

**INVESTIGATION OF HOW MICROFINANCE INSTITUTIONS'  
SERVICES HAVE AFFECTED SMEs IN KENYA**

**(A CASE OF NAIROBI COUNTY)**

**BY**

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## ABSTRACT

The main aim of this research was to establish the vibrancy for Kenyan small scale enterprise SMEs so that they can play the expected vital role as an engine of growth and development efforts by the MFI's. The specific objectives of the study were: To determine the effect of managerial skills, finance, government policies and technology on the growth of small scale enterprises. The ultimate beneficiaries of the research includes; the government, entrepreneurs and the future researchers among others. The ultimate beneficiaries of the research includes; the government, entrepreneurs and the future researchers among others. A review of theoretical literature was conducted. It gave more information about factors affecting the growth of small scale enterprises and the research questions. The researcher employed a descriptive research design in collecting the data from the respondents. The role and importance of SMEs in a knowledge-based economy has been highly appreciated and acknowledged. Moreover, in the present economy, SMEs are facing tremendous challenges and threats to survive in a competitive environment. The study sought to examine the effect of microfinance services on growth of SMEs in Nairobi County, Kenya. The study adopted an exploratory design and applied stratified sampling to identify the 500 SMEs in Nairobi County registered by the industrialization ministry that were used in the study. The collected data was then analyzed and presented statistically. The study found that MFIs positively influenced the growth of 92% of SMEs. Most SMEs were found to be hindered by high cost of finance and lack of collateral for bank loans. Among the positive effects of MFIs were enhanced organizational level of production, improved working capital, increased profit level and improved organizational extension program. The study recommends for establishment of subsidized credit for SMEs and more MFIs to steer ahead financial innovation as well as financial sector deregulation