A research project on the factors hindering growth of micro and small enterprises: a case of micro-finance borrowers in Kisumu city

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Abstract:

MSEs are important for raising economic efficiency of a country owing to their flexibility and low production costs. They are breeding grounds for entrepreneurship, innovations and inventions hence a reservoir for employment. Sustainable jobs, creates incomes which in turn reduce the level of poverty. For these reasons, MSEs must be nurtured to grow beyond survival level. However this has not succeeded in Kisumu city The MSEs have not grown to create any notable impact despite being assisted by MFIs to carry this task. This raises the issue whether the assistance given is adequate of there could be other factors affecting growth. The study sought to analyses constraints that face MSEs in Kisumu City after acquiring loans from MFIs. This study design used a cross-sectional sampling strategy. A total of 60 respondents were randomly selected followed by stratification The data was gathered using questionnaires, interview and observation. The data was analyzed by using statistical package for social sciences (SPSS). Descriptive and multiple regressions were used. Based on the result of the survey it was found that MSEs are affected by the following problems: domestic responsibilities, loan diversion to other uses, low demand, competition, government regulation, lack of relevant business training, a realistic loan repayments and amounts, insecurity, high transportation cost, inadequate working capital and market information. The highest ranking among hem was domestic responsibility while the least is market information. These are some of the suggestions and remedies to the problems: to evaluate loan amounts and credit delivery method, market information centers, provide relevant and affordable training, review taxes on raw materials and procurement procedures.