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Access to Savings through Micro Finance Institutions on the Growth of Micro and Small Enterprises in Nairobi Central Business District: A case of Jitegemea Credit Scheme Nairobi

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Abstract
Delivery of micro credit to operators of micro and small enterprises (MSEs) is increasingly being viewed as a strategic means of assisting the 'working poor'. Several impact studies carried out on contribution of MFIs in the development of MSEs reveals different observations. There is no empirical study indicating the potential role of improved lending facilities by both formal and informal microfinance institutions in alleviating problems of access to credit to small businesses and accelerating business growth through offering of financial training and instilling financial discipline amongst the small and medium enterprises. Furthermore studies of microfinance institutions have shown that credit markets are segmented and unable to satisfy the existing demand for credit in the small business sectors. The purpose of this study was to investigate the effect of MFIs in the growth of MSEs in Nairobi Central Business District (NCBD). This research problem was studied through the use of a causal research design. The target population comprised of 2956 owners of the MSEs in Nairobi central business district funded by Jitegemea Credit Scheme. This research study used a stratified random sampling method to select 296 respondents. Primary data was collected using questionnaires. The data was analyzed using descriptive statistics. A multivariate regression model was applied to determine the relative importance of each of the variables with respect to growth of MSEs. The study found that access to credit contribute more to the growth of MSEs followed by savings, while entrepreneurial development contributes the least to growth of MSEs. The study therefore recommends that the MFIs should be quick to measure the success rate of MSEs by considering factors like high repayment, outreach and financial sustainability and growth, but these may not be success if their activities do not reflect in the growth of MSEs. The study further recommends that Jitegemea Credit Scheme should increase access to credit by opening branches/information centres in town, reduce interest rate from the current 22% to approximately16%, increase the amount of loan offered and speed up the loan processing and loan repayment period. The MFI should also improve on client education through workshops and seminars in strategic management and financial management and should have a customer feedback mechanism.
Keywords: Micro Finance Institutions, Micro and Small Enterprises, Nairobi Central Business District, Jitegemea Credit Scheme

1.0 Background Information

MSEs are the backbone of many economies in the world and Sub-Saharan Africa (SSA) and hold the key to possible revival of economic growth and the elimination of poverty on a sustainable basis. Despite the substantial role of the MSEs, they are denied official support; particularly credit form institutionalized financial services organizations that provide funds to businesses. According to Afrane (2002) over the past two decades, various development approaches have been devised by policy makers, international development agencies, governments and non-governmental organizations aimed at poverty eradication through empowerment of the poor, especially through creation of MSEs. One these strategies, which have become increasingly popular since the early 1990s, involve microfinance schemes, which provide financial services in form of savings and credit opportunities to the working poor.

According to Asman and Diaymette (2006) MFIs have become increasingly involved in providing financial services to MSEs focused on economic improvement of the poor. There is continuing and quite rapid improvement in understanding how financial services for the poor can best be provided. As part of this learning process, microfinance practitioners, donors, and governments have been interested in knowing to what extent these credit interventions impact the beneficiaries. Consequently, a number of impact assessment studies on the performance of microfinance projects have been undertaken in recent years, with varying and revealing results (Amyx, 2005).According to Santo (2003) in a study on financing small, medium and micro enterprises in Democratic republic of Congo, findings indicated that MFI in the context of the study generally referred to the provision of financial services to poor and low-income households, which are deprived of access to mainstream financial institutions. MFIs in this study were involved in technical assistance in specific business sectors, managerial training and accounting techniques. The objective of MFIs was to have a direct impact on poverty alleviation but also on the development of small and micro-enterprises. Findings indicated that there was a positive correlation between MFIs involvement in MSEs and improvement of the small firms' management skills and technical knowhow.

In Tanzania, in a study on growth of micro-finance schemes from subsistence living to small-scale enterprises, Asman and Diaymett (2006) found that the most obvious likely impact of MFIs on the technological capabilities of firms was through financing firms' innovative ventures. However, from the research findings it seemed that the loans received by the enterprises would have minimal impact on the technological capabilities of the clients for two major reasons: Firstly, these were too small to finance any meaningful investment in technology, especially for the bigger firms. Most of the loan size were between Tanzanian shillings 50,000 and Tanzanian shillings 2,000,000. This was irrespective of the size of the firm. Secondly, the repayment period was too short, largely ranging between 3-12 months. This was too short a period for any investment in technology to have a return. This corroborates with respondents complaints that lack of access to credit was the major stumbling block to growth of their enterprises.

From the above findings, it is evident that there is no clear evidence as to the extent of MFIs contribution to the technology capability in MSEs in Tanzania, the present study seeks to identify whether there are any impacts in terms of technology improvement in MSEs in Kenya following the intervention of MFIs in the country. According to Atieno (2001) MSEs have become an important contributor to the Kenyan economy. The sector contributes to the national objective of creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihood for the majority of low-income households in the country. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). According to Amyx (2005), one of the most significant challenges is the negative perception towards MSEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously.

In an empirical assessment study on formal and informal institutions' lending policies and access to credit by small-scale enterprises in Kenya, Atieno (2001) found that improving the availability of credit facilities to this sector is one of the incentives that have been proposed for stimulating its growth and the realization of its potential contribution to the economy. Despite this emphasis, the effects of existing institutional problems, especially the lending terms and conditions on access to credit facilities, have not been addressed. In addition, there is no empirical study indicating the potential role of improved lending policies by both formal and informal credit institutions in alleviating problems of access to credit. Knowledge in this area, especially a quantitative analysis of the effects of lending policies on the choice of credit sources by entrepreneurs, is lacking. The present study intends to fill in this gap by carrying out the present study and looking into the impact of MFIs on credit access among MSEs in Kenya. Bowen, Morara and Mureithi (2009) argue that as with many developing countries, there is limited research and scholarly studies about the MSEs sector in Kenya. The 2009 National Baseline Survey conducted by Central Bureau of Statistics, ICEG and K-Rep Holdings provides the most recent comprehensive picture of MSEs in Kenya. Given the importance of small businesses to the Kenyan economy and the exposure to risks owing to their location, there is need to conduct an empirical enquiry to investigate the contribution of MFIs in the growth of MSEs in Kenya. The present study therefore targets those enterprises within the Central Business District in Nairobi City. Nairobi is the ideal area of study because of its infrastructure and liberal markets. The CBD signifies modernity, with a state-of-the-art skyline, improved technology, highly educated and trained manpower, and diverse and vibrant market. Nairobi alone contributes 60% of the Kenyan's GDP and houses small firms of diverse nature. Given its contribution to the economy and its diversified nature, the Nairobi CBD forms an appropriate area of study.

2.0 Literature Review

2.1 Micro Credit Theory

The psychological component of the micro credit theory - known as social consciousness-Driven capitalism - has been advanced by the most ardent promoter of micro finance, Muhammad Navajas, Conning and Gonzalez-Vega (2003). His theory argues that a species of profit-making private venture that cares about the welfare of its customers can be conceived. In other words, it is possible to develop capitalist enterprises that maximize private profits subject to the fair interests of their customers**.**

The rationale of the theory is straightforward. Although altruism is not totally absent, Capitalism is founded mainly on the premise that human beings are selfish by nature. Accordingly, individuals interested in businesses are naturally motivated by the principle of profit-maximization, with little consideration for the interests of their clients. This premise is too limited to be a general model for capitalism, however, because it excludes individuals who are concerned about the welfare of their fellow human beings. A more generalized principle would assume that an entrepreneur maximizes a bundle consisting of financial return or profit and social return. This assumption creates three groups of entrepreneurs (Mosley and Hulme, 2008). The first group consists of traditional capitalists who mainly maximize financial returns or profits. The second group consists of philanthropic organizations (like traditional micro credit NGOs) and public credit agencies that mainly maximize social returns. The third group consists of entrepreneurs who combine both rates in making their investment decisions under the additional constraint that financial return cannot be negative. This group includes the microfinance enterprisers who are to be treated as socially concerned people, and microfinance, which is to be treated as a social consciousness-driven capitalistic enterprise. Microfinance theoreticians have advanced two theories regarding their aims-an economic and a psychological.

2.2 Resource Based Theory

Influenced by Porter's studies in the 1980s, strategic management explains a firm's success regarding industrial sector features. From this point of view, firms in the same industrial sector having the same opportunities with few, if any, differences between them, remain that way only for a short period of time. Nevertheless, it is observed that an enterprise from the same industrial sector can be profitably different for a long time. Not only do external factors determine the firm's success and profitability but internal factors also play an important role (Brockhaus, 2001).This idea is the origin of the resource-based theory. This new perspective considers that each enterprise is heterogeneous, having different established resources which arise from its own past history. Heterogeneous character can be maintained for a long time, thereby, having long-term income. The origin of the resource-based theory can be found in Penrose. This author defined the enterprise as joint productive resources lending various services which determine the growing possibilities of the enterprise.

A firm's distinctive competence is what it is that an enterprise does especially well. For this reason, Andrews considers that a competitive advantage depends on the relationship between environmental opportunities and a firm's distinctive competencies. The resource-based theory considers that internal aspects of an enterprise are very important. The firm is viewed as a nexus of resources and capabilities that are not freely bought and sold in the spot market. To the extent that these firm-specific resources and capabilities yield economic benefits that cannot be perfectly duplicated through competitors' actions, they may be potent sources of sustained competitive advantage (Vijay and Ramola, 2003). Along general lines of this theory, two key concepts are resource and capability. By a resource is meant anything which could be thought of as strength or a weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm. Examples of resources are: brand names, in-house knowledge of technology, employment of skilled personnel, trade contracts, machinery, efficient procedures and capital (Rosenberg, 2002).

Resources are the inputs into the production process. Resources can also be defined as all input factors--tangible and intangible, human and nonhuman--that are owned or controlled by the firm and that enter into the production of goods and services to satisfy human wants. The two categories of resources are tangible and intangible. The tangible resources are the easiest to identify and evaluate. They are reflected on balance sheets of the firm and are valued with accounting criteria. Intangible resources are more difficult to identify and value. No property rights are clearly defined as they are based on no codified information. Capabilities must be defined apart from resources. A capability is joint resources to produce any work or activity. Grant established a hierarchy of resources and capabilities. Resources (first level) are combined to create capabilities (second level) which are the basis for a competitive advantage (third level). Therefore, this point of view allows evaluation of the firm's capacity to create a competitive advantage from resources or capabilities and the possibility of maintaining that competitive advantage over time (Marguerite, 2001).

2.3 Grameen Bank Business Model

The Grameen Bank is a Nobel Peace Prize winning microfinance organization and community development bank started in Bangladesh that makes small loans (known as microcredit or "grameen credit" (Sinclair, 2007) to the impoverished without requiring collateral. The name Grameen is derived from the word gram which means "rural" or "village" in the Bengali language. The system of this bank is based on the idea that the poor have skills that are under-utilized. A group-based credit approach is applied which utilizes the peer-pressure within the group to ensure the borrowers follow through and use caution in conducting their financial affairs with strict discipline, ensuring repayment eventually and allowing the borrowers to develop good credit standing. The bank also accepts deposits, provides other services, and runs several development-oriented businesses including fabric, telephone and energy companies. Another distinctive feature of the bank's credit program is that the overwhelming majority (98%) of its borrowers are women (Morduch, 2009).Grameen's objective has been to promote financial independence among the poor. Yunus encourages all borrowers to eventually become savers so that their local capital can be converted into new loans. Since 1995, Grameen has funded 90 percent of its loans with interest income and deposits collected, hence aligning the interests of its new borrowers and depositor-shareholders. Hence, Grameen distinguishes itself from such institutions by converting deposits made in villages into loans for the more needy in the villages (Yunus, 2005).

It targets the poorest of the poor, with a particular emphasis on women, who receive 95 percent of the bank's loans. Women represent a suitable clientele because, given that they have less access to alternatives, such as traditional credit lines and incomes, they are more likely to be credit constrained and they have an inequitable share of power in household decision making. Lending to women also generates considerable secondary effects, including empowerment of a marginalized segment of society (Fernando, 2006). This is especially crucial as Yunus claims that in 2004, women still have difficulty getting loans as it represented less than 1 percent of borrowers from commercial banks (Yunus 2005).

Grameen Bank's business model reinvented the rules of the game. First, the value proposition of the bank aims at lifting the poor out of poverty by making small loans sufficient to finance income generating businesses e rice-husking, machine repairing, purchasing rickshaws, buying milk cows, goats, cloth, pottery and so on. Except in very extreme circumstances, interest is charged on all loans. Second, the value constellation breaks away from bureaucratic control. Local Grameen branch managers (a branch, typically, covers 15 to 22 villages) first visit the villages and identify the prospective clientele, who are dealt with in groups of five. Only if the first two borrowers in a group begin to repay the principal plus interest within six weeks do the other group members become eligible for loans. Group support, peer pressure, self-interest and the motivation of borrowers ensure that repayment rates on Grameen Bank loans remain high. (Hashmi, 2009)Grameen Bank's business model therefore challenges several standard banking assumptions, including the beliefs that loans cannot be granted without collateral and that 'entrepreneurship' is a rare quality among the poor. Conventional banks were unable to enter the double loop learning process involved in adopting new frames of reference e but it is challenge that awaits all MNC's wanting to set up social businesses (Papa, Arvind and Papa, 2006).

2.4 Access to Credit

Accessing credit is considered to be an important factor in increasing the development of MSEs. It is thought that credit augment income levels, increases employment and thereby alleviate poverty. It is believed that access to credit enables poor people to overcome their liquidity constraints and undertake some investments such as the improvement of farm technology inputs thereby leading to an increase in agricultural production (Hiedhues, 1995). The main objective of microcredit according to Navajas et al, (2000) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions. Diagne and Zeller (2001) argue that insufficient access to credit by the poor just below or just above the poverty line may have negative consequences for MSEs and overall welfare. Access to credit further increases SME□s risk-bearing abilities; improve risk-copying strategies and enables consumption smoothing overtime. With these arguments, microfinance is assumed to improve the welfare of the poor.

It is argued that MFIs that are financially sustainable with high outreach have a greater livelihood and also have a positive impact on SME development because they guarantee sustainable access to credit by the poor (Rhyne and Otero, 2009). Buckley (2007) argue that, the indicators of success of microcredit programs namely high repayment rate, outreach and growth does not take into consideration what impact it has on micro enterprise operations and only focusing on "microfinance evangelism". Carrying out research in three countries; Kenya, Malawi and Ghana, Buckley (2007) came to the conclusion that there was little evidence to suggest that any significant and sustained impact of microfinance services on clients in terms of SME development, increased income flows or level of employment. The focus in this augment is that improvement to access to microfinance and market for the poor people was not sufficient unless the change or improvement is accompanied by changes in technology and or technique.

Zeller and Sharma (2008) argue that microfinance can aid in the improvement or establishment of family enterprise, potentially making the difference between alleviating poverty and economically secure life. On the other hand, Burger (2009) indicates that microfinance tends to stabilise rather than increase income and tends to preserve rather than to create jobs. Facts by Coleman (2009) suggest that the village bank credit did not have any significant and physical asset accumulation. The entrepreneurs ended up in a vicious cycle of debt as they use the money from the village banks for consumption purposes and were forced to borrow from money lenders at high interest rate to repay the village bank loans so as to qualify for more loans. The main observation from this study was that credit was not an effective tool to help the poor out of poverty or enhance their economic condition. It also concluded that the poor are too poor because of some other hindering factors such as lack of access to markets, price stocks, unequal land distribution but not lack of access to credit.

A study of thirteen MFIs in seven countries carried out by (Mosley and Hulme (2008) concludes that household income tends to increase at a decreasing rate as the income and asset position of the debtors is improve. Diagne and Zeller (2001) in their study in Malawi suggest that microfinance do not have any significant effect in household income meaning no effect on SME development. Investing in SME activities will have no effect in raising household income because the infrastructure and market is not developed. The lending policies for most MFIs are more market friendly in terms of loan amounts, application procedures, credit duration, and terms of payment, required security and the provision of supplementary services (Schmidt and Kropp, 1987). For small-scale enterprises, reliable access to short- term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises. The Grameen Bank experience shows that most of the conditions imposed by formal credit institutions like collateral requirements should not actually stand in the way of small Businesses and the poor in obtaining credit. The poor can use the loans and repay if effective procedures for disbursement, supervision and repayment have been established.

3.0 Methodology

3.1 Research Design

According to Mutai (2001), the research design refers to the procedures to be employed to achieve the objectives of the research. The research design constitutes the blueprint for the collection, measurement and analysis of data (Cooper & Schinder, 2007). A descriptive cross-sectional design method was preferred for this study. The method is chosen since it is more precise and accurate since it involves description of events in a carefully planned way (Babbie, 2004). This research design also portrays the characteristics of a population fully (Chandran, 2004).

3.2 Target Population

A population is the group that the research focuses on (Cooper and Schindler, 2003). Target population in statistics is the specific population about which information is desired. For logistical and budgetary concerns the researcher studied 2956 MSEs in Nairobi central business district. The owners of the MSEs formed the population. This is because most of the MSEs funded by Jitegemea Credit Scheme are based in that area.

Table 3.1: Target Population

	Target population	Percentage
Manufacturing	22	0.74
Trade	2281	77.17
Other sectors	653	22.09
Total	2956	100.00

Source: Jitegemea Credit Scheme, (2014)

3.3 Sampling Design and Sample Size

A sampling frame is the listing of all elements of the population from which a sample was drawn. It is a complete and correct listing of population members only (Cooper & Schindler, 2006). A sample is a set of entities drawn from a population with the aim of estimating characteristic of the population (Siegel, 2003). It is a fraction or portion of a population selected such that the selected portion represents the population adequately. Cooper and Schindler (2003) explained that the basic idea of sampling is, selecting some of the elements in a population, so that the same conclusions can be drawn about the entire population. This results to reduced cost and greater accuracy of results**.** This research study used a stratified random sampling method to select 10% of the respondents. According to Mugenda and Mugenda (2003) a sample size of between 10 and 30% is a good representation of the target population. The researcher therefore selected 296 respondents from the CBD.

Table 3.2: Sampling Frame

	Target population	Ratio	Sample size
Manufacturing	22	0.1	2
Trade	2281	0.1	228
Other sectors	653	0.1	65
Total	**2956**		**296**

Source: Author, 2014

3.4 Data Collection

A semi-structured questionnaire was used to collect primary data. In order to ensure uniformity in response and to encourage participation, the questionnaire was kept short and structured with mostly multiple-choice selections in a Likert scale. The questionnaires were preferred in this study because respondents of the study are literate and quite able to answer questions asked adequately. According to Mugenda and Mugenda (2003), questionnaires are commonly used to obtain important information about a population under study. The researcher obtained an introductory letter from the University to collect data then personally deliver the questionnaires to the respondents and had them filled in and then collect later: the drop and pick later method.

3.5 Data Reliability and Validity

To ascertain the validity of questionnaire, a pilot test is carried out (Somekh, and Cathy, 2005). The content validity of the research instrument was evaluated through the actual administration of the pilot group. The study used both face and content validity to ascertain the validity of the questionnaires. Face validity is actually validity at face value. As a check on face validity, test/survey items are sent to the pilot group to obtain suggestions for modification (Mugenda and Mugenda, 2003). Content validity draws an inference from test scores to a large domain of items similar to those on the test.

Reliability of the questionnaire was evaluated through administration of the said instrument to the pilot group. The acceptable reliability coefficient is 0.6 and above (Siegel, 2003). If the Cronbach alpha is below 0.6 the reliability of the questionnaire is considered too low and thus the research tool should be amended.

3.6 Data Analysis and Presentation

Completed questionnaires were edited for completeness and consistency. The data was then analyzed using descriptive statistics. The descriptive statistical tools (SPSS V.17.0 and Excel) helped the researcher to describe the data. This generated quantitative reports through tabulations, percentages, and measure of central tendency. The findings were presented using tables and graphs for further analysis and to facilitate comparison. A multivariate regression model was applied to determine the relative importance of each of the variables with respect to growth of MSEs. Other related studies had used similar approach to establish similar characteristics. The linear regression analysis was chosen as the approach to analyse the data. The regression model was as follows: $Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_{3+} \varepsilon$. where by:

Y = Growth of MSEs

β_0 = Constant Term, $\beta_{1,}$ $\beta_{2,}$ β_3 = Beta coefficients,

X1 = Access to savings

X2 = Access to credit

X3 = Entrepreneurial development

ε = Error term.

4. Findings

4.1 Reliability Analysis

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved 25 respondents. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Gliem and Gliem (2003) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach's Alpha was established for every objective which formed a scale. The table shows that the access to credit had the highest reliability (α= 0.906), followed by entrepreneurial development (α=0.872), person and access to savings (α=0.848).

This illustrates that all the three scales were reliable as their reliability values exceeded the prescribed threshold of 0.7. This therefore depicts that the research instrument was reliable and therefore required no amendments. Furthermore, the Cronbach's coefficient α, calculated for all items to assess the internal consistency of the model variables, equals 0.875, greater than the generally accepted value of 0.60 (Price and Mueller, 2006). Therefore, the data indicate good reliability and consistency.

Table 4.1: **Reliability Analysis**

Scale	Cronbach's Alpha	Number of Items
Access to savings	0.848	4
Access to credit	0.906	5
Entrepreneurial development	0.872	4
All Variables	0.875	13

Source: Research data, 2014

Table 4.2: Trend of various aspects of growth in the MSEs

	Mean	Std. Deviation
Revenue	3.7589	.77171
Profitability	3.5952	.97127
Customer base	3.5772	.85908
Number of staff	4.0778	.72265
Product diversification	4.3889	.59628
Assets growth	3.9337	.56408
Market share	4.0852	.6824

Source: Research data, 2014

The respondents were further requested to indicate the trend of various aspects of growth in their MSEs. From the findings, the respondents indicated that their businesses had recorded improvement in product diversification as shown by a mean score of 4.3889, market share as shown by a mean score of 4.0852, number of staff as shown by a mean score of 4.0778, assets growth as shown by a mean score of 3.9337, revenue as shown by a mean score of 3.7589, profitability as shown by a mean score of 3.5952 and customer base as shown by a mean score of 3.5772.

The respondents further intimated that other area that Jitegemea Credit Scheme should address to enhance the growth of their enterprises include opening branches/information centres in town, offer customer deposit, introduce personal loans, reduce interest rate from the current 22% to around 16%, increase the amount of loan offered, improve on client education through workshops and seminars in strategic management and financial management, have a customer feedback mechanism, introduce more products such as asset financing and emergency loans, speed up the loan processing and loan repayment period and grace period should be extended.

4.2 Inferential Analysis

To establish the relationship between the independent variables and the dependent variable of the study the study conducted inferential analysis which involved a coefficient of determination and a multiple regression analysis. Inferential analysis is utilized in this study to determine if there is a relationship between an intervention and an outcome, as well as the strength of that relationship. The inferential statistics analysis aimed to reach conclusions that extend beyond the immediate data alone between the independent variable in this study which was access to savings. The main focus was on the effect of access to savings through microfinance on growth of MSEs in Nairobi Central Business District, Kenya.

4.2.1 Regression Analysis

In addition to the descriptive statistics and content analysis, the researcher conducted regression analysis so as to determine the effect of access to savings through microfinance on growth of MSEs in Nairobi Central Business District, Kenya. The model summary, r^2 is the square of the sample correlation coefficient between outcomes and predicted values. As such it 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 of MSEs) that is explained by all the independent variables (savings).

Table 4.3: **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.907(a)	0.823	0.738	.91241

Source: Research data, 2014

From the findings, 82.3% of the growth of MSEs is attributed to access to savings investigated in this study (r square = 0.823). A further 17.7% of the growth of MSEs Kenya is attributed to other factors not investigated in this study.

Table 4.4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.337	3	3.415	4.947	.019
	Residual	20.271	215	1.173		
	Total	33.423	218			

Source: Research data, 2014

The significance value is 0.019 which is less that 0.05 thus the model is statistically significant in predicting how the various factors affect the growth of MSEs.

Table 4.5: **Coefficient of Determination**

Factor	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	2.481	.946		2.623	.010
Access to Savings	0.503	.076	.287	2.675	.009

Source: Research data, 2014

The coefficient of determination is a measure of how well a statistical model is likely to predict future outcomes. The regression equation, $Y = \beta 0 + \beta_1 X_1 + \varepsilon$) becomes:

$$Y = 2.481 + 0.503X_1 + \varepsilon$$

Where:

Y is the dependent variable (growth of MSEs)

X1 is the access to savings through Microfinance institutions independent variable

5.0 Summary and Key Findings

It was clear that amount saved frequency of saving and duration of saving affected the growth of micro and small enterprises in the Nairobi Central Business District (NCBD) to a great extent while savings accounts had a moderate effect. A key impact of microfinance is to help clients accumulate or retain physical assets and the assets are increased either through direct loan use, as a benefit of income smoothing, or through the use of profits generated through the investment of a loan.

5.1 Conclusions

There is evidence that microfinance enables MSEs to be better placed to deal with shocks of the operating economic conditions hence financial sustainability and growth. Micro-savings may be a better model of increasing growth through accumulated income among MSEs. The study concludes that access to savings from Jitegemea Credit Scheme affected the growth of the enterprises. This was mainly through the amount saved, frequency of saving and duration of saving. This is consistent with Guichandut (2006) that more MFIs are becoming interested in the potential of savings, thanks partly to the global financial crisis which has become a big boost to the SMEs.

The study also concludes that the enterprises benefit from loans offered by microfinance institutions such as

Jitegemea Credit Scheme affects. This is in line with Navajas et al, (2000) that the main objective of microcredit is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions. The MSEs seek financial assistance from the MFI due to interest rate, easy loan repayment and amount offered. The loan repayment period as per the conditions of the MFIs is usually little and the MSEs face challenges as loan beneficiaries from the MFI's. This is similar to Hiedhues (1995) who stated that accessing credit is considered to be an important factor in increasing the development of SMEs.

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