

Theoretical review gives theories that explain the relationship between informal group based financing and the growth of MSEs.The study has been anchored on Entrepreneurship Theory and Propinquity Theory.

2.2.1 Entrepreneurship Theory.

This research is underpinned on the Entrepreneurship Theory of Shane (2003). The theory consists of opportunity discovery, evaluation of the opportunity and the decision to exploit the opportunity. Others elements of the theory include self-employment, business operation and performance. The theory highlighted four operational measures of performance which are survival, growth, profitability/income, and experiencing initial public offering. Survival refers to continuation of entrepreneurial activity while growth refers to increase in the venture's sales and employment. Profitability refers to new surplus of revenue over cost while experiencing initial public offer refers to the sale of stock to the public (Shane, 2003).

Opportunities are created by the institutional or external environment for those entrepreneurs who could identify them to start or improve their businesses and subsequently, their welfare (North, 1990; Shane, 2003). Entrepreneurs' ability to identify and tap such opportunities differs between entrepreneurs. It also depends on their ability to access information and willingness to act upon the information in terms of risk; that is their attitude (Shane, 2003).

Individual attributes affect discovery of entrepreneurial opportunity. It is made up of psychological and demographic factors such as motives, attitude to risk, education and training, career experience, age and social status.

Changes in business environment such as economic, financial, political, legal, and socio-cultural factors also affect discovery of opportunity. For example, income level of the entrepreneur, capital availability, political stability, laws concerning private enterprise and property rights, and desire for enhanced social status by the entrepreneur could affect discovery of entrepreneurial opportunity. Type of industry also affect opportunity discovery. Industrial sectors such as distribution, manufacturing, agriculture, catering, and business services are more attractive to entrepreneurs (Brana, 2008; Carter & Shaw, 2006; Gatewood et al., 2004; Riding, 2006; Shane, 2003; Stohmeyer, 2007).

The concentration of industries in a particular location could also influence discovery of entrepreneurial opportunity by those in that location (Shane, 2003). Evaluation of the identified opportunity is another stage in the entrepreneurial process, and appropriate decision at this stage leads to the decision to exploit the opportunity (Shane, 2003). The decision to exploit the opportunity depends on the intention of the entrepreneur, and the appropriate measure of entrepreneurial decision-making is intention which leads to recognition of entrepreneurial opportunities (Shane, 2003). Exploitation of the opportunity depends on the entrepreneur's level of education, skills or knowledge acquired through work experience, social networks, credit, and cost-benefit analysis of the business (Shane, 2003).

2.2.2 Propinquity theory.

According to Stephen P. Robins; a group refers to two or more individuals, who interact and depend on each other and mostly come together to achieve particular objectives.

The theory owes its origin from psychologists Leon Festiger and Stanley Stachtcher.The theory brings forward the idea of why groups are formed. According to this theory individuals relate due to limitation of geographical space. In both formal and informal settings, Individuals, employees and workers working together have a high tendency of forming groups. In the business context as well, individuals running businesses within the same locality tend to form groups. The resulting effect is known as propinquity effect which is the tendency for people to form friendships with those they encounter often where a bond exists.

Members of large informal groups such as merry go rounds and table banking rotating are responsible for different roles. According to a research by Rob Cross and Laurence Pruzak (2002), a group might have a central person to whom everyone connects with in one way or another. Some group members may take a representative leader role by bringing other people in from different departments. Some group members serve as information brokers by keeping different individuals and sub-groups within the overall group informed of what other members are doing. Other members might serve as consultants who help the group members with particular tasks and information as required of the group.

Within the informal groups and small businesses, the more the members continue to interact, the more and stronger relationships they will build. The good relationships eventually turn to improved growth within the businesses. This theory will assist in understanding some concepts that are useful for small business growth.

2.3 Empirical Review

2.3.1 Informal Group savings and Growth of women owned SMEs

Saving is income not spent, or deferred consumption. (Curti, 1939). Methods of saving include putting money aside in a bank or pension plan. Saving also includes reducing expenditures, such as recurring costs. In terms of personal finance, saving specifies low-risk preservation of money, as in a deposit account, versus investment, wherein risk is higher. There is some disagreement about what counts as saving. For example, the part of a person's income that is spent on mortgage loan repayments is not spent on present consumption and is therefore saving by the above definition, even though people do not always think of repaying a loan as saving. However, in the U.S. measurement of the numbers behind its gross national product (i.e., the National Income and

Product Accounts), personal interest payments are not treated as "saving" unless the institutions and people who receive them save them. "Saving" differs from "savings." The former refers to an increase in one's assets, an increase in net worth, whereas the latter refers to one part of one's assets, usually deposits in savings accounts, or to all of one's assets. Saving refers to an activity occurring over time, a flow variable, whereas savings refers to something that exists at any one time, a stock variable.

Saving is closely related to investment. By not using income to buy consumer goods and services, it is possible for resources to instead be invested by being used to produce fixed capital, such as factories and machinery. Saving can therefore be vital to increase the amount of fixed capital available, which contributes to economic growth. However, increased saving does not always correspond to increased investment. If savings are stashed in a mattress or otherwise not deposited into a financial intermediary like a bank there is no chance for those savings to be recycled as investment by business. This means that saving may increase without increasing investment, possibly causing a short-fall of demand (a pile-up of inventories, a cut-back of production, employment, and income, and thus a recession) rather than to economic growth. In the short term, if saving falls below investment, it can lead to a growth of aggregate demand and an economic boom. In the long term if saving falls below investment it eventually reduces investment and detracts from future growth. Future growth is made possible by foregoing present consumption to increase investment. However savings kept in a mattress amount to an (interest-free) loan to the government or central bank, which can recycle this loan.

2.3.2 Informal Group credit accessibility and Growth of women owned SMEs

The argument of this study is that there are certain variables in the business environment that constrain the availability of debt from commercial banks and trade creditors to new SMEs in South

Africa. Smit, Cronje, Brevis and Vrba (2007) define a business environment as all those factors or variables, both inside and outside the organization that may influence the continued and successful existence of the organization.

According to Cassar (2004) in the capital structure context, the business environment consists of factors internal and external to the firm which can influence its access to debt and/or external equity. Beck (2007) argues that the availability of finance to new SMEs can be influenced by both borrower-specific (internal factors) and systemic factors (external factors).

Barbosa and Moraes (2004) point out those borrower-specific factors include variables largely controllable by a firm such as managerial competencies, quality of business information, availability of collateral and networking etc.

Coco (2000) points out that collateral helps to reduce informational asymmetries and moral hazard problems that arise between banks and entrepreneurs. Collateral can be repossessed by the creditor in case of default thus enhancing creditor protection. Kitindi, Magembe and Sethibe (2007) remarks that creditors, banks and other lenders use business information provided by firms to analyses their present performance and predict future performance. Business information reduces information asymmetry. If an entrepreneur has spent time developing a comprehensive and a priory business plan at an early stage in the project, the risk perception should be reduced and the likelihood of obtaining capital should increase.

Studies by Shane and Stuart (2002) and Rudez and Mihalic (2007) positively associate managerial competencies with new venture performance. The higher the level of managerial competency exhibited by the owners of a new firm, the greater the viability and survival of the new SME.

Coulthard and Loos (2007) describe networking in a small firm context as an activity in which the entrepreneurially oriented SME owner build and manage personal relationships with particular individuals in their surroundings.

Atieno (2009) also points out that by utilizing network relationships as an entrepreneurial strategy, a new SME can obtain access to vital resources, capabilities and information resulting in entrepreneurial opportunity. Furthermore, the scope for optimization that the lender will have in managing lending costs and risks can also be constrained by external or systemic factors (also known as state variables), such as the contractual and informational frameworks, macro-economic environment, social factors (crime, corruption and ethics), technology, the regulatory environment and other characteristics of the business environment in which both the lender and borrower operate. These state variables are not only outside the reach of lenders' actions, but neither can policy makers change them in the short-run.

Beck (2007) adds that the weaker these state variables are, the less the maneuvering room for credit supply optimization. Given these constraints, there is the possibility that lenders will not maximize their lending opportunities to SMEs.

Barbosa and Moraes (2004) point out those macroeconomic variables can affect the availability of debt to SMEs. Bad macro-economic conditions such as a recession in the economy make it difficult for firms to use debt positively and this may affect their ability to repay debt.

Lepoutre and Heene (2006) find that small firms experience more difficulties than their larger counterparts when engaging in ethically responsible behavior. The single most unethical practice by small firm professionals is dishonesty in making and keeping contracts.

2.3.3 Informal Group Experience Sharing and Growth of women owned MSEs.

In financial context, different indicators firm performances have been defined which imply growth. Bevan et al. (1999) defines improvements in performance to include growth in profitability, efficiency and production. Firm performance may be reflected by financial outcomes such as sales growth customer satisfaction or establishing a foundation from which future growth will be obtained

One of the characteristics of SMEs is that work experience is attained on the job. Experience contributes to growth in two ways; First and foremost, the experience widens the ability of the owners to manage the enterprises while on the other hand employees acquire knowledge and experience. Directly the owners of the enterprises acquire social networks which are essential for group dynamics.

A study by Parker (1999) found out those entrepreneurs who had more years of experience especially exceeding over seven years experienced faster growth compared to those who had less years of experience.

Prior work experience is also considered to be highly effective more so where the prior experience is from the same sector or section. Skills acquired over time as well as contacts made over the business experience are also considered as great contributors to growth of MSEs.

Developing countries unfortunately are characterized by a huge lack of opportunities to gain the relevant work experience. Africa for example has few medium sized companiesfor entrepreneurs to gain work experience, a phenomenon known as “the missing middle.” For this and other reasons, MSE owners and workers in Africa have an average of only three to five years of work experience, compared to ten years for their counterparts in larger firms (Barr, 1998)

Storey (1994) concludes that there is a link between longer work experiences in a sector with slower *firm* growth. Bosma et al (2004) however argue that prior experience, when in the same industry as their startups, improves firm growth, survival and profitability.

2.3.4 Informal Group Experience partnership and Growth of women owned MSEs.

It is believed that strong partnerships between businesses and their clients may have advantages for both. Advantages for the business owners include the ability to maximize performance by reducing risks, improving information flows, increasing customer satisfaction and enhancing loyalty (Binks&Anew, 1997)

Advantages for the clients include favorable rates, higher perceived quality of service, reduced stress, avoidance of switching costs, and increased convenience (Binks&Anew, 1997).

A partnership is an arrangement where entities and/or individuals agree to cooperate to advance their interests. In the most frequent instance, a partnership is formed between one or more businesses in which partners (owners) co-labor to achieve and share profits or losses.

Partnerships are also frequent regardless of and among sectors. Non-profit organizations, for example, may partner together to increase the likelihood of each achieve their mission. Governments may partner with other governments to achieve their mutual goals, as may religious and political organizations. In education, accrediting agencies increasingly evaluate schools by the level and quality of their partnerships with other schools and across sectors. Partnerships also occur at personal levels, such as when two or more individuals agree to domicile together. Partnerships between governments, interest-based organizations, schools, businesses, and individuals, or some combination thereof, have always been and remain commonplace.

Partnerships have widely varying results and can present partners with special challenges. Levels of give-and-take, areas of responsibility, lines of authority, and overarching goals of the partnership must all be negotiated. While partnerships stand to amplify mutual interests and success, some are considered ethically problematic, or at least debatable. When a politician, for example, partners with a corporation to advance the corporation's interest in exchange for some benefit, a conflict of interest may make the partnership problematic from the standpoint of the public good.

Developed countries often strongly regulate certain partnerships via anti-trust laws, so as to inhibit monopolistic practices and foster free market competition. Among developed countries, business partnerships are often favored over corporations in taxation policy, since dividend taxes only occur on profits before they are distributed to the partners. However, depending on the partnership structure and the jurisdiction in which it operates, owners of a partnership may be exposed to greater personal liability than they would as shareholders of a corporation.

2.3.5 Individual determinants and Growth of women owned MSEs.

Previous research has found that individual factors have a significant effect on the growth of Micro and Small Medium enterprises and are largely considered in determining and defining the growth of MSEs.They can be identified as motivational growth, personal competence, personal background and personal traits (Lekhanya, 2016)

According to the findings of Sarwoko and Frisdiantara (2016); individuals who contributed greatly among small business owners had the experience that was long enough to put in more efforts and have an average of motivation to succeed in business. Family support and educational background have however a lower contribution than the experience and motivation.

Some studies have confirmed that the performance of small businesses is determined by the personal characteristics of the owner with claims that the owner is the key factor of growth of a business including Entrepreneurial competency.Kiggundu (2002) argue that the overall entrepreneurial competencies of the owner are very important which include attitudes, knowledge, skills, abilities, personality, and behavior which is directed to achieve success. Further entrepreneurial competencies of the owner can well predict the successful growth of a business

Nyangau and Mung'atu (2014) carried out a study to establish the relationship between entrepreneur's motivation and growth of micro and small enterprises in the textile industry in

Thika town while adopting a survey research design to collect data. The study covered a sample of 226 drawn from a population of 526 micro and small enterprises of Thika Municipal Council who make thread to cloth. They established a positive correlation between motivation and growth of small and micro enterprises which means that owner motivation also contributes to growth of MSEs.

Delmar and Johan. (2008) studied the role of small business managers' growth motivation and the effects on business growth. They considered important effects of earlier motives and feedback from past performances. They concluded that small business managers' growth motivation has a significant influence on firm outcome measured as growth in sales and in number of employees. Moran (1998) examined the personal profiles of small business owners using a range of personality and ability tests. He particularly analyzed in greater detail the aspect of growth orientation. He concluded that subjects with higher growth orientation have personality traits including enjoyment of action, change, being in charge and decision-making. He further suggested that growth orientation approach could indicate the personality requirements for success in business, but more research would indicate its usefulness.

Don (2001) examined the effects of entrepreneurial personality traits, background and networking activities on business growth among 168 Chinese entrepreneurs in small and medium sized businesses in Singapore. He considered personality traits to include; need for achievement, internal focus of control, self-reliance and extroversion; background was considered in terms of education and experience; networking activities consisted of size and frequency of communication networks. He concluded that experience, networking activities, and number of partners as well as internal locus of control and need for achievement have positive impact on small business growth. On personality traits, self-reliance and extroversion have negative impact on number of partners and positive impact on networking activities, respectively. The impact of education on venture growth however was moderate for medium firms, positive for larger firms and negative for smaller firms. He further confirmed that an owner's entrepreneurial and managerial experiences are the dominating factor affecting small business growth.

2.3.5 Summary of Literature review.

From the above literature review both the theoretical and the empirical; it's evident that there is need for further research to be done on the contribution of MSEs on the growth of women owned Micro and Small Enterprises in Kenya. The empirical evidence from all the studies demonstrates that SMEs are growing at a high rate. There are few studies carried regarding their contribution to the economy in Kenya. Therefore, a research gap exists that need to be filled by doing a thorough study on this topic. Both in developed and developing economies women are faced with the dilemma of how to reconcile their business growth and the contribution achieved. There has not been a conclusive study that has been carried out to conclusively show the contribution of informal group based financing on the growth of women owned micro and small enterprises.

This research will help address this concerns that business owners have regarding growth of their businesses.

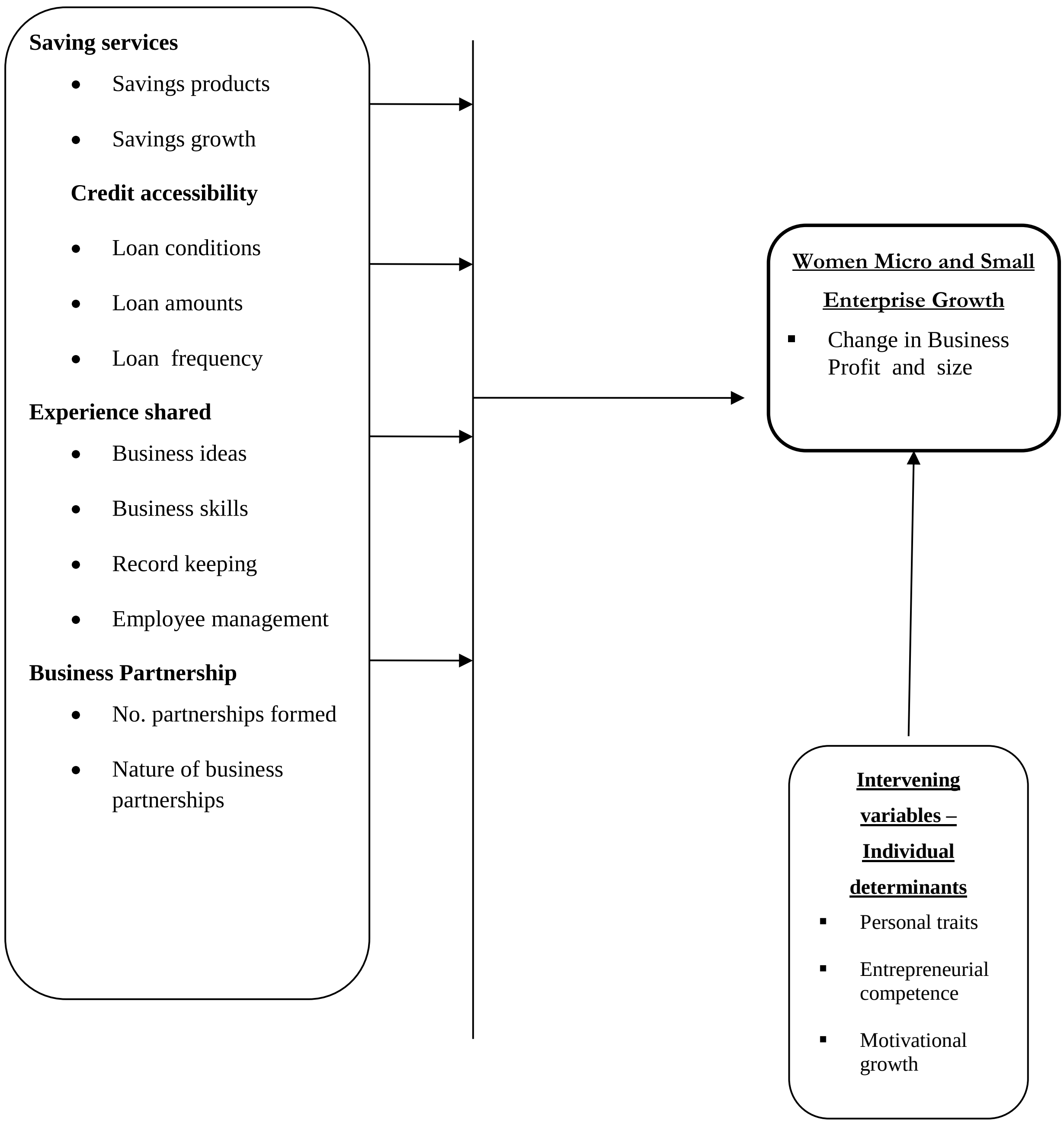
2.4 Conceptual framework.

The conceptual framework interlinks independent, dependent and intervening variables as depicted. Independent variables demonstrate the activities and initiatives in the informal group based financing that have a bearing on the women enterprise Growth (dependent variable). The highlighted ones in the model include; savings, credit accessibility, experience sharing and partnership.

Dependent variables attempts to depict the likely effect on the informal group based financing activities or initiatives (independent variables). It is expected that the day to day activities of the informal group based saving will impact on women enterprise Growth or entrepreneurship. Intervening variables in the model attempt to portray that, where informal group based saving activities affect women enterprise Growth may not be the end in themselves. Other factors such as family background, attitude towards risk, peer influence and role models may as well have an effect on women enterprise Growth.

Figure: 2.1 Conceptual Framework.

Independent Variables **Dependent variable**



2.5 Chapter Summary.

The study gives literature on informal group based financing, women entrepreneurship in developing countries and women groups and economic empowerment as an introduction into the context of the study. The chapter provides a theoretical framework on Entrepreneurship Theory to inform the study. The independent and intervening variables are explained in detail. The chapter concludes with a conceptual framework.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methodology and describes the research design, the population and sampling design, data collection methods and data analysis. It also helps highlight the sources of information for the research and data validation and integrity so that the kinds of errors could be identified and eliminated during the analysis and interpretation.

3.2 Research Design.

Descriptive survey method of research was used for this study. To define the descriptive type of research, William (2006) stated that the descriptive method of research is to gather information about the present existing condition. The emphasis is on describing rather than on judging or interpreting. The aim of descriptive research is to verify formulated research questions or hypotheses that refer to the present situation in order to elucidate it. This method allows a flexible approach, thus, when important new issues and questions arise during the duration of the study. The researcher used this kind of research to obtain first hand data from the respondents so as to formulate rational and sound conclusions and recommendations for the study. Descriptive research in the form of a questionnaire survey was conducted to meet the research objectives.

3.3 Target Population

According to Cooper and Schindler (2008), population is referred to as the collection of elements about which we wish to reference. The target population comprise of women entrepreneurs living in Kibera area. The 2009 Kenya Population and Housing Census Report, under the economic performance indicator showed that in Kibera there are more than 350 informal groups based financing of which 70%(245) are women based with an average membership of eight persons. The target population therefore was considered to be 1960 women entrepreneurs.Identifying the target population will pave way for the sample size population which is important because it is intended to yield some knowledge about the population of concern, especially for the purposes of statistical inference. The study only targeted women who have current access to microfinance services.

3.4 Sample Frame and Sampling Procedure

A sampling frame consists of a list that constitutes the population. The basic idea of sampling is that the unit selected represents the population. For this study, 332 respondents from the total of 1960 were selected through simple random sampling procedure. Based on this, the researcher was able to adopt a mathematical formula for the purpose of determining the sample size. Kothari (2006) has suggested the following mathematical formula for determining sample size. N = Where, N is the total number of women targeted by the researcher, and e is the error or confidence level. The conventional confidence level of 95% was used to ensure a more accurate result from the sample. Based on this, the error term would equal to 0.05. Using the total population of 1960 and error margin of 0.05, the sample size will calculated as follows. 1960/1+ (1960x0.0025) n= 332 Hence, out of the total population of 1960 women entrepreneursin Kibera, a sample size of 332 will be taken. A simple random sampling technique will then be adopted to select the 200 respondents.

3.5 Research Instruments.

Questionnaires were used to collect data from the respondents. Questionnaires are commonly used to obtain important information about the study population and they best suit this study due to the fact that the researcher can get responses immediately based on the objectives of the research, and to address the research questions.

3.5.1 Validity and Reliability of the questionnaire

A validity test is used to find out the extent to which the set of measures correctly represents the concept of the study. (Kothari, 2004). Validity was tested for content validity by seeking expert opinion on the content of the questionnaires and secondly construct validity was tested through a pilot test.Questionnaires for pilot testing were administered to at least six respondents, in the research the pilot exercise was conducted using ten randomly selected entrepreneurs.

A reliability measure is the degree to which research instrument yields consistent results after several trials (Fairchild, 2002).Reliability of the instruments was tested using Coefficient alpha. According to Nunnally and Bernstein (1994), one should strive for reliability values of 0.7 or higher. Those involved in the pilot were sampled for the final study.

3.6 Data Collection

Primary data was collected through the use of questionnaire. The questionnaires were self-administered through a drop and pick later method, to the individual respondents who were business owners or heads of groups.

3.7 Diagnostic tests.

3.7.1 Normality

As part of exploratory data analysis, test for normality of distribution of the response variable was conducted. Normality of the data was tested using the Shapiro – Wilk test. The significance level for this study was $\alpha = 5\%$. For $P \geq 0.05$ normality was assumed while for $P < 0.05$ deviation from normality was assumed.

3.7.2 Homoscedasticity.

The existence of homoscedasticity which refers to the assumption that the variability in scores for one continuous variable is roughly the same at all values for another continuous variable (Garson, 2012). To test for homoscedasticity, Levene test (1960) for equality was computed using one way

Anova procedure.

The level of significance for the study was $\alpha=5\%$. For $p\geq0.05$, there was no problem of heteroskedasticity while for $p<0.05$ there was a problem of heteroskedasticity (Bera&Jarque, 2012).

To deal with the heteroskedasticity problem if detected, the researcher tried to respecify the model or transform the variables given that sometimes heteroskedasticity results from improper model specification evidenced by choice of wrong variables or using variables whose effects may not be linear (Garson, 2012).

3.7.3 Multicollinearity

Multicollinearity in the study was tested using variance inflation factor (VIF) and Tolerance. The reciprocal of tolerance known as the variance inflation factor (VIF) shows how much the variance of the coefficient estimate is being inflated by Multicollinearity. A VIF for all the independent and dependent variables of between 1 and 10 indicated no Multicollinearity while a VIF of >10 and < 1 indicated Multicollinearity problem (Maddala Lahiri, 1992).

The Tolerance Statistics values below 0.1 also indicated Multicollinearity problem. To deal with the problem of Multicollinearity if detected, the researcher obtained more data on the variables concerned if possible or ultimately remove the highly correlated predictors from the model (Garson, 2012).

3.8 Data Analysis

Data collected was analyzed using both quantitative and qualitative methods. The raw data collected using the questionnaire was sorted out and edited to identify filled items, and those that could have been wrongly responded to. Exploratory data analysis which includes statistical summaries, graphical representations, and frequency distribution tables will be used in the preliminary analysis of data. The analyzed data was used to summarize findings and the relevant comments made.

Qualitative data was analyzed using inferential statistics such as factor analysis and content analysis. Quantitative data will be analyzed using descriptive statistics which include correlation and multiple regression analysis. This study was interested in measuring the relationship between growth of women enterprise (Y) using information on savings(X1), credit accessibility (X2) partnership (X3)and experience shared (X4). A multiple regression equation for predicting Y can be expressed a follows

$Y' = A + B_1X_1 + B_2X_2 + B_3X_3 + B_jX_j \ldots.. + e$

To apply the equation, each Xj score for an individual case is multiplied by the corresponding Bj value, the products are added together, and the constant A is added to the sum. For a given set of data, the values for A and the Bjs are determined mathematically to minimize the sum of squared deviations between predicted Y' and the actual Y scores. The equation will be solved by the use of statistical software package for example for this case the study will utilize Statistical Package for Social Sciences (SPSS).

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

This chapter presents the results and interpretations of the study guided by the research objective of the study. Data analysis was done using statistical analysis, descriptive statistical analysis and regression analysis. Descriptive analysis was used to address the profile of the contribution of informal group based financing on the growth of the women owned micro and small enterprises in Kibera slum Nairobi.

4.1 Response Rate.

The data for this study was collected within two weeks in the month of July2018 using questionnaires. The questionnaires were administered to IGBFs in Kibera. In total, 200 questionnaires were distributed to the individual members of the IGBFs. Of these 161 questionnaires were successfully completed and returned to the researcher by respondents from the IGBFs, giving a response rate of 81%, a percentage considered substantially sufficient for the study. The response was significant; Mugenda Mugenda (2003) indicated a response rate of above 50% is deemed significant for making conclusion in a descriptive research.

4.2 Demographic Analysis

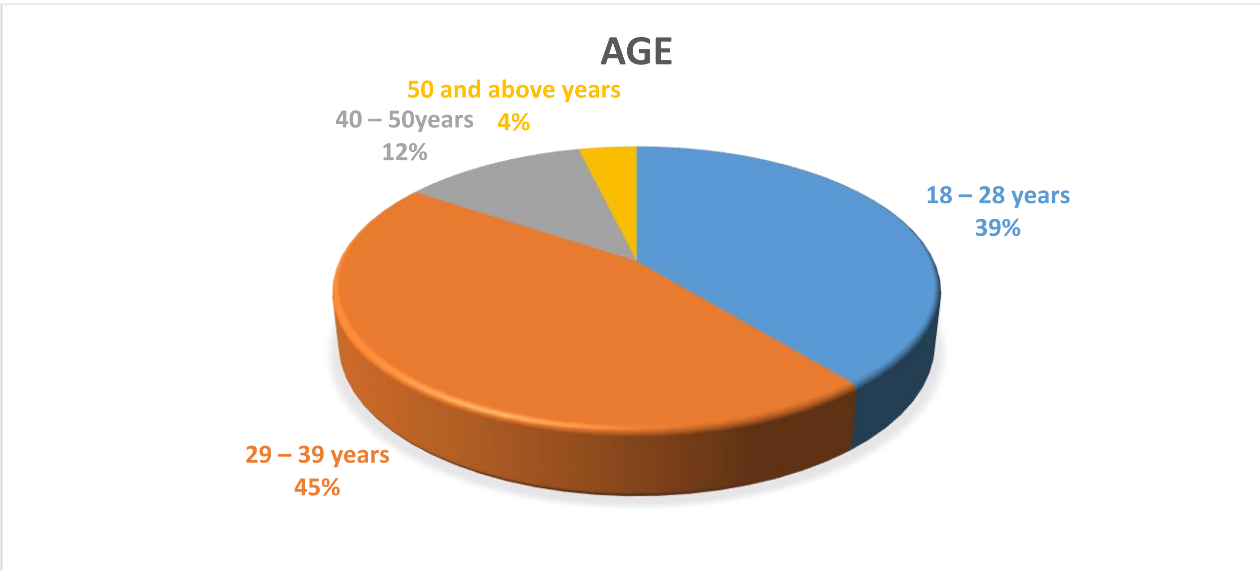
4.2.1 Age of the Respondent

Table 4.1, illustrates respondent age distribution across the groups contacted in this study.

Table 4.1 Age of respondent

Majority of the respondent 45% in the IGBFs were aged between 29 – 39 years, followed by those in the age bracket of 18 – 28 years. The remaining age brackets of 40 – 50 years and 50 years and above recorded 12% and 3% respectively. The findings indicate that young women are more engaged in IGBFs as compared to the older one in Kibera. As show in figure 4.1

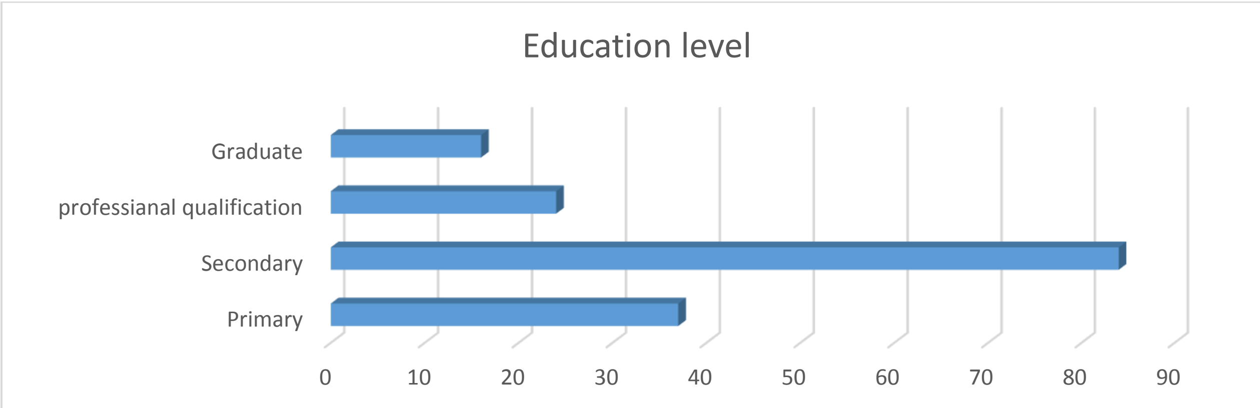
Figure 4.1 Age



4.2.2 Education Level & Professional Qualification

The study aimed at assessing the level of education of members in the IGBFs, table 4.1 shows that majority of the respondent 53% were secondary school graduates followed by primary schools graduates at 23%. The groups had fewer members with professional qualification (certificate, diploma, higher diploma & postgraduate) and first degree registering 14% and 10% respectively. Which explained that majority respondent of basic education qualification as show in figure 4.2.

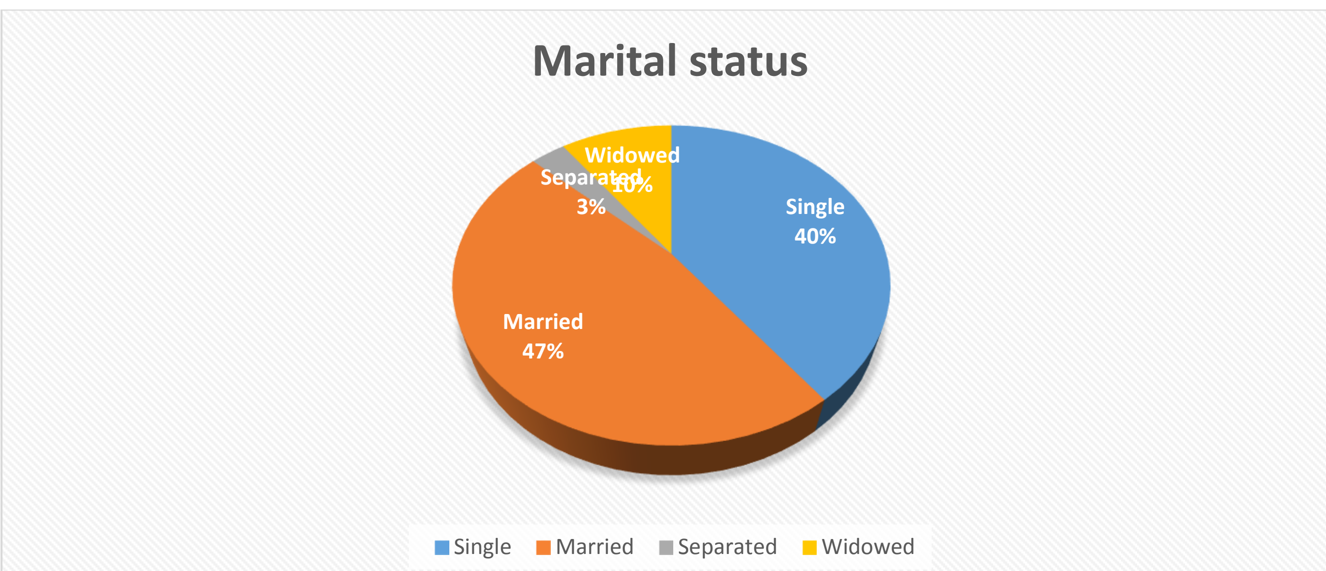
Figure 4.2: Educational level



4.2.3 Marital Status

This study gathered data on marital in the IGBFs in Kibera, as demonstrated in Table 4.1. The findings shows that most of the respondent were married recording 47% this was followed closely by those respondent who were not married i.e. single with 40%. Widows 10% and those who had separated were 3%. This indicates that majority of resident have embraced family lifes there are few cases of separated individual and zero cases of divorcees as show in figure 4.3

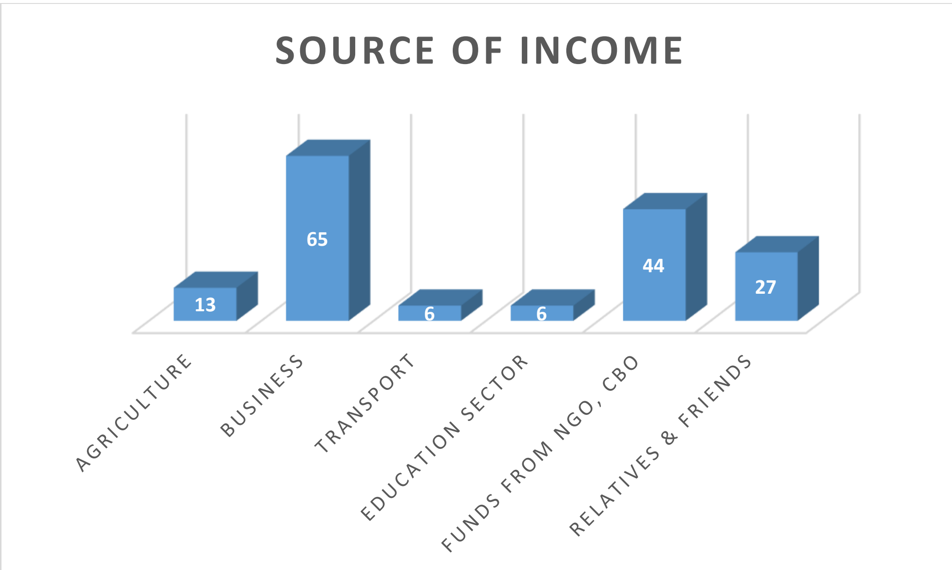
Figure 4.3:Marital status



4.2.4 Sources of Income

The outcomes show that 42% of IGBFs members, their initial source of income is from retailing. The other important sources of finance for women NGO Funds, relatives & friends, agriculture, transport, education sector which fall at 27%, 15%, 8%, 4% and 4%, respectively.as shown in figure 4.4

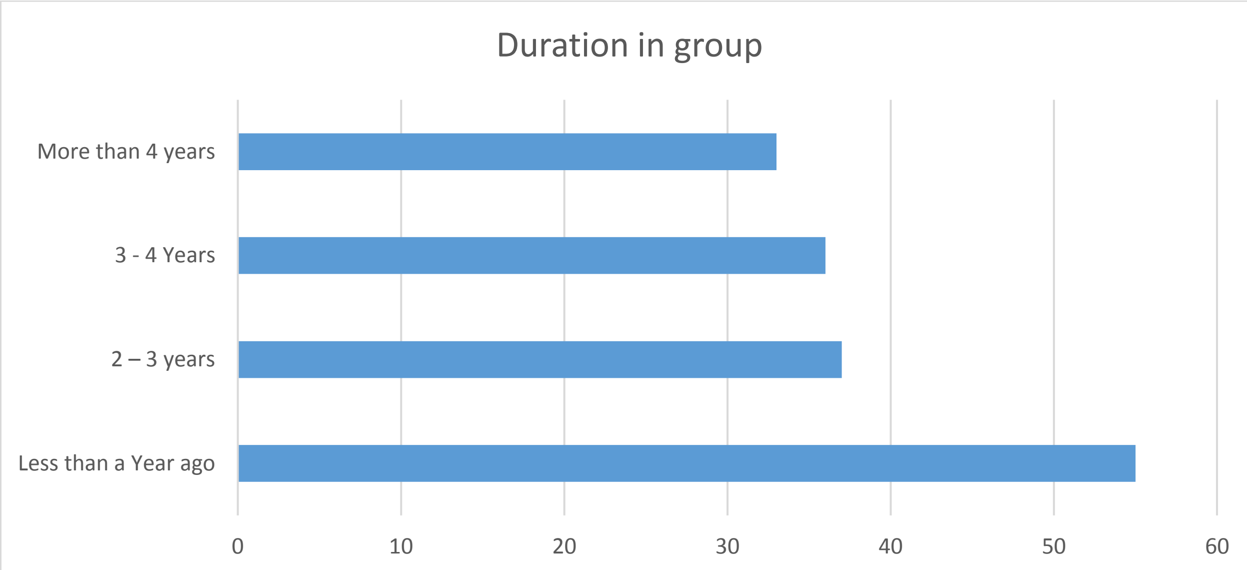
Figure 4.4 :Source Of Income



4.2.5 Period of Joining the Group

The study collected data on the period in which individuals had joined the groups, as illustrated in Table 4.1. The period parameters had little difference where majority of the respondent had joined the group less than a year 34%, 2 – 3 years at 23%, 3- 4 years at 22% and finally more than 4 years 21%. As show in figure 4.5

Figure 4.5: Duration in group



4.6 Financial Services Offered

The study aimed at assessing the type of financial services offered to women in the groups under study. Credit services recorded 34%, saving services 25%, information sharing 21%, training service 13% and financial counseling 7%. As show in figure 4.6

Figure 4.6:FINANCIAL SERVICE OFFERES

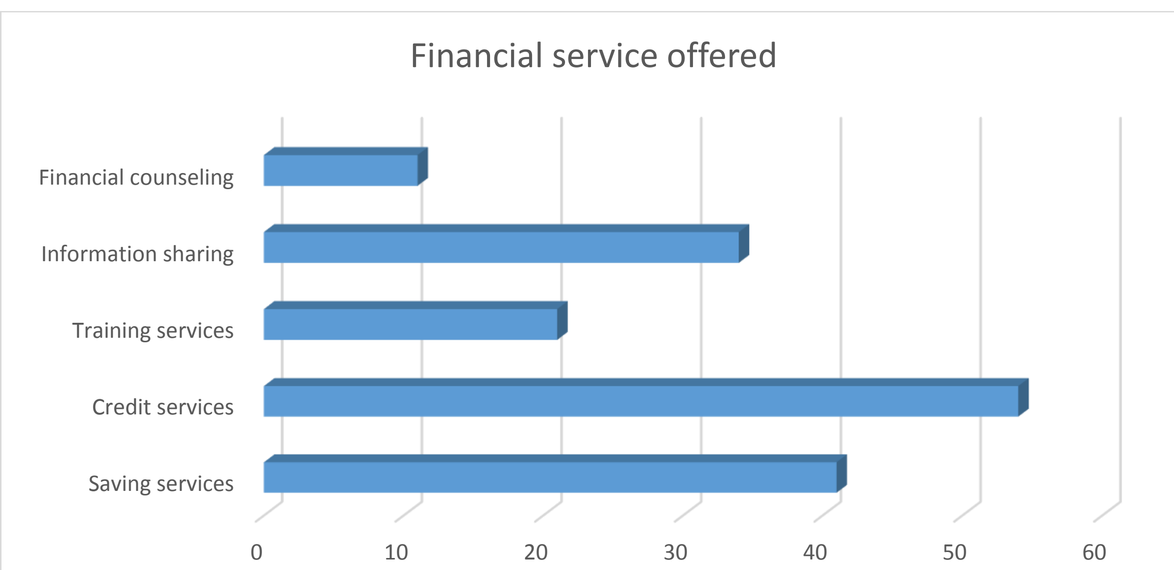


Table 4.1:Demographic Profile ofthe Respondents

		Frequency	Percent
Age			
	18 – 28 years	63	39.1
	29 – 39 years	73	45.3
	40 – 50years	19	11.8
	50 and above years	6	3.7
What is the highest level of education			
	Primary	37	23
	Secondary	84	52.2
	professional qualification	24	14.9
	Graduate	16	9.9
Marital Status			
	Single	64	39.8
	Married	76	47.2
	Separated	5	3.1
	Widowed	16	9.9
Sources of income			
	Agriculture	13	8.1
	Business	65	40.4
	Transport	6	3.7
	Education sector	6	3.7
	Funds from NGO, CBO	44	27.3
	Relatives & Friends	27	16.8
When did you join the Group			
	Less than a Year ago	55	34.2
	2 – 3 years	37	23
	3 - 4 Years	36	22.4
	More than 4 years	33	20.5
financial services offered by the group			
	Saving services	41	25.5
	Credit services	54	33.5
	Training services	21	13

Information sharing	34	21.1
Financial counseling	11	6.8
Total	161	100

4.3 Descriptive Statistics

This division represents the descriptive outcomes on saving service, loans, experience shared, business partnership and women owned micro andsmall enterprise growth.

The use of informal group based financing was undertaken in order to determine the extent to which it contributes tothe growth of women owned micro and small enterprises in kibera slum Nairobi. Ina five point Likert scale,the range was 'strongly disagree (1)' to 'strongly agree' (5). The scores of disagreeinghave been taken to represent a variable, which had a mean score of less than 2.5 on the continuous Likert scale. The scores of 'Neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale while the score of both agree and strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale. A standard deviation of > 0.9 implies a significant difference on the impact of the variable among respondents

4.3.1 Informal Group Based savings services and the growth of Women Owned MSEs

To establish the contribution of Informal Group based savings services and the growth of Women Owned MSEs was the first objective of the study. The respondents responded to statements on saving services. Rated on a five Likert scale, the responses were as obtained in Table 4.2. The respondents were in agreement that there is a minimum amount required to begin saving with the group with a mean score of 1. The low standard deviation of 0.000 indicates that the variation among the respondents was low. The respondents were in agreement that the group enhanced their savings skills (mean=1.1429),were you saving before you joined the

Group(mean=1.8696), How were you saving (mean=2.5714), How much have you saved with the group up to date (mean=3.0062) the high standard deviation of 1.13861indicates that there was high variation among the respondents.

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Table 4.2: SAVING SERVICES

		N	Mean	Std. Deviation
Is there a minimum amount required to begin saving with the group		161	1.0000	0.00000
Has the group enhanced your savings skills		161	1.1429	.35102
Were you saving before you joined the Group		161	1.8696	.33783
How were you saving		161	2.5714	1.13861
How much have you saved with the group up to date		161	3.0062	.85511
Valid N (list wise)		161		

4.3.2: Credit accessibility

To establish the contribution of Informal Group Based loans on the growth of Women Owned MSEs was the second objective of the study,the respondents responded to statements on credit accessibility. The respondents were in agreement that theyhave received a loan after joining the group and itis easier to get a loan from the group than from other sources witha mean score of a 1.1429. The low standard deviation of 0.13565indicates that the variation among the respondents was low. The respondents were in agreement that Before joining the group did you ever get a loan from other sources (mean=1.9130,Has the group ever declined you loan application at any one time(mean=0.9814, Has the group ever declined you loan application at any one time(mean=2.4348, How long does it take to get a loan from the group, (mean=2.How much have you saved with the group up to date(mean=3.0062, What is the highest loan you have ever received from the group(mean=3.1925, The high standard deviation of 1.28910 indicates that there was high variation among the respondents

Table 4.3: CREDIT ACCESSIBITY

	N	Mean	Std. Deviation
Have you received a loan after joining the group	161	1.1429	.35102
Is it easier to get a loan from the group than from other sources	161	1.1429	.35102
Before joining the group did you ever get a loan from other sources	161	1.9130	.28265
Has the group ever declined you loan application at any one time	161	1.9814	.13565
How long does it take to get a loan from the group	161	2.4348	.88588
How much have you saved with the group up to date	161	3.0062	.85511
What is the highest loan you have ever received from the group	161	3.1925	1.51045
From which sources	161	4.37888	1.289109

4.3.3 : Experiences Shared

To establish the contribution of experiences shared among the group members on the growth of women owned MSEs was the third objective of the study. The respondents responded to statements on experience sharing. The respondents agreed that group meet on regularly basis with mean of 2.3354.The low standard deviation of 0.96788indicates that the variation among the respondents was low. The respondents were in agreement they discuss various issues in the meetings with a mean of =2.3851and they acquire experience in group with mean of =2.4783.The high standard deviation of 1.66240 indicates that there was high variation among the respondents

Table 4.4: Experience Shared

	N	Mean	Std. Deviation
How regularly does your group meet	161	2.3354	.96788
What is discussed in the meetings	161	2.3851	1.37415
What kind of experiences have you acquired from the group	161	2.4783	1.66240
Valid N (list wise)	161		

4.3.4: Business Partnership

To establish the contribution of business partnership among group members on the growth of women owned MSEs was the fourth objective of the study. The respondents responded to statements on partnership, the respondents were in agreement that they have formed partnership since the joined group with mean 1.1491.The low standard deviation of 0.35727indicates that the variation among the respondents was low. The respondents were in agreement that before joining the group did you partner with anyone in business with mean of 1.7702and the high standard deviation of 0.42203indicates that there was high variation among the respondent.

Table 4.5: Business Partnership

	N	Mean	Std. Deviation
Have you formed any partnership since you joined the group	161	1.1491	.35727
Have the partnerships increased your sales	161	1.1491	.35727
Before joining the group did you partner with anyone in business	161	1.7702	.42203
Valid N (list wise)	161		

4.4 Inferential Statistics

Correlation results were generated by inferential analysis, model of fitness, and analysis of the regression coefficients and variance.

4.4.1: Correlation Analysis

The relationship between the dependent and the independent variable indicators was examined using correlation analysis using Pearson correlation coefficient (r) and p-value analysis, correlation was perceived significant when the probability value was below 0.05 (p-value ≤ 0.05). Correlation values (r) close to zero meant a weak relationship and r close to one meant a strong correlation existed.

Table 4.6 below represents the results of the correlation analysis. The results revealed that the growth and saving are positively and significant related (r=0.912, p=0.00). The table further indicated that growth and credit accessibility are positively and significantly related (r=0.957, p=0.000). It was also established that experience sharing and growth were positively and significantly related (r=0.979, p=0.000). Similarly, results showed that partnership and growth were positively and significantly related (r=0.881, p=0.00)

Table 4.6: CORRELATIONS

Correlations

		saving	Credit accessibility	experience sharing	partnership	growth
Saving services	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	161				
Credit accessibility	Pearson Correlation	.970**	1			
	Sig. (2-tailed)	.000				
	N	161	161			
Experience sharing	Pearson Correlation	.919**	.952**	1		
	Sig. (2-tailed)	.000	.000			
	N	161	161	161		
Partnership	Pearson Correlation	.863**	.864**	.852**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	161	161	161	161	
Growth	Pearson Correlation	.912**	.957**	.979**	.881**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	161	161	161	161	161

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

4.4 .2: Test of Research Hypotheses Using Regression Analysis

The study sought to establish the contribution of informal group based financing on the growth of women owned micro and small enterprises in kibera. To do this, regression analysis was adopted in testing the research hypotheses. Assuming a linear relationship between informal groups based financing services and growth of women owned micro and small enterprises, the study used the Ordinary Least Square (OLS) method of estimation. Using OLS, a regression line of best fit was sought. Regression analysis was used to model the relationship between informal group based financing services and growth of women owned micro and small enterprises. It was important in determining the magnitude of the resulting relationship and it was used to make prediction based on resulting model.

Before the regression analysis, the data was subjected to assumptions of regression analysis. First the data set was tested for normality. The four key variable; saving service, credit accessibility, experience shared and partnership were subjected to a normality test using stem and leaf graphical display and a normal distribution curve as shown in Appendix v. The resulting stem and leaf display confirmed that the data set was normally distributed.

Secondly, the data was tested for existence of multicollinearity. The independent variables were saving service, credit accessibility, experience shared and partnership correlated as shown in appendix 111, resulting in a significant relationship. According to Sosa-Eacudero (2009) if VIF = 1, there is no correlation, if VIF is more than 5 but less than 10 , there is moderate correlation and if VIF is greater than 10, there is high correlation. The common rule of thumb is that VIF should be less than 3 (Kutner, Nachtsheim&Neter, 2004). In Appendix VI the VIF for one variable was below VIF of 5 and the rest were above VIF of 5 the variables in this study hence an indication that only one variable , partnership was of the variables was within the threshold for multiple regression analysis and that there appears to be no excessive multicollinearity amongst the biases. Third the data was tested for linearity. The test for linearity using scatter plot revealed that the independent variables had no linear relationship with the dependent variable since theirs value were less than 0.05 as show in appendix V11

The fourth assumption tested was that of equal variance (homoscedasticity). The residual plots showed that the error term (εi) was normally and identically independently distributed with mean zero and constant variance. This meant the error variance in growth was constant along informal group based financing. Hence, the data did not suffer from heteroscedasticity and instead was homoscedastic. The study proceeded with regression analysis

4.4.3 Regression Analysis

The results in table 4.7 **represent the fitness of model used of the model regression explaining the** study phenomena. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (growth) that is explained by all the four independent variables (saving , credit accessibility ,experience sharing, partnership). The three independent variables studied explain 98% of the growth of Women Owned MSEs This therefore means that other factors not studied in this research contribute 2% of the growth of Women Owned MSEs

Table 4.7: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987[a]	.974	.973	.14826
a. Predictors: (Constant), partnership, experience sharing, saving services, credit accessibility				

4.4.3 Analysis of Variance

In statistics significance, testing the p-value indicates the level of relationshipof the independent variable to the dependent variable. If the significance level found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.8 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors ofthe growth of Women Owned MSEs. This was supported by an F statistic of 1446.297 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Table 4.8 ANOVA

ANOVA[a]

Model		Sum of Squares	Do	Mean Square	F	Sig.
1	Regression	127.168	4	31.792	1446.297	.000[b]
	Residual	3.429	156	.022		
	Total	130.598	160			

a. Dependent Variable: growth

b. Predictors: (Constant), partnership, experience sharing, saving service , credit accessibility

4.4.4 Regression Coefficients

Regression of coefficients results in table 4.9. As regards, saving, the results show that; T=-5.364and p-value =0.000 since p>0.05 at the α=0.05 level of significant there exist enough evidence to conclude that the saving is less than 0.005, hence, appreciating the study conclusion that saving is useful as a predictor of growth of Women Owned MSEs .

Credit accessibility was equally tested and from these result T=6.964, p-value=0.000 atα =0.05 level of significant; there exist enough evidence to conclude that the credit accessibility is not zero and hence, that credit accessibility is useful as a predictor of growth of Women Owned MSEs

As regards, experience sharing, the results show that; T=14.914 and **p-value =0.000 since p>0.05 at 0.05** level of significant there exist enough evidence to conclude that the experience sharing is great than 0.005, hence, that appreciating the study conclude that experience sharing control is useful as a predictor of growth of Women Owned MSEs .

Finally, partnership was equally tested from these result T=6.082 p-value=0.000 then at 0.05 level of significant; there exist enough evidence to conclude that the partnership is not zero and hence partnership is useful as a predictor of growth of Women Owned MSEs

The multiple linear regression models is as shown below.

Table 4.9: Regression of Coefficients

Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.527	.078		-6.787	.000

saving	-.568	.106	-.294	-5.364	.000
Creditaccessibility	.722	.104	.482	6.964	.000
Experience sharing	.584	.039	.650	14.914	.000
partnership	.484	.080	.164	6.082	.000

a. Dependent Variable: growth

From the data, the established regression equation was

$Y = -0.527 - 0.568x_1 + 0.722x_2 + 0.584x_3 + 0.484x_4$

The model shows saving as having a negative coefficient, which showed that they were inversely directly proportional to growth. This means that a unit increase in saving decrease the growth with 0.568 unit and a unit increase in credit accessibility will increase the growth by 0.584 unit and partnership by .484 respectively . The results obtained in table indicted that when all the variables are zero, that is informal group based financing and then the growth will decrease by unit.0.527

In conclusion, the inferential statistic showed that growth was explained by independent variable; saving, credit accessibility, experience sharing, therefore appreciating that informal group financing were the predictor of growth of women owned micro and small enterprises

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusions and recommendations of the study based on the study objectives. The chapter also highlights suggested areas for further research. The study sought to establish the contribution of Informal Group based financing on the growth of women owned micro and small enterprises in Nairobi, with a focus to Kibera slum.

5.2 Summary of the findings.

5.2.1Informal Group savings andGrowth of women owned SMEs

From the results,savings though having a negative relationship with growth of MSEs, they have a significant influence on the growth in many aspects; the manner in which the group saves has a high significant on the growth of women owned micro and small enterprises. Among members a high level of saving is also motivated by the group. Further members seemed to save more after joining the group compared to the period before joining the group and consequently the members' savings skills have been highly advanced. This shows that being in an informal group, savings contribute positively to the positive growth of their members. This agrees with the findings of Karlan, Savonitto,Thuysbaert and Udry (2017) that the overall participation within the informal savings increases the members' welfare.

5.2.2Informal Group credit accessibility and Growth of women owned SMEs

From the results credit accessibility factor has a positive relationship with growth of MSEs and has a significant influence on the growth in many aspects;generally being in a group has enabled the members to access loans with ease and it is easier to get a loan from the group than from other sources. Further, before joining the group it was not easy to access loans from other sources while the members in the group confessed that the group has never declined their loan applications. From these results it is evident that credit accessibility has a significant contribution on the growth of Women Owned MSEs.Further internal factors within the group determine which member accesses credit. These results are in agreement with Beck (2007) who confirms that the availability of credit to new MSEscan be influenced by both borrower-specific (internal factors) and systemic factors (external factors).

5.2.3 Informal Group partnerships and Growth of women owned MSEs.

From the results partnership factor has a positive relationship with growth of SMEs and has a significant contribution on the growth as shown by the p value of <0.05;members have formed partnerships since they joined group, before joining the group the members did not partner with anyone in business. Fromthis, it is evident that members partner to share theirexperiences. Further the group with more experienced members experienced faster growth. This results are in agreement with a study done by Parker (1999) who proposed that entrepreneurs who had more years of experience especially exceeding over seven years experienced faster growth compared to those who had less years of experience Prior work experience is also considered to be highly effective more so where the prior experience is from the same sector or section.

5.2.4 Informal Group Experience Sharing and Growth of women owned MSEs.

From the results Experience sharing factor has a positive relationship with growth of MSEs and has a significant influence on the growth as shown by the p value of <0.05.To enhance experience sharing, the group meets on regular basis. Various issues are discussed in meetings which increase the members’ experience in group and have value addition to the individual members which translates to the group benefiting. This confirms the findings of Banks and Anew, 1997; who points out that the advantages for the clients include favorable rates, higher perceived quality of service, reduced stress, avoidance of switching costs, and increased convenience.

5.3 Conclusions.

From the study findings the growth of women owned micro and small enterprises is influenced by a number of factors ranging from savings by members within the group, accessibility of credit by group members, experienceshared within the group as well as the group partnerships.From this study all the factors significantly influence growth as shown by the model.It has been reasonably believed that the sample and the research design adopted were sufficient to achieve the desired research objectives.

5.4 Policy recommendations

The use of external finance in group activities is found to have a positive contribution for enterprise growth. Therefore, adequate provision of finance should be the main element in the development programs of the groups and important stakeholders interested in this informal group finance sector. The provision of finance based on their savings amount and saving habits will encourage more women to take loans since they mostly lack economic resources and are unable to give collaterals. Therefore, specialized microfinance services that benefit women entrepreneurs must be established or encouraged.

Other ways, such as initiating specialized lending services to women in the existing IGBFs, must be sought. The role of information for business growth is significant. However, use of media and experience sharing among entrepreneurs is almost nonexistent. Therefore, the use of media as a source of information, besides entertaining customers, must be encouraged.

Experience sharing and joint problem solving must also be encouraged. Partnership, due to its significant and positive contributions, should also be encouraged. Therefore, informing women business owners about the benefits of sharing resources, experiences, and responsibilities is important.

Women enterprises concentrate in products that are similar thereby limiting their demand. Therefore, trainings that are concerned with innovative activities, risk taking, and management must be encouraged.

5.5 Limitations of the study

The study had the following limitations:

First, data collected for this study is subjective based which is dependent to a certain extent on the mood, motive, willingness and consent of each individual. Hence the data might not represent the true feelings or thoughts of the individuals who responded.

Secondly, the research targeted only the groups in Nairobi County as a representative of the whole country, Kenya. This is due to the fact that Kibera slum has a big population with most of the informal groups concentrating in Kibera. This has the risk of giving biased opinions since individuals in different geographical locations might be of different views.

The research was constrained by time as the researcher had to balance the research undertaking with other commitments mostly work related. Thus, a more comprehensive study was not possible.

5.5 Suggested Areas for Further Research

There is need for further studies to establish other possible factors that may be affecting the growth of women enterprise in Kenya. This is particularly so because the study had some limitations, meaning that some valuable information may be missing out. Also the micro and macro environment of the enterprise like any other keep changing other such that every time a research is done it is expected that there may be emerging issues.

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TEST OF NORMALITY

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
saving	.220	161	.000	.915	161	.000
Creditaccessibilty	.207	161	.000	.921	161	.000
Experiencesharing	.140	161	.000	.934	161	.000
partnership	.323	161	.000	.770	161	.000

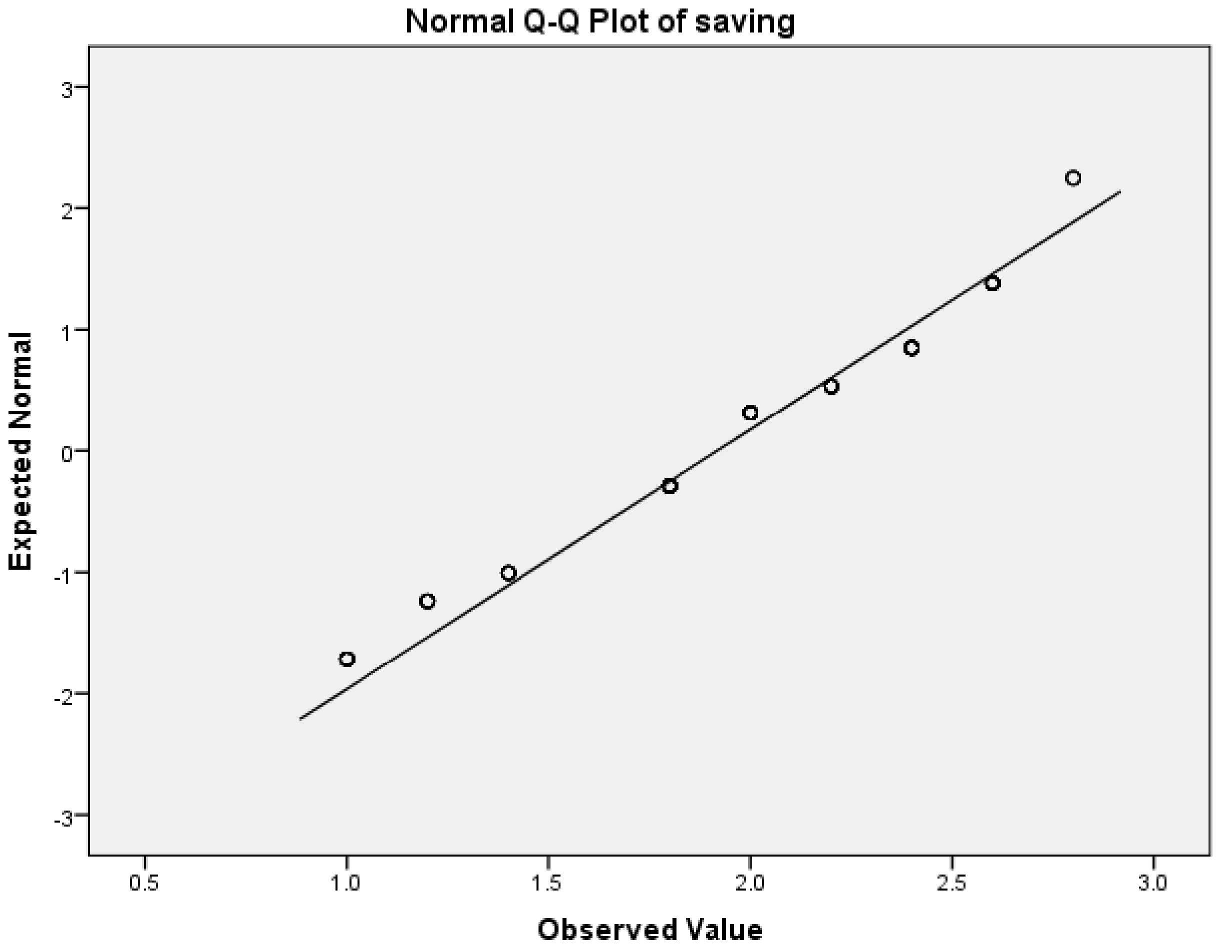
a. Lilliefors Significance Correction

```
saving Stem-and-Leaf Plot

 Frequency    Stem &  Leaf

    13.00 Extremes    (=<1.00)
     8.00       12 .  00000000
      .00       13 .
     8.00       14 .  00000000
      .00       15 .
      .00       16 .
      .00       17 .
    66.00                                                         18        .
000000000000000000000000000000000000000000000000000000000000000000
      .00       19 .
    11.00       20 .  00000000000
      .00       21 .
    15.00       22 .  000000000000000
      .00       23 .
    17.00       24 .  00000000000000000
      .00       25 .
    20.00       26 .  00000000000000000000
      .00       27 .
     3.00       28 .  000

 Stem width:       .10
 Each leaf:       1 case(s)
```



muticollineraity. Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			VIF
1 (Constant)	-.527	.078		-6.787	.000	
saving	-.568	.106	-.294	-5.364	.000	17.829
creditaccessibilty	.722	.104	.482	6.964	.000	28.495
experience sharing	.584	.039	.650	14.914	.000	11.274
partnership	.484	.080	.164	6.082	.000	4.310

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
growth * experiencesharing	Between Groups	(Combined)	129.068	15	8.605	815.630	.000
		Linearity	125.062	1	125.062	11854.749	.000
		Deviation from Linearity	4.006	14	.286	27.121	.000
	Within Groups		1.530	145	.011		
	Total		130.598	160			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
growth * creditaccessibilty	Between Groups	(Combined)	127.076	14	9.077	376.321	.000
		Linearity	119.724	1	119.724	4963.682	.000
		Deviation from Linearity	7.352	13	.566	23.447	.000
	Within Groups		3.522	146	.024		
	Total		130.598	160			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
growth * saving	Between Groups	(Combined)	120.937	8	15.117	237.846	.000
		Linearity	108.637	1	108.637	1709.245	.000
		Deviation from Linearity	12.300	7	1.757	27.646	.000
	Within Groups		9.661	152	.064		
	Total		130.598	160			