



**ROLE OF MICROFINANCE INSTITUTIONS ON THE GROWTH OF SMALL AND
MEDIUM ENTERPRISES IN KISII TOWN, KENYA**

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Abstract

The study sought to assess the role of microfinance institutions on the growth of small and medium enterprises in Kisii town. The study specifically assessed how provision of finance by microfinance institutions influences the growth of small and medium enterprises in Kisii town, weather advisory services offered by microfinance institution affects the growth of small and medium enterprises in Kisii town and how training programmes provided by microfinance institutions affects the growth of small and medium enterprises in Kisii town. Descriptive survey research design was adopted to analyze the data. The collected data was analysed by use of weighted average and percentages. It will be then presented in form of charts and frequency tables. From the findings, Finance provided by MFIs in Kisii town increase the growth of SMEs in the town. Additionally microfinance institutions in the town find loan processing speed as the most challenging loan accessibility policy. MFI staffs in Kisii town agreed that advisory services offered by their institution have strong effects on the growth of SMEs in Kisii town. Training programmes offered by microfinance institutions in the town facilitates the increase in profitability of small and medium enterprises in the town. There is therefore impact of microfinance services in predicting the growth of small and medium enterprises. The researcher recommended that, Government should implement policies that promote the growth of small and medium entrepreneurs through creating a conducive business environment and providing accessibility to credit and collaborating with MFIs in providing training and advisory services. There is need for each and every SME operators to seek more education to improve their management skills

Keywords: Microfinance institutions, small and medium enterprises

1. Background to the Study

Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients (Asiama, 2007). The services provided by nonfinancial MFIs are marketing and technology services, business training, production training and subsector analysis and interventions. Ledgerwood (1999). Enterprise development services can be sorted out into two categories. The first is enterprise formation which is the offering of training to persons to acquire skills in a specific sector such as weaving as well as persons who want to start up their businesses. The second category of enterprise development services rendered to its clients is the enterprises transform action program which is the provision of technical assistance training and technology in order to enable existing SMEs to advance in terms of production and marketing (Yunus, 2007).

The jump-in investment was a reflection of an increasing number of sustainable MFIs worldwide. Surveys conducted in Asia, South America, Caribbean region, and in Africa indicated that microfinance institutions have contributed a great deal in poverty eradication. The poor people have significantly been able to access friendly micro-credit loans and have ventured in entrepreneurial activities (Ogbor, 2009). In Uganda and Kenya, agriculture forms the backbone of the economy microfinance institutions have played pivotal roles in entrepreneurial growth. The MFIs have been of great importance in East African nations especially for women engaged in the coffee sector by providing financial services and boosting their earnings and empowering the women in the rather patriarchal society (Basu et al, 2009).

Rural finance in East Africa had been quite scarce and the presence of micro-finance institutions in these nations had filled the void that was left by commercial banks by providing small loans at lowest interest rate in 1980s and 90s. In this context, microfinance institutions have emerged as the viable solution to poverty and empowerment by providing credit and savings services to the multitude of small and medium enterprises and entrepreneurs to make up the entrepreneurial sectors in East Africa (Matebu & Abiye, 2010). Two decades ago, many rural areas in Kenya were not developed because the inhabitants of these areas are poor and could not raise enough capital to startup businesses; and the commercial banks were adamant to give credit to poor people because it was seen as foolish. The development of MFIs in Kisii County has not been

left behind for they have significantly changed the way people in this County view micro credit loans and borrowing for small scale enterprises.

Statement of the Problem

Due to the fact that most of Kenya's population lives below poverty level, they still struggle and get involved in self-employment as their source of income. Most of this self-employment is in form of small and medium enterprises which are in the most cases operated by the owners. However, a number people find it very difficult in investing in small and medium business enterprises because in one way or another they lack the capital, financial management skills, or the suitable ideas on the viable business. This is also a problem that faces the people from Kisii County. Many people lack the know-how to manage finances necessary for entrepreneurial businesses so that they can sustain gradual growth. The problem of lack of micro-credit loans before the penetration of micro-finance institutions in the area in fact contributed to the inability of the small and medium enterprises to grow while other enterprising people can not do so for they lacked the capital to put up small enterprises. Previous studies and surveys conducted in the town shows that, the problem of slow growth of small scale enterprises has persisted some years back because of lack of capital for investment among the aspiring small scale entrepreneurs. Cooper (2012) studied that, the growth of small scale enterprises has continually increased because of the increase of microfinance institutions in the towns within Kenya. This made it necessary for the researcher to investigate the role of microfinance institutions on the growth of small and medium enterprises in Kisii town.

Game Theory of Microfinance

The microfinance games theory also supports the idea of group lending among micro finance institutions. Many of the new mechanisms rely on groups of borrowers to jointly monitor and enforce contracts themselves. It is based on Grameen lending model of microfinance which is based on group peer pressure whereby loans are made to individual groups of four to seven. Group members collectively guarantee loan repayments and access to subsequent loans is dependent on successful repayment by all group members. Payment is usually made weekly. The groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as Grameen Bank (Bangladesh) that use this type of microfinance model. The model has also contributed to broader social benefits because of their mutual trust arrangement at the heart of group guarantee system and the group itself often becomes the building block to a broader social network. Ledgewood (1999). However, group based

mechanisms tend to be vulnerable to free riding and collusion. Inefficiencies are well known to emerge in similar contexts (Gruber, 2005).

Financial Sustainability Theory

Long-term survival and sustainability is critical for an MFI in being able to reach its target clientele and cover administrative and other costs. While social goals of reaching the poorest and poverty alleviation are valid, sustainable standing on one's own feet is as true for low income households receiving microfinance as for microfinance itself. Sustainability for the microfinance has internal and external implications. Internal in terms of deposit and savings mobilization, financial performance, staff motivation, loan administrative costs etc. while external in terms of availability of funds for loan disbursement, grant for community organizing etc. Morduch (2002).

Women Empowerment Theory

Cheston and Kuhn (2002) talk about the theory of empowerment. The theory indicates that women account for nearly 74% of the 19.3 million of the world's poorest people now being served by microfinance institutions. Most of these women have access to credit to invest in businesses that they own and operate themselves. The vast majority of them have excellent payment records in spite of the daily hardships they face. Contrary to conventional wisdom, they have shown that it is a very good idea to lend to the poor and to women. Financial self-sustainability paradigm: The main consideration in programme design is provision of financially self-sustainable microfinance services to large numbers of people particularly micro and small entrepreneurs. The focus is on setting of interest rates right to cover costs, to separate microfinance from other interventions, to enhance separate accounting, to expand programmes so as to capture economies of scale to use group to decrease cost of delivery. Gender lobbies argue that targeting women on grounds of high women repayment rate, it is assumed that increasing women access to microfinance services will in itself lead to individual economic empowerment, well-being and social and political empowerment.

Poverty alleviation paradigm: The main considerations are poverty reduction among the poorest, increased well-being and community development. The focus is on small savings and loans, provision for consumption and production, group formation, etc. This paradigm justifies some level of subsidy for programmes working with particular clients group or in particular context. Some programmes have developed effective methodologies for poverty targeting and or operating in remote areas. Gender lobbies in this context have argued for that targeting woman

because of women’s responsibility for households well-being. Poverty alleviation and women empowerment are seen as two sides of the same coin. The assumption is that increasing women’s access to microfinance will in itself increase household income which will then translate into improved well being and enable women to bring about wider change in gender inequality. Feminist empowerment paradigm: The underlying concern is gender equality and women’s human rights. Microfinance is promoted as an entry point in the context of a wider strategy for women’s economic and social political empowerment. The focus here is gender awareness and feminist organization. Khan (2008).

Conceptual Framework

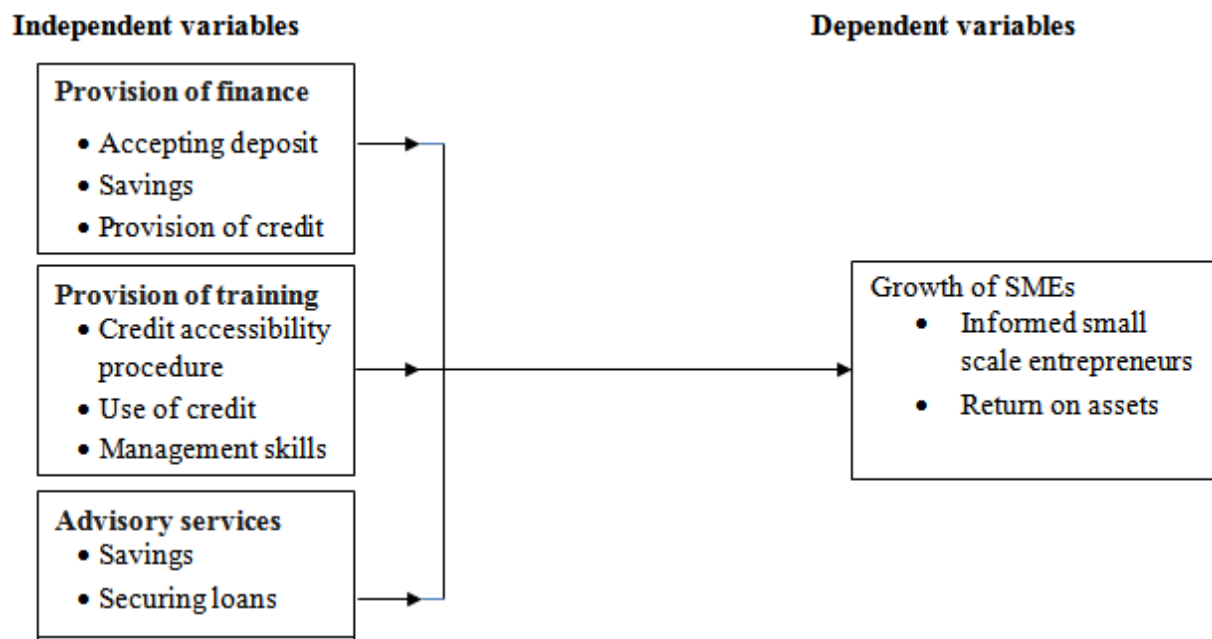


Figure 1: Conceptual framework

The independent variables are the role of microfinance institutions on the growth of small and medium enterprises which includes provision of finance, advisory services, and provision of training. These are the objectives that the researcher will assess to measure growth of small and medium enterprises which is the dependent variable. In order to increase the number of small and medium enterprises in Kisii town, first microfinance institutions have to improve their way of providing finance in terms of easy access to microcredit, encouraging savings and deposits secondly, improve advisory services and lastly improve their provision of training through creating awareness on credit accessibility policy.

Research Design

The study adopted descriptive survey design to assess the role of microfinance institution on the growth of small and medium enterprises. Survey research design was chosen because the sampled elements and the variables that were being studied were simply observed as they are without making any attempt to control or manipulate them.

Target Population

The study targeted population of 200 respondents. This comprised of 50 employees from MFI and 150 small businesses in Kisii town. The small businesses included: mobiles and M-pesa operators, boutiques, small scale shops, small scale saloons and small scale hotels.

Sample Size

The sample size of the study was 60 respondents derived from 30% criterion which comprised of 15 employees from MFIs and 45 small businesses.

Table 1 Target Population Sample Size

Category	Target population	Sample size
Small and medium enterprises	150	45
MFIs staffs	50	15
Total	200	60

Data Collection Instrument

The researchers administered the use of questionnaire as a method of data collection to the identified set of respondents. Closed ended questionnaire was preferred because it enabled the researcher to get the feedback according to the research objectives. The questionnaire was physically dropped and picked after two weeks.

Data Analysis

The refined data was analyzed using descriptive statistics involving percentages and weighted average. Frequency tables and pie-charts was used to organize and give a summary of the data and display in a meaningful and understandable manner so as to aid in describing and interpreting the outcome of the research. This gave the distribution of responses in the questionnaire in frequencies and percentages form that was presented in terms of table and pie charts in the course of discussing the findings. The analytical model that was used was in the form of a multiple regression model. The effect of microfinance services was determined by the equation below:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Response Rate

During the data collection period, the study had a sample population of 60 potential respondents identified for the questionnaires. After collecting data, the study managed to get only 58 respondents who took part in answering questionnaire. Two respondents did not return their questionnaire. There was no response with contradicting and inconsistent data therefore the study did not further eliminate any questionnaire from analysis of the study data therefore 58 respondents were considered valid, with 45 respondents as the small scale respondents and 13 respondents from MFIs staff were analyzed in the study. This brought the rate of response to 96.67% which was a positive percentage for the data analysis.

Table 2: Response Rate

Category of Response	Frequency	Percentages	Non Response
		Response	
Small and medium enterprises	45	75.00%	0.00%
MFIs staff	13	21.67%	3.33%
Total	58	96.67%	3.33%

Influence of Finance Provided by MFIs on the Growth of SMEs

The aim of the researcher was to find out how provision of finance by microfinance institutions influences the growth of small and medium enterprises in Kisii town. The collected data was analyzed majorly show the relationship between finance services provided by microfinance institutions and the growth of SMEs in Kisii town. The responses are presented as shown in table below;

Table 3: Source of Startup Capital

Financial institutions	Frequency	Percentages
Personal savings	8	17.8
Loan from microfinance bank	20	44.4
Loan from Sacco	2	4.4
Loan from commercial banks	5	11.1
Borrowing from friends	10	22.2
Total	45	100

Table 3 above, indicates sources of startup capital by small and medium enterprises in Kisii town. According to the responses, 44.4% of the respondents took loan from microfinance bank for their startup capital, 22.2% of the respondents borrowed from friends, 17.8% of the respondents using personal savings, 11.1% of the respondents took loan from commercial banks and 4.4% of the respondents took loan from Saccos. From the responses it evident that majority of the SMEs operators in Kisii town borrows loan from microfinance bank to finance their start up. Therefore microfinance institutions in Kisii town provide most of SMEs with microcredit.

Table 4: MFIs loan Services

		Excellent	Very good	Good	Poor	Very poor	$\sum fi$	$\sum fiwi$	$\frac{\sum fiwi}{\sum fi}$
Loan interest rates		14	7	12	8	4	45	154	3.4
Loan processing charges		13	15	8	7	2	45	165	3.7
Loan processing speed		17	9	7	6	6	45	160	3.6
Penalties charged		10	12	10	5	8	45	146	3.2
Loan repayment period		15	10	8	7	5	45	158	3.5

Table 4 above, shows how respondents have rated microfinance institutions loan services that they receive when accessing credit from the institution. From the responses, it shows that the most excellence loan service offered by MFIs in Kisii town is loan processing charges given weight of 3.7, loan processing speed given weight of 3.6, loan repayment period given weight of 3.7, loan interest rate given weight of 3.4, and penalties charged given weight of 3.2. This shows that, most of SMEs operators in Kisii town find loan processing charges as the most excellence loan services offered by microfinance institutions. This because microfinance institutions in Kisii town offers favorable loan processing charges that encourages borrowing therefore enabling most of SMEs in the town to be able to access microcredit.

Table 5: Influence of Finance Provided by MFIs on the Growth of SMEs

	Very high	High	Neutral	Low	Very low	$\sum fi$	$\sum fiwi$	$\frac{\sum fiwi}{\sum fi}$
Increases growth	13	15	8	7	2	45	165	3.7
Facilitates start up capital	15	10	8	7	5	45	158	3.5
Increases capital for expansion	11	11	10	5	8	45	147	3.3
Financial security	12	10	8	7	5	45	143	3.4
Provides insurance	12	7	12	8	6	45	146	3.2

Table 5 above, shows how finance provided by microfinance intuitions influence the growth of small and medium enterprises in Kisii town. From the responses, it shows that the increase in growth was given more weight of 3.7, facilitating startup capital given weight of 3.5, financial security given weight of 3.4, increases capital expansion given weight of 3.3, and providing insurance given weight of 3.2. This shows that, finance services provided by MFIs in Kisii town increase the growth of SMEs in the town.

Table 6: MFI Efforts in Increasing Loan Accessibility

	Frequency	Percentages
Charging favorable interest rate	5	38.5.
Creating awareness of loan	3	23.1.
Providing financial education	2	15.4
Increasing loan processing speed	3	23.1
Total	13	100

Table 6 above, shows the efforts made by microfinance institutions in Kisii town in increasing loan accessibility to small and medium enterprises in the town. From the responses, 38.5% of the respondents agree that their microfinance institution is charging favorable interest rates to increase loan accessibility, 23.1% of the respondents agreed that their Microfinance intuitions create awareness of loan to increase loan accessibility, 15.4% of the respondents, agreed that their microfinance institutions is providing financial education to increase loan accessibility and

23.1% of the respondents agreed that their microfinance institution is increase loan processing speed to increase loan accessibility. This indicates that most of microfinance institutions in Kisii town increase loan accessibility to small and medium enterprises in the town by charging favorable interest rates.

Table 7: Most challenging microcredit accessibility policy

	Most challenging	Very challenging	Challe- nging	Less challe- nging 2	Not challengi ng	Σfi	$\Sigma fiwi$	$\frac{\Sigma fiwi}{\Sigma fi}$
Interest rates	5	2	3	3	0	13	48	3.7
Processing charges	0	0	3	4	6	13	23	1.8
Processing speed	10	3	0	0	0	13	62	4.8
Penalties charged	8	4	1	0	0	13	59	4.5
Repayment period	7	3	2	1	0	13	55	4.2

Table 7 above, shows the most challenging microcredit accessibility policy to small and medium enterprises in Kisii town. From the responses, it shows that the loan processing speed was given more weight of 4.8, loan penalties charged given weight of 4.5, loan repayment period given weight of 4.2, loan interest rates given weight of 3.7, and loan processing charges given weight of 1.8. This shows that, microfinance institutions in Kisii town find loan processing speed as the most challenging loan accessibility policy and loan processing charges least challenging as most of this microfinance has minimal loan processing charges.

Influence of Service Advisory Offered by MFIs on the Growth of SMEs

The aim of the researcher was to identify how advisory services offered by microfinance institutions affect the growth of small and medium enterprises in Kisii town. This was to find out how various services offered by microfinance institutions in Kisii town facilitates the growth of small and medium enterprises in the town. The findings are presented as shown in the following table;

Table 8: Advisory Services Offered by MFI

Advisory services	Excellent	Very good	Good	Poor	Very poor	$\sum fi$	$\sum fiwi$	$\frac{\sum fiwi}{\sum fi}$
Management of finance	13	15	8	7	2	45	165	3.7
Savings	14	7	12	8	4	45	154	3.4
Changing from one business to another	10	12	10	5	8	45	146	3.2
Venturing into new business	15	10	8	7	5	45	158	3.5
Securing loans	17	9	7	6	6	45	160	3.6

Table 8 above, shows advisory services offered by microfinance institutions in Kisii town and how they affect the growth of small and medium enterprises in the town. The advisory services identified includes: management of finance, savings, changing from one business to another, venturing into new business and securing loans. From the responses, management of finances is the most excellence services offered by MFIs given more weight of 3.7, securing loan given weight of 3.6, venturing into new business given weight of 3.5, savings given weight of 3.4 and changing from one business to another was given weight of 3.2. This shows that, small and medium enterprises in Kisii town, finds management of finance as the most excellence advisory services offered by MFI in the town.

Table 9: Rating effects of advisory services on growth of SME

	Frequency	Percentages
Very strong	10	76.9
Strong	3	23.1.
Not strong	0	0
Not influential	0	0
Total	13	100

Table 9 above, shows how microfinance institutions staffs rated advisory services offered by their institution. From the responses, it shows that, 76.9% of the respondents agreed that advisory

services offered by MFI is very strongly affect growth of SMEs in Kisii town, 23.1% of the respondents agreed that the services strongly affect the growth of SMEs in Kisii town and no respondents agreed on not strong and not influential. This shows that, the advisory services offered by microfinance institutions in Kisii town strongly affect the growth of SMEs in the town.

Table 10: Most Effective Advisory Services Offered by MFI

Advisory services	Most effective	Very effective	Effective	Less effective	Not effective	$\sum fi$	$\sum fiwi$	$\frac{\sum fiwi}{\sum fi}$
Management of finance	9	3	1	0	0	13	60	4.6
Savings	2	4	1	2	4	13	37	2.8
Changing from one business to another	0	0	3	3	7	13	22	1.7
Venturing into new business	6	6	0	1	0	13	56	4.3
Securing loans	7	3	2	1	0	13	55	4.2

Table 10 above, shows the most effective advisory services offered by microfinance institutions in Kisii town to small and medium enterprises in the town. From the responses, microfinance institutions staff finds management of finances as the most effective services offered by MFIs which was given more weight of 4.6, venturing into new business given weight of 4.3, securing loan given weight of 4.2, savings given weight of 2.8 and changing from one business to another was given weight of 1.7. This shows that, the most effective advisory services offered by MFI in Kisii town to small and medium enterprises in the town is management of finance. This is very important to the survival of the enterprises therefore the service has led to survival of many small and medium enterprises in the town.

Effects of Training Provided by MFIs on the Growth of SMEs

The aim of the researcher was to determine how training programmes provided by microfinance institutions affects the growth of small and medium enterprises in Kisii town. This was to find

out how various training programmes offered by MFIs in Kisii town facilitates the growth of small and medium enterprises in the town. The findings are presented as shown in tables below;

Table 11: Rating Training Programme

	Frequency	Percentages
Most effective	34	58.6
Effective	20	34.4
Less effective	4	6.9
Not effective	0	0
Total	58	100

Table 11 above, shows how both microfinance institutions staff and small and medium enterprises in town rated training programmes offered by MFIs in the town. From the responses, 58.6% of the respondents agreed that training program offered by MFI is most effective, 34.4% of the respondents agreed that it is effective, 27.6% of the respondents agreed that it is less effective and no respondents agreed on not effective. This shows that both SMEs and MFIs staff in Kisii town finds training programmes offered by MFI in the town is most effective.

Table 12: Effect of Training Programmes Offered by MFI on the growth of SMEs

Effect of training programmes	Very high	High	Moderate	Low	Very low	$\sum fi$	$\sum fiwi$	$\frac{\sum fiwi}{\sum fi}$
Finance Management skills	20	10	14	8	6	58	204	3.5
Increase in Profitability	17	18	10	8	5	58	208	3.6
Effective Investment decisions	7	7	12	14	18	58	145	2.5
Identification of creative business idea	2	6	14	15	21	58	127	2.2
Business survival techniques	15	16	12	7	8	58	197	3.4

Table 12 above, shows the responses of both microfinance staff and small and medium enterprises operators on the extent to which training programmes provided by microfinance institutions in Kisii town contributes to the growth of small and medium enterprises in the town. According to the response, increase in profitability was rated very high with weight of 3.6, finance management skills given weight of 3.5, business survival techniques given weight of 3.4, effective investment decisions given weight of 2.5 and identification of creative business idea rated very low with weight of 2.2. This shows that, training programmes offered by microfinance institutions in Kisii town majorly facilitates the increase in profitability of small and medium enterprises in the town.

Summary of Findings

The aim of the study was to evaluate the role of microfinance institutions on the growth of small and medium enterprises in Kisii town. The first objective of the study was to find out how provision of finance by microfinance institutions influences the growth of small and medium enterprises in Kisii town where the study found out that, most of the SMEs operators in Kisii town borrow loan from microfinance bank to finance their start up, they finds loan processing charges as the most excellence loan services offered by microfinance institutions because the institutions offers favorable loan processing charges that encourages borrowing therefore enabling most of SMEs in the town to be able to access microcredit. Finance provided by MFIs in Kisii town increase the growth of SMEs in Kisii town and most of microfinance institutions in Kisii town increase loan accessibility to small and medium enterprises in the town by charging favorable interest rates. Additionally microfinance institutions in Kisii town find loan processing speed as the most challenging loan accessibility policy and loan processing charges least challenging as most of this microfinance has minimal loan processing charges.

The second objective of the study was to find out the influence of advisory services offered by microfinance institution affects the growth of small and medium enterprises in Kisii town where it was found that, SMEs finds management of finance as the most excellence advisory services offered by MFI in Kisii town and MFI staffs in Kisii town agreed that advisory services offered by their institution have strong effects on the growth of SMEs in Kisii town therefore the most effective advisory services offered by MFI in Kisii town to small and medium enterprises in the town is management of finance. This is very important to the survival of the enterprises therefore the service has led to survival of many small and medium enterprises in the town.

The third objective of the study was to determine how training programmes provided by microfinance institutions affects the growth of small and medium enterprises in Kisii town where it was found that, SMEs and MFIs staff in Kisii town finds training offered by MFIs most effective therefore this training programmes offered by microfinance institutions in the town majorly facilitates the increase in profitability of small and medium enterprises in the town.

The ANOVA findings show that there is variation between the predictors variables and response variables therefore this implies that there is significant impact of microfinance services in predicting the growth of small and medium enterprises.

Conclusion

From the findings, it can be concluded that, most of the SMEs operators borrow loan from microfinance bank to finance their start up, they finds loan processing charges as the most excellence loan services offered by microfinance institutions because the institutions offers favorable loan processing charges that encourages borrowing therefore enabling most of them to be able to access microcredit. Finance provided by MFIs increases the growth of SMEs and most of microfinance institutions in increase loan accessibility to small and medium enterprises charging favorable interest rates. Loan processing speed is the most challenging credit accessibility policy in MFIs and loan processing charges least challenging as most of this microfinance has minimal loan processing charges.

Secondly, it can be concluded that, management of finance is most excellence advisory services offered by MFI to SMEs and advisory services offered by their institution have strong effects on the growth of SMEs therefore the most effective advisory services offered by MFI in Kisii town to small and medium enterprises is management of finance. This is very important to the survival of the enterprises therefore the service has led to survival of many small and medium enterprises. Thirdly, training offered by MFIs is most effective therefore this training programmes offered by microfinance institutions facilitates the increase in profitability of small and medium enterprises. The study further concluded that, there is significant impact of microfinance services in predicting the growth of small and medium enterprises.

Recommendations for Policy and Practice

Government should implement policies that promote the growth of small and medium entrepreneurs through creating a conducive business environment and providing credit which is

cheap and easily accessible by SMEs operators. Apart from that government should collaborate with microfinance institutions to empower small and micro entrepreneurs through sensitizing them on borrowing policies, provide training, advisory services and provision of finance so that all the entrepreneurs in the country can get training on how to manage finance on their enterprises and giving them grants. In addition Kisii county government also should collaborate with all microfinances in the county to create awareness of microfinance institutions services and how small scale entrepreneurs can utilize this services to succeed in their businesses therefore reducing cases of unemployment rate in the county.

There is need for each and every SME operators are supposed to seek more education so that they can improve their management skills in running their entrepreneurs. This can be support by government through reducing education cost so that both the poor and the rich are able to access education.

There is need for the government to come up with policies that relax on the initiatives the microfinance institutions so that it can enhance entrepreneurial development among the small scale businessmen and women who cannot access capital loans from the commercial banks after all. As long as the initiators of MFIs have the right motive and can provide papers to show legality of the microfinance banks and their policies to empower the common man, the government policies on such cases should work faster to pave way for the setting up of the MFIs which are mostly targeting the rural areas where banks have not been able to penetrate so far.

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