

FACTORS HINDERING GROWTH OF WOMEN OWNED MICRO AND SMALL ENTERPRISES: A CASE OF MICRO FINANCE BORROWERS IN MAKADARA, NAIROBI

George Kiyai

Ph.D. (Finance) Fellow, School of Business, Kenyatta University, Nairobi, Kenya

Dr. Mary Namusonge

Lecturer, School of Business, Kenyatta University, Nairobi, Kenya

Dr. Ambrose Jagongo

Lecturer, School of Business, Kenyatta, Nairobi, Kenya

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ABSTRACT

The Small and Medium Enterprises (SMEs) sector has an important role to play in Kenya's drive towards industrialization as well as its quest for poverty eradication. To the extent that this is true, SMEs need to grow. The limited access of SMEs to credit and financial services is often presented as one of the most important supply constraints confronting the SME sector and research findings indicate that financial problems are one of the main reasons why relatively few SMEs graduate into larger enterprises. This paper sought to analyse constraints faced by women entrepreneurs after loan that

impeded growth of their enterprises. The study findings showed that a majority of the sampled enterprises have not expanded despite getting MFI loans. Major policy interventions recommended relate to an evaluation of the credit methodologies of MFIs in line with the business needs of the entrepreneurs. The paper offers some background on Micro and Small Enterprises (MSEs) growth, conceptual framework, empirical review of literature on MSEs growth.

Key Words: *MSEs, women-run enterprises, growth, microfinance, microenterprise, small enterprise*

INTRODUCTION

There is an increasing awareness in the international Community on the important role and potential of the small and micro enterprises (SMEs) in fostering socio-economic development in both urban and rural settings. SMEs are dynamic entities. Some grow into large enterprises; some stabilize without changing their scale of operations, while others disappear. The success of these enterprises can be measured by their ability to survive and prosper (Bhalla, 1992).

MSEs are receiving attention among policy makers and scholars in developing countries with fiscal pressures constraining growth of public sector employment, and with large enterprises in turmoil, often in response to the process of liberalization, many observers see MSEs as a source of economic salvation (McGrath, 1999).

In developing countries, the MSE sector employs 30-80% of the economically active population. The sector often absorbs excess labour during periods of restructuring and responds quickly to excess demand during periods of economic expansion (World Bank, 1995). However, not all is well with this sector as most of SMEs hardly grow beyond the initial stages, and 3/5 of all new businesses die within the first five years (World Bank, 1998).

The limited access of SMEs to credit and financial services is often presented as one of the most important supply constraints confronting the SME sector and research findings indicate that financial problems are one of the main reasons why relatively few SMEs graduate into larger enterprises. The vast majority of SMEs have been established without capital from the formal financial institutions, usually being financed exclusively from savings and loans from either friends and family members or informal lenders (ILO, 1994). Lending institutions have not been

enthusiastic to give loans to the poor and women who run micro enterprises. Thus, the 1980s witnessed a spectacular proliferation of non-conventional institutions (micro finance institutions-MFIs) geared to offering credit services and to some extent savings to those who had always been excluded or ignored by mainstream banking institutions, that is, women and the poor (Gellinas, 1998).

Panos, (1997) notes that micro finance schemes are often presented as the key to the development aspirations of women. The need for poverty alleviation schemes targeting women is unarguable as women own only 10% of the world's property while of today's 1.3 billion absolute poor people living on less than one dollar a day; over 900 million are women.

In Kenya, the 1993 MSE Baseline Survey observes that women play an important role in the MSE sector constituting 46% of entrepreneurs and 40% of employment in the sector. The 1999 MSE survey observes that women own 52% of the MSEs in urban areas compared to 48% of their male counterparts.

International Labour office (ILO, 1994), identifies factors that constrain the growth and profit potential of women's enterprises as: concentration in product markets for which there is poor demand, limited access to markets, information and efficient transportation, time taken for domestic responsibilities, lack of labour and time saving technologies and poor management and illiteracy.

The importance of improved access to credit has been confirmed by many studies on SMEs, with credit constraint featuring high on the list of constraints confronting small businesses. These studies, however, caution against regarding credit as a panacea to growth of SMEs (ILO, 1994).

This study focused on the constraints inhibiting the growth of women-run micro and small enterprises in Makadara area of Nairobi who are beneficiaries of various Micro finance programs. The study looked at the reasons why the MSEs are not growing even with accessibility to loans.

STATEMENT OF THE PROBLEM

Micro finance schemes are often presented as the key to the development aspirations of women. The main reason given by MFI policy makers focusing on women is the need to empower women through social and economic development programs, a commanding focus of donor programs since the 1980's. For instance, to be eligible for CGAP funds, MFIs have to demonstrate that they are reaching larger numbers of the poor that women make up at least 50% of their client base. In Bangladesh, 94% of those who meet Grameen Bank criteria for loans are women (Panos, 1997). In Kenya, women play a central role in the MSE sector, constituting 46% of entrepreneurs and 40% of employment in the sector. Women dominate in commerce sector.

Women –run enterprise show a different dynamic than their male counterparts, tending to be small and using little start -up capital. Women’s entrepreneurial activities generally involve very little money and produce little profits. Money is earned in small amounts and used to cover the daily expenses of food. Women enterprises face a different set of constraints than other entrepreneurs (Parker 1993, McCormick 1992). Studies show that lack of credit is not always the main constraint for micro enterprise growth and development, and that poor people demand a wide range of financial, business development and social services for different business and household purposes (Hege, 1998). Kilemi (1997) in a study on Kenya Rural Enterprise Program (KREP) loanees observed that 45% of female –clients interviewed reported that their businesses had not grown at all or had a negative growth rate as a result of acquiring a loan. This study therefore, sought to critically examine the constraints women entrepreneurs face after loan, which inhibit the growth of their enterprises. This study was significant in that it looked at the constraints after loan because accessibility to credit has been seen as the single most important constraint faced by female entrepreneurs yet their business are not growing even after acquiring MFI loans.

THEORETICAL LITERATURE REVIEW

The study reviewed five theories related to growth of MSEs. These include the Industrial organisation model, resources based view, stochastic model, human capital model and learning model.

Human Capital Model

The human capital model pioneered by Lucas (1978) is related to firm growth effect model of Penrose(1959). The growth effect model had two different arguments. The first argument is the ‘resource push’ argument which looks at firms as a bundle of resources bound together by set of administrative skills or capabilities which are used to deploy them as effectively as possible. The second is the managerial limits to growth hypothesis. Penrose argues that at any time there are limits to the expansion that existing managers can achieve, and limits to the management capacity due to the constraint to the expansion of the number of managers (Penrose 1959, O’Farrell & Hitchens, 1988). Lucas (1978) assumed that individual entrepreneurs have certain business or management capabilities which will influence their success in business. His other assumption was that skill varies across workers and as such the size distribution of firms is based on the relative endowment of entrepreneurial talents and skills of employees.

Human capital relates to the internal environment of the firm as evaluated from by personal and leadership characteristics of the owner-manager (Gibb and Scott, 1985; O’Farrell & Hitchens, 1988). Other factors cited influencing firm growth include the owner’s age, attitudes to growth, occupational background, personal objectives, management style, level of owner’s education and training, personal values and attitudes (O’Farrell & Hitchens, 1988).

Industrial Organization Model

The industrial organization model looks at growth of firms from an external perspective, that is, environmental/external factors, instead of resources and capabilities that are internal to the firm, (Hitt et al., 2009). This model posits that a business enterprise must first consider the external environment (industry) and choose the one that is most attractive to the firm and design a strategy that fits to the characteristics of the industry. The firm then must successfully implement the strategy to increase its level of competitiveness in order to generate above average return.

Learning Model

The learning model introduced by Jovanovic (1982) and discussed in the literature on small firm growth by (e.g Liedholm & Mead, 1999; Storey, You, 1995; 1994). Jovanovic assumed that management ability differs among entrepreneurs. Further, he assumes that firms have different efficiencies which are not directly observable. He asserts that a firm's true efficiency can only be learnt gradually after the firm enters into production. A firm will adjust its behaviour upon learning about its true abilities. Besides choosing output levels to maximise expected profits on the basis of imperfect information on their efficiency levels, firms will also update their expectations based on the efficiency level. Firms which adjust their ability upward will expand and those which adjust them downward tend to contract or exit (Liedholm & Mead, 1999; Storey, 1994; You, 1995). The learning model predicts that firm failure rates and growth rates will be inversely related to the age and size of the firm (Liedholm & Mead, 1999).

Stochastic Model

The size distribution of firms at a given point in time is the result of a stochastic process from cumulative random shocks over time (O'Farrell & Hitchens, 1988). The stochastic model posits that the probability of firm growth is based on pure chance and the size distribution of firms in an industry reflect these stochastic processes.

Resources Based View (RBV)

RBV looks at the unique resources and capabilities owned and controlled by each firm as the bases upon which the firm can generate above average return or higher growth than competitors. The theory contends that all firms face the same external environment and that firms with strong internal capacity can exploit environmental opportunities and in addition challenge any external threats and challenges. This implies that while firms with unique resources and capabilities earn superior profits, firms with marginal resources can only expect to breakeven (Barney, 1991; Petraf, 1993).

EMPIRICAL LITERATURE REVIEW

Role of MSE Sector

Nearly three quarters of the developing countries in the world depend on micro enterprises for employment and the general improvement of the living standards of their citizens. In these countries, outside agriculture, micro enterprises form the bulk of their income earnings. Households that depend on agriculture, also have part time or seasonal micro enterprise activities to supplement earnings from agriculture (Digest, 1999). The 1999 baseline survey found that there are 1.3 million MSEs employing about 2.4 million people, or approximately 17% of the total labour force. In terms of Gross Domestic Product (GDP), the contribution of the MSE sector was found to be 18.4% (ICEG, 2000).

Dondo (1999) notes that a significant proportion of activities in Kenya's urban areas is accounted for by MSEs. He further observes that the role played by MSE's in the urban areas in terms of employment creation, income generation, economic diversification and dynamism has made the sector to be the last hope for future industrial growth and development. ICEG, (1999) notes that the growth capacity of the MSE sector has the potential to contribute great strides towards the achievement of Kenya's goals for industrialization, rapid employment generation, and poverty eradication.

MSEs Lack of Access to Formal Credit

Less than 2 percent of poor people have access to financial services from sources other than moneylenders, while fewer than 10 million of the 500 million people currently running Micro and small enterprises have access to loan or savings facilities. Banks have tended to assume that the needy will not keep up repayments, or that costs of servicing transactions on small loans must make grassroots lending unprofitable. Commercial Banks, however, have begun to show growing interest in investing in MSEs. Yet some banks, through caution or through lack of familiarity with this market growth area, appear to be holding back from responding to current market demand (Panos, 1997).

Working capital is the most common constraint identified by entrepreneurs of existing micro enterprises. To access working capital, micro entrepreneurs often borrow from informal financial source such as family or friends, suppliers or local moneylenders. Usually moneylenders charge relatively high interest rates and may not offer loans products or terms suited to the borrower (Ledgerwood, 2000).

Felsenstain and Schwartz, (1993) in a study on constraints to small business development in Israel concluded that the major constraint facing all entrepreneurs at the start up and sustained operations stages is a shortage of capital. In their research, lack of capital was cited as a principal

obstacle by over seventy percent of the respondents. The study, however, was based on rural micro enterprises since only the peripheral areas of Israel were studied.

Levy (1993) studied obstacles to developing small and medium enterprises in Sri Lanka and Tanzania and concluded that finance represents the binding constraint on expansion of all classes of enterprises. Khandker (1995) in a study on the Grameen Bank notes that informal lenders have traditionally provided credit to rural people but because of their excessive interest rates, are considered inefficient for improving productivity. The bank holds that lack of access to credit is the biggest constraint on the poor.

World Bank lending for SMEs provides credit under the assumption that financial markets are working imperfectly and that lack of access to available finance is a critical constraint on the SME growth (Webster, 1992.). In Ghana, when enterprises were asked to indicate the four most serious constraints that were hindering expansion of their business over 43% of sampled firms listed lack of access to credit as their primary constraint. Smaller firms tended to cite lack of access to credit more frequently than larger ones, but it was the dominant constraint in all size categories and for both older and new firms (Ernest, 1997).

In Tanzania, a survey on demand for rural financial services established that the informal, quasi-informal and formal credit sources catered for only about 2.3% of the credit required by the rural and urban micro enterprises. The survey also established an existence of an insatiable demand for credit in the sampled areas. The survey also revealed that 43% of the respondent required loans for investment in agriculture and about 38% require loans for investment in business. This implies that about 80% of respondents require credit for financing agricultural production and business (Musinga, 1997).

In Kenya, the Sessional paper No.2 of 1992 cites access to capital as one of the factors inhibiting the development of small enterprises and the Jua Kali sectors. Other factors include lack of coherent policy guidelines and unfavorable regulatory environment. Inadequate physical infrastructure, limited markets for sectors' products and services, a weak institutional infrastructure, poor information gathering and dissemination, lack of policy on gender specific issues, lack of enterprise culture, lack of managerial planning and implementation.

The 1993 Base line survey of MSES points out that enterprises are most likely to close in their first three years. Entrepreneurs cited low demand in the market (30.1%) as the most important constraint facing their enterprises, followed by lack of access to inputs (24.7%) and working capital (14.2%) as major constraints. Bowen (1997) studied determinants of micro enterprise growth and observed that the main source of capital to entrepreneurs is own savings followed by capital from family and relatives and other sources (NGOs, friends etc). Out of 117 respondents, 92 (82.1%) identified capital as a constraint. This is mainly capital to expand the business.

Karanja (1999) studied factors that influence the effectiveness of the manufacture and marketing of furniture products in Nairobi and his conclusions were that major constraints facing entrepreneurs were financial shortcomings 30%, limited markets 20%, inappropriate premises 16%, inadequate machines 15%, competition from large business 11%, lack of managerial skills 5% and cost of accessing materials 30%. In this study, credit ranks as the second major constraint.

Kimuyu (2000) studied institutional impediments to access to credit by MSEs in Kenya and concluded that lack of working capital is the most important reason for business closure for more than a 1/3 of the enterprises. Lack of credit is the second severest problem faced by SMES, the first one being lack of demand for their products. 36.2% of MSES cite shortage of working capital as a reason for business closure. On sources of initial and additional capital, he observes that that 80.4% of MSES source capital from own or family or friends, commercial banks 1.8%, NBFIs 1.1%, ROSCAs 1.1% and Others (NGOs, Government Programs, trade credit, and money lenders 8.1%).

The limited access of SMEs to credit and financial services is often presented as one of the most important supply side constraints confronting the SME sector and research findings indicate that financial problems are one of the main reasons why relatively few SMEs in Kenya graduate into larger enterprises (ILO, 1995). To the extent that this is true, the implication is that with credit MSEs should graduate into small businesses. This study therefore analyzed constraints to the growth of female run MSEs.

Lack of Access to Credit By Women Entrepreneurs

Women are considered in many societies as unfit to assume the responsibility of credit, despite the fact that they generally take the responsibility for the survival of their families (Panos, 1997). Liedholm and Mead (1987) observe that in the absence of formal credit opportunities, a majority of the women entrepreneurs are forced to resort to informal borrowing through close friends and relatives, money lenders, pawnbrokers, suppliers, credit unions and village banks.

Ngau and Keino (1996) in their research found that 53% of the women had raised their capital through personal savings, while 44% borrowed from husbands, relatives and friends, only 3% had obtained their initial capital through a bank loan. 95% of the women had not acquired a loan from any financial institution citing lack of security for collateral and lack of information concerning procedures involved in loan acquisition.

A research by Kimuyu (2000) shows gender differences in the demand for credit. Male entrepreneurs borrow more than twice the amounts borrowed by their female counterparts due to their greater access to properties with collateral value. He concludes that credit markets discriminate against women-owned enterprises.

ICEG, (2000) notes that the marital status of entrepreneurs is an important factor in access to credit and control of the business enterprise. It further observes that lack of collateral limits women's capacity to borrow. This thus hampers their bid to expand their businesses, yet they are good in debt repaying.

Whereas, the literature reviewed shows a lack of access to credit by women, other studies show that women –run enterprises tend to remain small and grow more slowly than their male run counterparts even with credit availability. This current study seeks to look at the constraints hindering the growth of businesses run by women borrowers of various MFIs.

Related Literature on Growth of Women-owned MSEs

Grown and Sebstad (1989) observe that though it is generally harder for women than men to secure funds for investment, a lack of capital is not the only factor that may impede growth. Women are likely to work in low return sectors, than men so their profits are lower. They further note that women spend a relatively high proportion of their profit on household needs, and have less access than men to use of household funds for investment.

Studies from Bangladesh show that women tend to invest more in the household, and men tend to invest more in the business (Mosley, 1996). Goetz and Gupta (1994) observe that; the credit-giving NGOs may simply have offloaded some of its debt collection task onto the backs of long-suffering women. Yet the extent to which women can improve their living standard through micro finance may be limited by macroeconomic policies. In other studies they demonstrated that a significant number of female clients to rural MFIs do not control the use of their own loans once they have gained access to MFIs. This may explain some of the reasons why women owned enterprises fail to grow or register negative growth after loan.

The growth dynamics of women's enterprises cannot be measured simply in terms of a single firm. More attention to the qualitative aspects of growth, the risks involved, and the influence of gender is needed (Lyberaki and Smyth, 1990). In Ghana problems inhibiting growth of the informal sector operations made access to institutional credit, lack of access to technical advice and business development services, inadequate usable information about sector policy formulation, poor location of enterprises with respect to raw materials, supplies, services and markets (Quainoo, 1999).

Women run enterprises are much less likely to grow than men-run or multi-owner enterprises. Although women owned businesses outnumber men owned enterprises, due to their lower expansion rate, they only contribute 32% of expansion jobs compared to 43% by men-owned enterprises. The survey further notes that women-owned enterprises show a different dynamic than men-owned enterprises, tending to be smaller and to grow slowly than their men-owned counterparts. It also observes that women owned enterprises tend to use smaller amounts of start-

up capital to locate more frequently within the home and to rely on unskilled and unpaid workers. It further notes that women entrepreneurs face a different set of constraints than other entrepreneurs (Parker, 1993). ILO report (1994) concurs with this by observing that while both male and female entrepreneurs face constraints that hinder firms' growth, women face special constraints.

McCormick (1993) noted that some of the barriers to growth include entrepreneurship, access to scarce resources, competitive market, costs of growth, distortions created by government policy and regulation, historical and cultural factors and simple luck. The ILO Report (1994) identifies factors that constrain the growth orientation of female entrepreneurs as access to resources, investment patterns, time mobility constraints related to domestic responsibilities, involvement in diversified activities and illiteracy and lack of numeracy skills.

In Kenya, despite the fact that in theory the laws provide for equality between women and men, this is not the case in practice. For instance, the by-laws by the local government restrict women from running businesses in their homes or being hawkers. Furthermore there exist conflicts between the city administration and the firm proprietors. The council holds excessive powers over small-scale producers.

Bowen (1997) studied determinants of rural micro enterprise growth and concluded that risk constitutes a constraint to enterprise growth. He notes that risk averse entrepreneurs run relatively smaller enterprises. The study further established lack of capital to be the most binding constraint to growth of micro enterprises. The study, however, studied a sample population consisting of 76.1% male and 23.9% female. It is therefore necessary to study a more representative sample of women so as to critically examine how the above variables relate to growth of female –owned enterprises. The study also was carried out on the premise that capital was a constraint that is there was lack of access. Thus study therefore is significant in that it studies women who have access to credit but their businesses are not growing.

Many women engaged in small enterprises find it increasingly hard to grow for a variety of reasons. Firstly, compared to their male counterparts, women have generally less access to start-up capital as well as credit opportunities. The reasons for this include the customary and legal status of women as well as their limited control over family resources. Secondly, the role played by most third world women as domestic workers as well as their reproductive responsibilities greatly constrain their meaningful participation in their chosen small scale enterprises. Thirdly, women have generally more limited access to formal education as well as relevant technical and managerial information (Berger 1989, Liedholm and Mead, 1987).

Whereas there is general evidence currently of women entrepreneurs access to credit as reflected by the many MFIs whose majority of members are women, not much has been researched as to

why even with credit female run enterprises are not growing. This study therefore sought to fill this gap.

RESEARCH MODEL

In order to capture the relationship between enterprise growth (dependent variable) and the constraints (independent variable) the following model was used.

$$G = f(e, t, d, c, i, et) \text{ -----}$$

Where: G = Growth of enterprise; e = Level of Education; t = Business training; d = Domestic roles; c = Working capital; i = Levels of income; et = Error term.

Equation (i) above can be expanded into a regression model:

$$G = \alpha_0 + \alpha_1 e + \alpha_2 t + \alpha_3 d + \alpha_4 c + \alpha_5 i + et$$

Where: et is the error or disturbance term and $\alpha_0, \alpha_1, \alpha_3 \dots \alpha_5$ are parameters to be estimated.

RESEARCH FINDINGS

Business Expansion and Education

A majority of the respondents (59.1%) had secondary education. This was followed by college education at 20.5%. 13.6% of the respondents had primary education. Only a small percentage (2.3% and 4.5%) had polytechnic and university education respectively. Only 2 out of 6 (4.5%) of entrepreneurs who had primary education had their businesses expand. For 10 out of 26 (22.7%) entrepreneurs with secondary education, businesses expanded while for 16 (36.4%) businesses did not expand. Of the 9 entrepreneurs with college education only 3 (6.8%) had their businesses expand. The highest expansion and non-expansion was in the category of those with secondary education (22.7% and 36.4%) respectively. In the university category, one business expanded out of 2 representing (2.2%). The Pearson (P) value of 0.93285 is not significant at 0.05 level of significance. We deduce that there is no relationship between business expansion and education.

Business expansion and Income

The table above shows that 40.9% of the respondents had an average monthly income of above Kshs. 6000. 36.4% had an income of up to Kshs.2000 while 11.4% had incomes of between 2001-4000 and 4001-6000. The highest number of businesses which did not expand (12 out of 16) representing 27.3% were those with incomes of between 0-2000. Of the entrepreneurs with incomes of above 6000, 9 (4.5%) enterprises expanded while 9 did not. All the enterprises in the 2001-4000-income category did not expand. In the 4001-6000 income group 3 (6.8%) enterprises expanded out of 5.

Using the Chi-square test at 0.05 level of significance, the Pearson (P) value was 0.09354. Therefore we conclude that there is no relationship between income and business expansion.

Business expansion and Training

From the findings, 77.3% of respondents had no training at all while only 22.7% got training from MFIs or NGOs such as Skills Across Kenya. Asked whether they thought training would be useful to their businesses, most of those who had no training answered yes. Entrepreneurs who had business training said that such training had been useful to their enterprises. Most entrepreneurs expressed the need for training in business management and marketing as well as quality control. For 4 out of 10(9.1%) of the entrepreneurs with training, businesses expanded. Of the 34 entrepreneurs without training 12(27.3%) enterprises expanded. Using the Chi-square (P) value of 0.78567 the relationship was not significant at 0.05 level of significance.

Business expansion and Working Capital

From the study findings, 50% of those interviewed cited shortage of working capital as a constrain to the expansion of their businesses. Further, 70.5% of respondents who obtained loans from MFIs found the amounts inadequate. Only 29.5% were satisfied. Thus, such entrepreneurs still resorted to loans from shylocks to supplement MFI loans. 9 out of 22 enterprises which were constrained by lack of working capital expanded while 7 out of 22 businesses not constrained expanded. Using the chi-square test of significance at 0.05 the P value of 0.53080 is not significant.

Business expansion and Domestic Responsibilities

For 52.3% of the respondents, domestic responsibilities constrained the expansion of their enterprises while for 47.7% it did not. Enterprises expanded for 11 out of 23(25%) entrepreneurs who were constrained by domestic responsibilities. Businesses expanded for only 5 out of 21(11.4%) entrepreneurs not hindered by domestic responsibilities. 63.6% of the enterprises sampled had not expanded as a result of loan. The enterprises had either stagnated or declined. Only 36.4% of businesses surveyed expanded. When asked why their businesses were not expanding entrepreneurs cited the poor state of the economy and unrealistic repayment schedules.

52.3% of the enterprises surveyed do not employ any workers while 47.7% employ. 61.9% of the enterprises employing workers have not added workers since benefiting from MFI loans. When asked why they had not added employees, the entrepreneurs cited lack of expansion of their enterprises to warrant such addition. Some businesses as a result of decline or stagnation in growth either have been forced to lay off the existing employees or stop employing new ones. 38.1% of the respondents indicated an increase in workers.

A majority of the entrepreneurs (90.9%) had no other business. Only 9.1% have established other businesses elsewhere. Asked why they had not started new businesses entrepreneurs' cited non-expansion of their current enterprises as the main reason. However, most of those interviewed expressed a willingness to start an extra business as a way of spreading risk.

56.8% of women entrepreneurs interviewed used business profits for family subsistence with none being reinvested in business. On why they preferred to put all their income into family subsistence, most respondents said that their families came first. They also cited low profits, which did not leave anything for the business. This indicates a lack of separation between the owner and the business. 29.5% of those sampled reinvested their profits back into business while only 13.6% saved the income from the enterprise. Perhaps the high proportion of entrepreneurs who use business income to meet family subsistence could explain why most of the enterprises are not expanding.

54.5% of the respondents cited loan repayment as a constrain to business growth. Most of those interviewed complained of short repayment schedules, which do not give them adequate time to generate income to repay the loans. Thus, some entrepreneur's are forced to use the principal amount obtained from the MFIs to repay the loan. However, 45.5% of respondents did not find loan repayment a hindrance to enterprise growth.

Other Findings

45% of the respondents did not keep business performance records. On why they did not keep records, many of the respondents said that profits were too low for them to bother monitoring their performance. Thus, such individuals could not monitor the growth of their enterprises. The remaining 55% kept business records. However, it is worth noting that most of the records kept were those on daily sales and clients owing the business. No attempt was made to keep records on income and expenditure. Lack of markets was cited by 20.5% of the respondents, as a hindrance to business expansion. 79.5% of those interviewed were not constrained by lack of markets. Interest rates were cited as a constrained to business expansion by 47.9% of the respondents. 36.4% of entrepreneurs cited weak purchasing power as affecting the expansion of their enterprises. This they said was as a result of retrenchment, which had rendered most of their customer's jobless and the poor state of the economy. Government regulations were also cited as affecting business growth by 31.8% of the respondents. Commonly mentioned were council regulations involving licensing advertising and harassment by council "Askaris". Competition came out as a major hindrance to business growth, especially for women in textile manufacturing and "mitumba" business. This can be attributed to the fact that the quality of their products is still low.

Lack of information was cited as a constrain by 35.5% of the entrepreneurs interviewed. This was mainly information regarding marketing and new technology. Most of those who did not find information a problem, however, seemed not to understand the importance of information to business growth. Others were indifferent on the importance of information on business growth. This thus calls for education of the entrepreneurs.

MULTIPLE REGRESSION RESULTS

From the above results R^2 is 0.19649 implying that 19.6% of variability in growth is accounted for by variables in the model. This implies that there are other variables other than those in the model such as type of business, lack of markets, lack of information, technology used etc. which explain growth. In addition, the small sample size as well as the limited area of coverage may have affected the result. The urban nature of the area also may have affected the result. In education for instance, earlier researches such as the 1999 Baseline Survey and GEMINI 1995 show entrepreneurs with primary education were the majority whereas in this research entrepreneurs with secondary education dominate. The unwillingness of the respondents to provide accurate and correct information also may have affected the result.

From the t-ratio of .0087 the regression results are significant at 95% confidence level. However, at 5% level of significance only domestic responsibilities and income are significant i.e.< .05. Capital, education and training are not significant. This may have been as a result of factors outside the model, which affect both the trained and untrained as well as the educated and uneducated.

Correlation results showed a positive relationship between business expansion and working capital, business expansion and domestic responsibilities, business expansion and training while there was a negative correlation between business expansion and education and business expansion and income.

CONCLUSIONS AND RECOMMENDATIONS

The regression analysis revealed that the variables in the model accounted for only 19.6% of the variations in the independent variable. This implies that there are other factors outside the model, which influence growth. Thus, it can be concluded that the variables in the model do not adequately explain growth. The results showed a negative relationship between education and income with growth while domestic responsibilities, training and capital had a positive relationship. Only the relationship between training and capital confirmed the researchers' hypothesis. From the study findings, other factors affecting growth include competition, short loan loan repayment duration, shortage of working capital, and high interest rates. The study recommends that MFIs, government and other stakeholders should come up with policy measures to mitigate the factors hindering growth.

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