

**EFFECTS OF MICRO-FINANCE LOANS ON GROWTH AND EXPANSION OF
SMALL AND MEDIUM SIZE ENTREPRISES (SMEs)**

A Case study of Faulu Kenya DTM (Kiambu branch)

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ABSTRACT

The study aimed to establish whether loans from microfinance institutions aid in growth and expansion of small and medium size enterprises. The purpose of the research was to help the researcher to gain more insight on how loans advanced by MFI's impact on growth and expansion of SMES as well as equipping the academic fraternity with knowledge on the impact of microfinance loans on the economic development of this country.

The research was based on Faulu Kenya which operates as a microfinance institution. The methodology used included exploratory research design as the researcher had little or no knowledge about the study and needed to explore and gain insight and ideas about the study.

Random sampling method was also used which is a probability sampling technique. Data was collected using both open and closed ended questionnaire and was analyzed in descriptive statistics form using pie charts, tables and bar graphs.

The researcher found out that loans from MFI's aid in growth and and expansion of SMEs, there are other benefits associated with joining MFI's other than borrowing loans e.g medical schemes and that SMEs are able to service their loans with ease if they utilize the loans borrowed appropriately.

The researcher concluded that microfinance loans are catalysts in growth and expansion of SMEs and that training offered by credit officers of MFI's is appreciated by the clients. The researcher recommended that since most formal banks alienate small business by not giving them loans as they don't have security, the owners of SMEs should join MFI's which unlike banks advance unsecured loans to boost businesses and also that MFI's should monitor utilization of loans