Influence of Government Sponsored Enterprise Funds-Credit Services on the Growth of Group-Based Micro and Small Enterprises in Kenya

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ABSTRACT

The purpose of this study was to analyse the influence of Government Sponsored Enterprise credit services on the growth of group-based Micro and Small Enterprises in Kenya. The study was anchored on Resource based theory and Entrepreneurial orientation theory. A concurrent triangulation mixed methodology design was adopted for this study. The target population comprised of 51 officers from Government Sponsored Enterprise Funds and 600 group leaders of group based Micro and small Enterprises who are beneficiaries of Youth Enterprise Development Fund, Women Enterprise Funds and Uwezo Fund in Nairobi County since 2013. The study used proportionate stratified random sampling for the group based enterprises and census for Government Sponsored Enterprise Funds officers. The study Sample size of 240 leaders of group based enterprises was calculated using Yamanes formula and a census of 51 officers of Government Sponsored Enterprise Funds. The study collected primary data using questionnaires and interviews. The study used both qualitative and quantitative statistics. Qualitative data was analyzed thematically along the study objectives and presented in narrative and verbatim form while quantitative data was analyzed using descriptive and inferential statistics. The descriptive analysis included mean, frequencies, percentages and standard deviation while the inferential analysis undertaken was simple linear regression to establish the relationship between credit services and the growth of Micro Small Enterprises. It also assessed the mediating role of group characteristics on the relationship between credit services and the growth of Micro and Small Enterprises in Kenya. Quantitative data was presented using tables. The study found that credit services have a significant influence on the growth of group-based MSEs in Nairobi County, Kenya. Group characteristics partially mediate the relationship between credit services and MSE growth. The study recommends increasing funding limits, empowering group leaders, aligning fund requirements with group-owned enterprises, and developing policies that recognize their unique needs.

INTRODUCTION

The growth and survival of MSEs have been dismal globally. For instance, as many as 68% of all MSEs in the United States died within their first 5 years and only 19% managed to attain 6 – 10 years and a paltry 13% survived for 10 years (Simba, Ojong & Kuk, 2021). In Europe, Masood and Sonntag (2020) point out that only 65% of MSEs survive more than 3 years and only half of the enterprises attain five years. The start-ups rarely graduate to be MSEs and hardly do MSEs grow to become large enterprises. These findings are indicative of the fact that the problem of failure rates of MSEs has become a global problem. Emerging countries have paid a lot of attention to the expansion of MSEs. The ability of MSEs to promote growth of job creation, income generation, poverty reduction, and industrialization has received more attention (Abisuga-Oyekunle, Patra & Muchie,2020). As MSEs develop their businesses and take advantage of new market possibilities, they play a crucial role in any nation's economic transition (Miocevic & Morgan, 2018).

In order to foster economic growth, various governments have implemented policies and programs aimed at bolstering the Micro and Small Enterprise (MSE) sectors. These measures are designed to address employment needs and enhance the overall standard of living for the populace. The Prince's Trust Enterprise Programme (PTEP) in the United Kingdom offers customized financial assistance and support services to micro and small enterprises (MSEs) throughout the country (Wavehill, 2017). A sustainability report has shown that 76% of PTEP-supported MSEs have registered growth after two years and 73% after three years (Wavehill, 2017).

Micro and small enterprises (MSEs) in Africa, account for over 20% of the gross domestic product (GDP) in most countries and contribute an average of 40% to employment rates (Muiruri, 2017). In Botswana, there is a Youth Development Fund (YDF) an enterprise development scheme aimed at helping aspiring MSE owners venture into various economic enterprises. The fund is 50% loan and 50% grant and is under the Ministry of Youth, Sport and Culture. In South Africa, there is a National Youth Development Agency (NYDA) whose mandate is to advance enterprises with economic support (Okoth *et al.*, 2013). In Uganda, the government introduced an enterprise fund known as Youth Venture Capital Fund(YVCF) in the year 2011/12 offering fixed subsided interest loans whose amount depends on both public funds as well as funds offered by commercial banks (Ministry of Finance, Planning and Economic Development (MoFPED, 2013).

In Kenya, the origin of MSEs dates back in the 1960s. Policies in Kenya targeted at the development of Micro Small and Medium Enterprises (MSMEs) can be traced from the Sessional Paper No. of 10 1965 "African Socialism and its Application to Planning in Kenya" which emphasised African ownership, management of enterprises, skills and cooperative development. MSEs are considered the engine of economic growth and development like in the rest of the world. Recent reports concerning the dismal growth of MSEs sector are worrying with a report by the Kenya National Bureau of Statistics (KNBS,2016) showing that three out of five MSEs fail within the first few months of operation and Douglas, Muturi, and Ochieng (2017) study pointing that 70% of MSEs fail within the first 3 years.

To mitigate against afore-mentioned challenges the government designed to support initiatives targeting MSEs. The multiplicity of measures includes setting up Government Sponsored Enterprise Funds(GSEFs). These funds include the Youth Enterprise Development Fund (YEDF) which was established in December 2006 (Mohamud & Ndede, 2019), the Women Enterprise Fund (WEF) [0]established in 2007 (WEF, 2011) and the Uwezo Fund, a vision 2030 flagship program which was created in 2013 to enable women, youth and Persons Living With Disabilities(PLWD) access finances to promote businesses and enterprises at the constituency level (Nyangweso & Wambua, 2019). The growth of Micro and Small Enterprises relies heavily on the availability of financial resources which many such business ventures lack. According to Egbide (2020), credit is a powerful tool for the growth of MSEs which are economically active but constrained by financial resources and vulnerable to economic stress. To qualify for loans in these enterprise funds individuals are required to form groups whose formation procedures are provided for in the fund policies. Groups provide forums for members to interact, share experiences, support, and advice each other by meeting and organizing networking events amongst themselves. For group-owned enterprises to thrive group leaders are expected to apply practical enterprising qualities among them pro-activeness, innovation, and creativity into their enterprises. Group characteristics aspects such as group social networks, educational level, cultural background, team spirit; leadership skills; proactiveness and commitment to business influence the operations and development of the group enterprises (Matinaro & Poesche, 2019).

Statement of the Problem

Micro and Small Enterprises (MSEs) in Kenya have experienced sluggard growth making it difficult for them to graduate to medium and later to larges enterprises. In 1999, the MSE sector contributed about 18.9% of the GDP (National MSE Baseline Survey, 1999). According to a survey conducted by the Kenya National Bureau of Statistics in 2016, there were approximately 7.4 million MSEs in Kenya, employing over 14.9 million people, and contributing over 28% to the country's Gross Domestic Product (GDP). Recent reports show that the sector accounts for 24% of the GDP, 90% of private sector enterprises and 93% of the total labour force in the economy (KIPPRA, 2019; GoK, 2020). This shows a 4% drop from 2016. In addition, a report by the Kenya National Bureau of Statistics (KNBS,2016) showed that three out of five MSEs fail within the first few months of operation and Douglas, Muturi, and Ochieng (2017) study points out that 70% of MSEs fail within the first 3 years.

The consequences of death and sluggard growth in this sector are high levels of; poverty, inequalities, disparities, unemployment, high crime rate, domestic violence, and high loan repayment default rate which will remain uncontained if the MSEs growth status quo remains. Current statistics show levels of poverty stand at 37.5% while inequalities statistics indicate that less than 0.1% of the Kenyan population own more wealth than the bottom 99.9% and 38.9% of Kenyan youth as unemployed (Awinja & Fatoki, 2021).

To this end, the Government of Kenya has sponsored enterprise funds with clear mandates of providing affordable credit enabling them to start and grow their businesses. These funds are Youth Enterprise Development Fund(YEDF) in 2006, the Women Enterprise Funds (WEF) in 2007, UWEZO Fund in 2013 and more recently Inclusive Fund (Husler Fund) in 2022.

The YEDF increased loan disbursements and reach to over one million youth entrepreneurs from Ksh6.5 billion in 2013 to Ksh13 billion in 2019. For the financial year 2019/2020, the YEDF disbursed a total of Ksh. 473.3 million (Audit Report, 2020). Uwezo Fund disbursed a total of Ksh. 1.1 billion for the year 2019/2020 (UWEZO Fund Audit Report, 2021), for the financial year 2019/2020, the WEF disbursed a total of Ksh. 1.2 billion(WEF Audit report, 2021).

Sadly, GSEFs have reported high default rates where the YEDF default stands at 54% (YEDF Status Report, 2016). WEF at 22% (WEF Audit report, 2021) while Uwezo Fund at 61% (UWEZO Fund Audit Report, 2021).The envisioning of the GSEFs mandates was to boost the MSEs' growth yet the poor growth of MSEs has persisted. This incongruency raises concern about whether the GSEFs credit meet their objective of promoting the growth of MSEs. It is against this background that this study sought to analyse the influence of credit services on the growth of MSEs in Kenya.

Objectives

1. To assess the influence of credit services on the growth of group-based MSEs in Kenya.
2. To assess the mediating influence of group characteristics on the relationship between credit services and the growth of group-based MSEs in Kenya.

Research Hypotheses

Ho1: Credit services have no significant influence on the growth of group-based MSEs in Nairobi County, Kenya.

Ho2: Group characteristics have no significant mediating influence on the relationship between credit service and the growth of group-based MSEs in Kenya.

LITERATURE REVIEW

Theoretical Framework

Resource-Based Theory (RBT)

This study was anchored on the Resource Based Theory which was postulated by Penrose (1959) who provided initial insights into the resource perspective of firms. Wernerfelt (1984) introduced the Resource-Based View of the firm (RBV), which was subsequently popularized by Barney (1991) in his scholarly contributions. The resource-based approach places emphasis on the capacity of entrepreneurs or firms to acquire and exploit various resources in order to initiate entrepreneurial endeavors. According to this theoretical perspective, one of the key resources deemed significant is capital, since it enhances the likelihood of a new enterprise successfully commencing and expanding. However, it is common for owners of Micro and Small Enterprises (MSEs) to initiate enterprises with limited or no capital. Another valuable resource for Micro and Small Enterprises (MSEs) is the utilization of social networks that may be attained from groups members, which can serve as a means for acquiring raw materials. Furthermore, there exists pertinent information that might facilitate Micro and Small Enterprises (MSEs) in obtaining essential resources such as financial support and other necessary enterprise requirements. According to Barney, Ketchen, and Wright (2011), resources and capabilities encompass a collection of both tangible and intangible assets. Jawed and Siddiqui (2019) also note that tangible resources include; financial resources (funds available). These resources are used by entrepreneurial group-based enterprise leaders to help choose and implement strategies appropriate for growth.

Entrepreneurial Orientation Theory

Entrepreneurial Orientation Theory is among entrepreneurship theories whose focus is on an individual’s mental and emotional aspects that provide entrepreneurial drive. The term Entrepreneurial orientation was first coined by Miller (1983) for individuals or enterprises that are characterized by product-market innovation, those who/ undertake somewhat risky ventures, and are usually the first to come up with “proactive” innovations early enough before competitors do. Miller used the dimensions of innovation, pro-activeness, and risk-taking to measure entrepreneurial orientation. An MSE is considered to be entrepreneurial if it is innovative, proactive and risk-taking. These indicators of entrepreneurial orientation are however a reflection of the characteristics of the business owners. For an enterprise to grow, be competitive and perform better, the entrepreneurs ought to have the necessary characteristics such as being proactive, innovative and risk takers. This also includes leadership skills and experiences. The past business experiences and skills of group members in an enterprise may determine how well the group undertakes business operations. Owning an enterprise as a group can give the business access to a wider range of expertise for different parts of the business (Ghattas, Soffer & Peleg, 2019).

Conceptual Framework

In this study, the conceptual framework was based on credit services as the independent variable whereas the growth of Micro and Small Enterprises was the dependent variable. Group characteristics constitute the mediating variable as shown in Figure 1.

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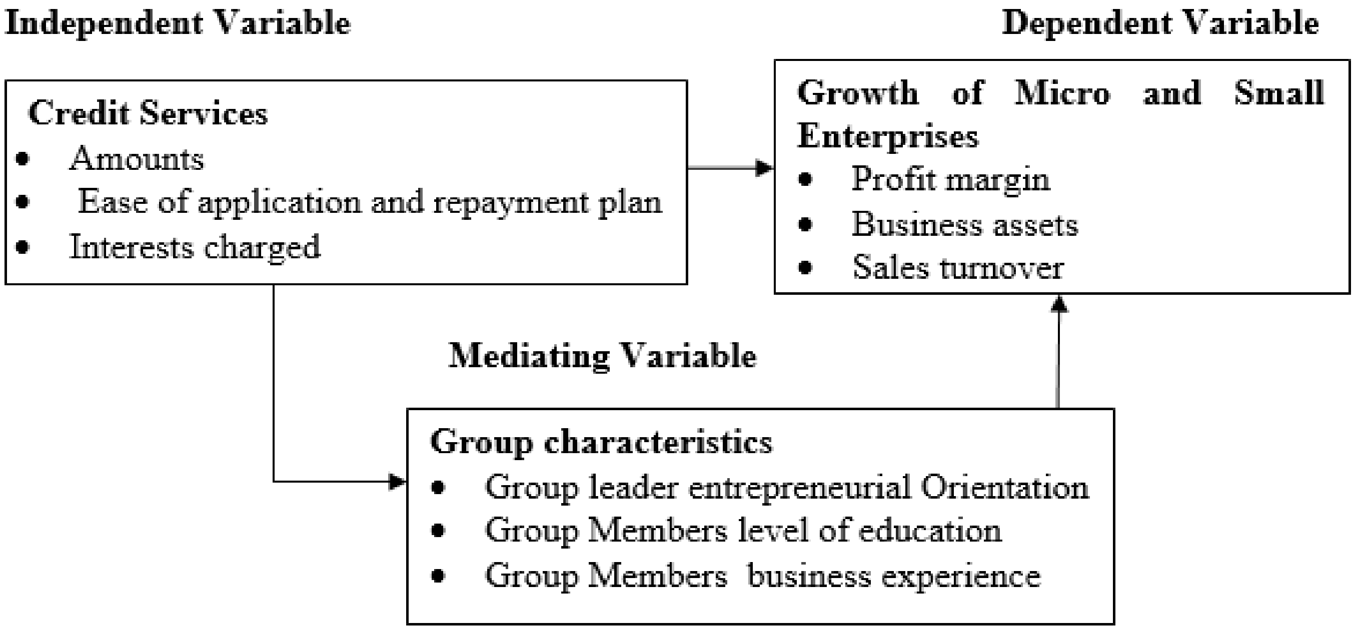

Figure 1: Conceptual Framework

Empirical Literature

Kabir (2020) conducted a descriptive study in Bangladesh, utilizing quantitative data collected from secondary sources. The study aimed to explore the impact of credit services on the growth of Micro and Small Enterprises (MSEs) in the country. The findings of the study revealed that the provision of credit services to MSEs is considered a crucial factor in their growth trajectory, as it enables them to improve their profit levels.

Cho, Sultana, and Kwon (2019) conducted research on the introduction of enterprise funds and their impact on MSEs. Their study highlighted the significant role of enterprise funds in enhancing the financial well-being of MSEs. By facilitating better access to small loans that are typically not offered by commercial financial institutions, the introduction of enterprise funds has provided MSEs with opportunities to improve their financial welfare.

In a study carried out in Norway by Mergemeier, Moser and Flatten (2018)the availability of credit services for nascent entrepreneurs was found to increase entrepreneurial intensity levels since entrepreneurs invest the borrowed funds in services and product development, the consequence of which is MSEs growth. Runde and Bandura (2018) undertook a study among a sample of 112 MSEs in Haiti which revealed that, with the advent of GSEFs, many MSEs witnessed a growth rate of 13.7% in 2020 from a paltry 3.5% as far as 2015. This lends credence to the findings of a study undertaken by Teka (2022) which also found that access to credit enables MSEs to invest in innovation, new product development and business expansion.

Mbeki (2023) sought the influence of Microfinance Loans on Group-Based MSE Development," the primary hypothesis was centered on the idea that group-based Micro and Small Enterprises (MSEs) gaining access to microfinance loans would experience substantial growth in their businesses. To investigate this hypothesis, a comprehensive methodology was employed. It was revealed that those MSEs that had access to microfinance loans experienced a remarkable 30% increase in asset accumulation within the one-year period. In stark contrast, the control group, which did not have access to such loans, exhibited minimal growth in their assets.

In Kenya, a study conducted in Machakos County by Munyoki (2018) revealed that constrained access to appropriate finance is a significant hindrance to the growth of MSEs in Kenya. To mitigate the challenge of lack of finance among MSEs, the government introduced a variety of enterprise funds; YEDF, Women Fund, UWEZO Fund and more recently Hustler Fund(otherwise known as Inclusion Fund). A study carried out by Kimari, Lio and Ogada(2022) among 121 MSEs in Nairobi County revealed that access to credit is critical to financial prosperity, how much contribution access to credit makes towards growth is however dependent on the amount of money loaned, the number of the loans which different groups can access and the terms and conditions set for the access of the credit. Kimari et al. (2022) revealed that enhanced accessibility to mobile credit has a favorable impact on individuals' financial well-being.

Lehmann and Smets (2020) conducted a study in the Netherlands, wherein they found that groups contribute to a range of human development outcomes, including enhanced self-esteem, higher engagement, and improved leadership abilities. A study carried out in Italy by Lukeš, Longoand Zouhar (2019) revealed that there exists a strong correlation between participation in groups and self-confidence and self-efficacy all of which are thought to be essential to enterprises' growth.

METHODOLOGY

The study employed a positivist research philosophy and concurrent triangulation mixed methodology design was adopted for this study. The target population for this study comprised 51 officers from GSEFs and 600 owners of MSEs in Nairobi County who have taken more than one loan from GSEFs. The researcher employed Yamane's Formula (1967) to arrive at a sample size of 240. In addition to the 240 group owned MSEs there were 51 GSEFs officers in all the seventeen (17) constituencies in Nairobi county giving a total of 291 respondents. Proportionate stratified random sampling was applied where random samples from stratified groups in proportion to the population were picked. The officers were purposively targeted because of their knowledge on the GSEFs. The research instruments employed in this study encompassed questionnaires and interview guides. Piloting of research instruments was conducted among 30 respondents from Muranga County. Qualitative data was analyzed thematically while quantitative data was analyzed using descriptive statistics such as frequencies and percentages. The Statistical Packages for Social Science software (SPSS Version 25) was used in the analysis. To assess the relationship between credit services and the growth of group-based MSEs a simple regression analysis was used. The bootstrap method was used to assess mediation effects.

RESULTS AND DISCUSSIONS

Response Rate

The study had a sample of 240 participants who were issued with research questionnaires out of which the researcher obtained 207 complete questionnaires. This represents a response rate of 86.3%. As per Sammut et al. (2021), in research studies, obtaining a high response rate is important because it helps ensure the data collected is representative and reliable.

Descriptive Results for Credit Services on the Growth of Group-Based MSEs

Respondents' opinions on the level of agreement or disagreement concerning the provision of credit services by the GSEFs in the enterprise based on the Likert scale items are provided in Table 1.

Table 1:Descriptive Results for Credit Services on the Growth of Group-Based MSEs

Credit Services statements	SD	D	N	A	SA	M	SD
Our enterprise is able to obtain the credit from GSEFs	1.9	7.2	9.2	52.7	29	4.00	0.92

We are able to borrow a large amount from the funds for product and service development	7.7	11.1	34.3	25.6	21.3	3.42	1.17
The GSEFs offer small loans for small business expenses	12.1	30	43	10.6	4.3	2.65	0.97
The GSEFs application is easy and efficient	1.9	5.8	16.4	54.6	21.3	3.87	0.88
The loaning procedures and requirements are reasonable and friendly	2.4	4.8	15.5	48.3	29	3.97	0.93
The GSEFs repayment plan is friendly	2.9	3.9	17.4	44	31.9	3.98	0.96
The GSEFs repayment plan is well explained to the borrowers	29.5	40.1	15	10.6	4.8	2.21	1.12
The GSEFs loan interest is fair	1.4	12.6	22.2	57	6.8	3.55	0.86
The GSEFs loans are affordable	3.4	6.8	16.9	53.1	19.8	3.79	0.95
The interests charged by GSEFs are conveniently payable from the business	5.8	9.2	31.4	41.5	12.1	3.47	1.01
N=207; Key: SD=Strongly Disagree, D=Disagree, N= Not Sure, A=Agree, SA= Strongly Agree, M=Mean, SD=Standard Deviation							

The majority of the respondents (52.7%) agreed that their enterprise is able to obtain credit from GSEFs (mean=4.0, standard deviation =0.92). The findings imply that the MSEs are able to obtain credit from GSEFs. Similarly, Cho et al. (2019) established that, with the introduction of enterprise funds, MSEs have had the opportunity to improve their financial welfare as a result of better access to loans that are not offered by commercial financial institutions.

Most of the respondents (34.4%) were not sure about their ability to borrow a large amount from the funds for product and service development while 25.6% agreed that they are able to borrow a large amount from the funds for product and service development. This was supported by a mean of 3.42 and a standard deviation of 1.17. The higher standard deviation indicates greater variability of responses. The findings imply that some MSEs are able to borrow a large amount from the funds for product and service development. In the same vein, Teka (2022) found that access to credit enables MSEs to invest in innovation, new product development and business expansion.

The study assessed whether the GSEFs offer small loans for small business expenses where most of the respondents (43%) were not sure (mean of 2.65, standard deviation of 0.97). The findings suggest a lack of awareness regarding whether the Government Sponsored Enterprise Funds (GSEFs) provide small loans for small business expenses. Nonetheless, the Government-sponsored Enterprise Fund Officers revealed that the Government Sponsored Enterprise Funds (GSEFs) (YEDF, Uwezo Fund, and WEF) offer different loan amounts based on the specific fund and program. Consistently, the study conducted by Cho, Sultana, and Kwon in 2019 revealed that the introduction of enterprise funds has presented Micro and Small Enterprises (MSEs) with an opportunity to enhance their growth.

With a mean of 3.87 and a standard deviation of 0.88, the majority of the respondents agreed that the GSEF application is easy and efficient. This denotes that the GSEF application is easy and efficient. Most of the participants (48.3%) agreed that the loaning procedures and requirements are reasonable and friendly. The findings imply that the loaning procedures and requirements are reasonable and friendly. Most of the respondents (44%) further agreed that the GSEFs repayment plan is friendly (mean of 3.98, standard deviation of 0.96). The findings imply that the GSEFs repayment plan is friendly. These findings align with the research conducted by Kimari et al. in 2022, which emphasized the critical role of access to credit in achieving financial prosperity. With a mean of 2.21 and a standard deviation of 1.12, most of the respondents (40.1%) disagreed that the GSEFs repayment plan is well explained to the borrowers. The higher standard deviation indicates a greater dispersion of responses. The finding indicates gaps in the GSEFs repayment plan explanation to the borrowers. The majority of the respondents (57%; mean of 3.55, standard deviation of 0.86) agreed that GSEFs loan interest is fair. The respondents (53.2%) further agreed that GSEFs loans are affordable (mean of 3.79 with a standard deviation of 0.95) which implies that the GSEFs loans are affordable. In addition, with a mean of 3.47 and a standard deviation of 1.01 43% of the respondents were not sure if the interests charged by GSEFs are conveniently payable from the business.

According to the Officers, credit services enable MSEs to invest in technology and innovation, such as purchasing machinery, adopting advanced production techniques, or implementing efficient business management systems. These technological advancements can enhance productivity, improve product quality, and streamline operations, resulting in business growth and competitiveness. The findings concur with the descriptive findings and with past empirical studies such as Teka (2022) who supports the notion that access to credit plays a crucial role in enabling micro and small enterprises (MSEs) to invest in innovation, new product development, and business expansion.

Descriptive Results for Group Characteristics

Respondents' opinions on the level of agreement or disagreement concerning the group characteristics of the enterprise based on the Likert scale items are provided in Table 2.

Table 2: Descriptive Results for Group Characteristics

Group Characteristics statements	**SD**	**D**	**N**	**A**	**SA**	**M**	**SD**
My group leader anticipates needs and challenges for action initiatives	1.4	5.8	11.6	52.2	29	4.01	0.88
Our group leader encourages us to adopt new technologies	1	8.2	17.9	64.3	8.7	3.71	0.78
Our leader is keen for us to identify and evaluate potential opportunities and strategies	5.3	6.8	10.1	53.6	24.2	3.85	1.04
Our enterprise group members are well educated	3.9	9.7	25.6	44.9	15.9	3.59	0.99
My education helps me in the business with critical skills to make decisions	4.3	7.2	9.7	62.8	15.9	3.79	0.95
Business education provides our business with foundations for its management	1.9	9.2	14	57	17.9	3.80	0.91
Our group members have business experience that enhances the enterprise's growth and development	3.9	7.2	14.5	58	16.4	3.76	0.94
Our members have operated other businesses in the past	2.9	5.8	32.9	43.5	15	3.62	0.91
Past business experience has provided the business with skills and knowledge	1	6.3	8.7	68.1	15.9	3.92	0.76
N=207; Key: SD=Strongly Disagree, D=Disagree, N= Not Sure, A=Agree, SA= Strongly Agree, M=Mean, SD=Standard Deviation							

The study determined that a significant proportion of the participants (52.2%) agreed that their group leader anticipates needs and challenges for action initiatives(mean of 4.01, standard deviation of 0.88). The study found that a majority of the respondents, 64.3% agreed that the group leaders encourage the members to adopt new technologies (mean of 3.71, standard deviation of 0.78). This implies that the group leaders encourage the members to adopt new technologies. This finding aligns with the research conducted by Hsieh et al. (2020), which revealed that businesses belonging to business groups are more likely to engage in innovative activities compared to their counterparts who are not affiliated with such organizations.

A majority of the respondents agreed that their leader is keen for them to identify and evaluate potential opportunities and strategies further 24.2% strongly agreed. This is supported by a mean of 3.85 with a standard deviation of 1.04. This implies that the group leaders are keen for them to identify and evaluate potential opportunities and strategies. The findings corroborate with Lehmann and Smets (2020) who support that group members inspire individuals to try new ideas and other techniques for growing an enterprise.

The majority of the respondents agreed that their enterprise group members are well educated (mean of 3.59 with a standard deviation of 0.99). This implies that their enterprise group members are well-educated. The findings found that 62.8% (mean =3.79, a standard deviation of 0.95) agreed that the education of the enterprise owners helps the business in the business with critical skills to make decisions. The majority of the respondents, 57% (mean 3.80, standard deviation of 0.91) agreed that business education provides the business with foundations for its management. The findings suggest that education among enterprise owners plays a crucial role in equipping them with the necessary skills to make informed business decisions. Building upon this notion, Lukeš et al. (2019) conducted a study that explored the impact of entrepreneurs' demographic characteristics on their entrepreneurial intention and endeavors.

The study findings also revealed that the majority of the respondents, 58% (mean of 3.76, standard deviation of 0.94) agreed that the group members have business experience that enhances the enterprise's growth and development. The study revealed that most of the respondents, 43.5% (mean=3.62, standard deviation = 0.91), agreed that the members have operated other businesses in the past. This implies most of the group members had operated other businesses in the past. Similarly, according to Shah, Nazir, Zaman and Shabir (2018), determinants of firm growth have been identified to include individual human qualities, such as prior experience with role models and social networks.

A greater portion of the participants, 68.1% (mean=3.62, standard deviation = 0.91) agreed that past business experience has provided the business with skills and knowledge. The findings of the study demonstrate that past business experience plays a significant role in equipping businesses with valuable skills and knowledge. Building upon this notion, Atieno (2017) revealed that the success of a group enterprise is greatly influenced by the collective business experience of its members. The Government-sponsored Enterprise Fund Officers stated that Government-sponsored enterprise funds in Kenya often consider group characteristics while processing credit for group-owned micro and small enterprises (MSEs). These funds recognize the importance of understanding the characteristics and unique attributes of group-based enterprises.

The interviewees provided that group characteristics play a significant role in shaping how GSEFs influence the growth of group-based MSEs in Kenya. The study found that a strong and cohesive group, with a culture of collaboration, accountability, and skills development, can maximize the impact of GSEFs' financial resources, capacity-building programs, and market linkages. By leveraging these group characteristics effectively, GSEFs can contribute to the accelerated growth, sustainability, and success of group-based MSEs in Kenya. The insights obtained from interviews with GSEF officers confirm that group characteristics play a significant role in shaping the impact of GSEFs on MSE growth. This is consistent with the research by Lehmann and Smets (2020), who also identified group values, such as self-esteem and collaboration, as well as transferable skills, including financial capabilities and good enterprise management practices, as key factors influencing the transmission of activities within the group.

Descriptive Results for Growth of Group-Based Micro and Small Enterprises

The respondent's opinion on statements relating to the growth of the enterprises is presented in Table 3.

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Table 3: Descriptive Results for Growth of Group-Based Micro and Small Enterprises

Statements on Growth	SD	D	N	A	SA	M	SD
Our enterprise has continuously obtained assets to support our business after we acquired the government-sponsored enterprise fund	2.4	9.2	22.2	45.4	20.8	3.73	0.97
We have an increase in our customer base after we acquired the government-sponsored enterprise fund	4.3	5.8	20.3	56	13.5	3.69	0.93
We have expanded our enterprise since we acquired the fund	4.8	10.1	13	46.4	25.6	3.78	1.09
We have been able to diversify our enterprise since we acquired the government-sponsored enterprise fund	4.3	7.7	10.1	55.6	22.2	3.84	1.00
Our enterprise profits are increasing since we acquired the government-sponsored enterprise fund	2.9	6.8	15	48.8	26.6	3.89	0.97
Our enterprise has survived to endure the tough competition in the market due to the government-sponsored enterprise fund	2.4	10.1	12.6	52.2	22.7	3.83	0.97
The business cash flow has improved since we acquired the government-sponsored enterprise fund	2.4	10.1	12.1	50.7	24.6	3.85	0.99
The sales in the enterprise are on the rise since we acquired the government-sponsored enterprise fund	2.4	2.9	17.4	44.9	32.4	4.02	0.91
N=207; Key: SD=Strongly Disagree, D=Disagree, N= Not Sure, A=Agree, SA= Strongly Agree, M=Mean, SD=Standard Deviation							

The study sought to determine whether the enterprises have continuously obtained assets to support the business after they acquired the government-sponsored enterprise fund. From the findings, most of the respondents, 45.4% (mean=3.62, standard deviation = 0.91) agreed that their enterprise has continuously obtained assets to support the business after they acquired the government-sponsored enterprise fund. The findings imply that the enterprises have continuously obtained assets to support the business after they acquired the government-sponsored enterprise fund. These findings are in line with the assertions made by Mergemeier, Moser, and Flatten (2018), who highlight the positive impact of credit services on nascent entrepreneurs.

From the findings, the majority of the respondents, 56% (mean=3.69, standard deviation = 0.93) agreed that the enterprises have an increase in their customer base after they acquired the government-sponsored enterprise fund. The study further sought whether the enterprisers have expanded since they acquired the fund. From the findings, most of the respondents, 46.4% (mean=3.78, standard deviation = 1.09) agreed that the enterprisers have expanded since they acquired the fund. From the findings, the majority of the respondents, 55.6% (mean=3.84, standard deviation = 1.00) agreed that the enterprises have been able to diversify since they acquired the government-sponsored enterprise fund. The findings imply that enterprises have been able to diversify since they acquired the government-sponsored enterprise fund. These findings are consistent with the research conducted by Teka (2022), which emphasizes the importance of access to credit for Micro and Small Enterprises (MSEs). The availability of credit enables MSEs to invest in innovation, new product development, and business expansion.

With a mean of 3.85 and a standard deviation of 0.91 most of the respondents, 44.9% agreed that the enterprises' profits are increasing since they acquired the government-sponsored enterprise fund. This indicates that the financial support provided by the fund has played a crucial role in fostering the growth and profitability of these businesses. These findings align with the research conducted by Kabir (2020), which emphasized the significance of credit services in facilitating the growth of Micro and Small Enterprises

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(MSEs).

The study found that with a mean of 4.02 and a standard deviation of 0.91, the respondents, 44.9% agreed that the sales in the enterprise are on the rise since they acquired the government-sponsored enterprise fund. This indicates that the financial support provided by the fund has played a pivotal role in bolstering the sales performance and revenue generation of the enterprise. These findings are in line with the suggestions made by Mbiti, Mukulu, Mung'atu, and Kyalo (2015), who highlighted the positive impact of credit access on the growth of women-owned Micro Small Enterprises (MSEs). Access to credit is known to provide MSEs with the necessary financial resources to invest in their operations, expand their production capacities, and explore new market opportunities.

Inferential Statistics

Regression Between Credit Services and Growth of Group-based MSEs

A simple linear regression statistical technique was used to model the relationship between credit services and the Growth of Group-based MSEs. It was aimed at determining how changes in credit services are associated with changes in the Growth of Group-based MSEs in Kenya.

Table 4: Model Summary for Credit Services

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787[a]	.619	.578	.21397
a. Predictors: (Constant), Credit services				

According to the findings, the coefficient of determination (R squared) is 0.619 and the adjusted R squared of 0.578 at 95% significance level. The R squared of 0.619 implies that credit services can explain 61.9% percent of the variation in MSE growth in Kenya. The remaining 38.2 percent of the variation in the dependent variable can be explained by other factors which were not part of the model.

Table 5: ANOVA for Credit Services

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.924	1	6.924	18.369	.000[b]
	Residual	77.276	205	.377		
	Total	84.201	206			
a. Dependent Variable: Growth						
b. Predictors: (Constant), Credit services						

Findings in Table 5 above show the F value indicating whether the independent variable (credit services) as a whole contributes to the variance in the dependent variable (growth of MSEs in Kenya). The F value was 18.369 and was significant (p = 0.000) at 95%. This means that credit services were significant in predicting the growth of MSEs in Kenya.

Table 6: Coefficients for Credit Services

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.448	.325		7.541	.000

	Credit services	.395	.092	.287	4.286	.000
a. Dependent Variable: Growth						

$$Y= \beta 0+ \beta 1X1+e$$

$$Y= 2.448+0.395X1+e$$

Credit services have a positive and statistically significant effect on the growth of MSEs in Kenya as shown by a coefficient of 0.395 and p-value of 0.000. This shows that an increase in Credit services increases the growth of MSEs in Kenya by 0.395 units. The study thus rejects the null hypothesis; ***Ho1:*** Credit services have no significant influence on the growth of group-based MSEs in Nairobi County, Kenya. Thus, credit services have a significant influence on the growth of group-based MSEs in Nairobi County, Kenya. The findings concur with Mbiti et al. (2015) who suggested that access to credit positively influenced the growth of Micro Small Enterprises. Similarly, Adegoke et al. (2022) highlighted the positive impact of credit services on MSEs' performance.

Resource-based Theory suggests that firms' performance and growth are influenced by the resources they possess and how they deploy them (Barney, 1991). In the context of this study, credit services can be seen as a vital resource for group-based MSEs, enabling them to access funds needed for investment, expansion, and overall growth. The findings of the study, indicating a significant influence of credit services on the growth of group-based MSEs in Nairobi County, Kenya, align with Resource-based Theory by highlighting the importance of financial resources in fostering growth.

Mediation Effect of Group Characteristics on the Relationship Between Credit Services and Growth of Group-based MSEs

The study adopted the bootstrap method to assess the significance of indirect effects or mediation effects of group characteristics on the relationship between credit services and the growth of group-based MSEs.

Table 7: Mediation Effect of Group characteristics on the Relationship Between Credit Services and Growth of Group-based MSEs

From the findings, the lower bound confidence interval is 0.0060 and the upper bound confidence interval is 0.1807. Therefore the indirect effect of group characteristics on the relationship between credit services and the growth of group-based MSEsis significant since the confidence interval excludes zero. If the confidence interval does not include zero, it suggests that there is a significant mediation effect. In addition, since the relationship between credit services and the growth of group-based MSEs is significant without the mediation path, group characteristics have a partial mediation effect on the relationship between credit services and the growth of group-based MSEs.This suggests that there may be other pathways or factors influencing the relationship between credit services and the growth of MSEs, in addition to group characteristics.

The findings of the study, which suggest that group characteristics have a partial mediation effect on the relationship between credit services and the growth of group-based MSEs, align with the research conducted by Jalil et al. (2022) in Pakistan. Jalil et al. found that social and psychological capital play a crucial role in partially mediating the connection between the expansion of micro and small businesses in Pakistan and the provision of credit services. The alignment between the findings of the present study and the research by Jalil et al. underscores the significance of fostering positive group characteristics, social connections, and psychological resources within the group to optimize the impact of credit services on business growth.

Group characteristics can be seen as reflecting the entrepreneurial orientation of the groups involved in MSEs. These characteristics may include factors like leadership style, cohesion among group members, and willingness to take risks. The study's findings, indicating that group characteristics partially mediate the relationship between credit services and the growth of group-based MSEs, suggest that the entrepreneurial orientation of the groups moderates the impact of credit services on growth.

CONCLUSIONS

Micro and Small Enterprises in Kenya obtain credit from GSEFs, which positively impacts their growth potential. The loaning procedures, requirements, and repayment plans offered by GSEFs are generally reasonable, user-friendly, and supportive of timely repayment. However, there is a need to improve the communication on the GSEFs repayment plan to borrowers and enhance awareness among MSEs about the availability of small loans for small business expenses. Access to credit enables MSEs to make crucial investments in their businesses, leading to increased production, improved efficiency, and higher profitability.

RECOMMENDATIONS

The government should consider increasing the funds borrowed by each group to meet the enterprise requirements for growth and success. Currently, the borrowing limits may not adequately cater to the capital needs of group-based enterprises, hindering their potential for expansion and development. By increasing the funding limits, the government can provide a greater financial boost to these enterprises, enabling them to invest in infrastructure, technology, marketing, and other crucial areas necessary for growth. The fund's management should ensure that fund requirements align with the unique characteristics and needs of group-owned enterprises.

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