
INFLUENCE OF GOVERNMENT SPONSORED ENTERPRISE FUNDS CAPACITY BUILDING 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 capacity building on the growth of group based Micro and Small Enterprises in Kenya. The study was anchored on Human capital entrepreneurship 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 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 fomular 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 and presented in narrative and verbatim form while quantitative data was analyzed using descriptive and inferential statistics. The study found that capacity building has a significant influence on the growth of group-based MSEs in Nairobi County. Group characteristics was found to have an insignificant effect on the relationship between capacity building and growth of Youth group based MSEs. The study recommends improving borrower education and communication, providing regular skills improvement seminars, empowering group leaders, aligning fund requirements with group-owned enterprises training needs, and developing policies that recognize their unique needs.

Keywords: *Capacity Building, Growth, Group Characteristics, Micro and Small Enterprises*

INTRODUCTION

The history of Micro and Small Enterprises (MSEs) dates back to ancient times, evolving into a crucial component of modern economies. Globally, MSEs play a pivotal role in job creation and GDP contribution. For instance, a report by the Social Enterprise of the United Kingdom (2015)

reveals that MSEs account for 56.9% of job creation and have a significant impact on the Gross Domestic Product (GDP) of countries worldwide. In India, the MSEs sector constitutes about 39% of the manufacturing output and approximately 33% of the total export (India Government Report, 2020). Similarly, in Indonesia, MSEs contribute 98.8% of all private sector companies, contributing 31.6% to GDP and employing 55% of the total workforce (Indarti & Langenberg, 2018). These statistics underscore the global importance of MSEs in economic development.

Despite their significance, MSEs globally face challenges in growth and survival. In the United States, a staggering 68% of MSEs perish within their first 5 years (Simba, Ojong & Kuk, 2021). Europe exhibits a similar trend, with only 65% of MSEs surviving more than 3 years (Masood and Sonntag, 2020). This global pattern indicates a pervasive issue with the sustainability and growth of MSEs, requiring careful examination. Governments worldwide have recognized the importance of supporting MSEs and have implemented various initiatives. In the United Kingdom, the Prince's Trust Enterprise Programme has been successful in supporting MSEs, with 76% experiencing growth after two years of capacity building (Wavehill, 2017). In India, the Commonwealth Youth Credit Initiative provided capacity building to youth groups, resulting in a self-sufficiency rate of 98% after three years (World Bank, 2014). These initiatives demonstrate the commitment of governments to foster MSE growth through various means.

In Africa, MSEs are recognized as crucial contributors to inclusive socio-economic development. These enterprises generate work opportunities, income, and wealth, constituting more than 20% of most African GDP and an average of 40% of employment (Muiruri, 2017). However, the high failure rates of MSEs in Africa, such as 5 out of 7 businesses failing in their first year (Bushe, 2019), pose significant challenges to their long-term sustainability. African governments have implemented measures to support the MSE sector. In Botswana, the Youth Development Fund (YDF) provides capacity building for aspiring MSE owners, benefiting over 1,000 MSEs (Ministry of Youth, Sport and Culture). In South Africa, the National Youth Development Agency (NYDA) offers business development support services to MSEs (Mbaya and Maina, 2021). These efforts signify a continental commitment to supporting MSEs in overcoming challenges.

In Kenya, MSEs have a history dating back to the 1960s, with policies and regulations evolving over time. Reports indicate that MSEs represent 90% of all enterprises, employing over 60% of the total employed population (Kenya Institute for Public Policy Research and Analysis, 2014). Despite their significant role, recent reports reveal high failure rates, with three out of five MSEs failing within the first few months of operation (KNBS, 2016). To address challenges faced by MSEs in Kenya, the government has established Government Sponsored Enterprise Funds (GSEFs). The Youth Enterprise Development Fund (YEDF), Women Enterprise Fund (WEF), and Uwezo Fund with an aim providing capacity building, and support. However, the effectiveness of these initiatives in promoting MSE growth is yet to be thoroughly documented.

Kenyan MSEs face challenges such as limited access to capacity building (Sessional Paper No. 2 of 2005). The high failure rates within the first few years underscore the need for targeted interventions (Douglas et al., 2017; Kanake and Mahesh, 2018). Access to capacity building initiatives has been identified as critical in unlocking the potential of MSEs in Kenya (KIPRA, 2019). Given the skills development challenges faced by Kenyan MSEs, this study aims to analyze the influence of Government Sponsored Enterprise Funds (GSEFs) capacity building on the growth of group-based MSEs in Kenya. It will specifically focus on the GSEF mandates of including capacity building and the mediating influence of group characteristics on MSE growth.

Statement of the Problem

Micro and Small Enterprises (MSEs) in Kenya have experienced sluggish growth making it difficult for them to graduate to medium and later to large enterprises. In 1999, the MSE sector contributed about 18.9% of 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. The consequences of sluggish growth of 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 capacity building and mentorship to eligible applicants, thereby 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 currently Inclusive Fund (Husler Fund) in 2022.

The WEF has provided capacity building services to 190,298 youths through entrepreneurship skills training. For the financial year 2019/2020, the YEDF has trained over 460,000 youths. Uwezo Fund conducted 84 training sessions (UWEZO Fund Audit Report, 2021), for the financial year 2019/2020. Sadly, despite capacity building 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 capacity building mandate was to boost the MSEs' growth yet the poor growth of MSEs has persisted. This incongruity raises concern about whether the GSEFs capacity building has met its objective of promoting the growth of MSEs. It is against this background that this study sought to analyse the influence of capacity building on the growth of MSEs in Kenya and the mediating role of group characteristics on the relationship.

Specific Objectives of the Study

The study was guided by the following specific objectives;

- i. To determine the influence of capacity building on the growth of group-based MSEs in Kenya.
- ii. To assess the mediating influence of group characteristics on the relationship between capacity building and the growth of group-based MSEs in Kenya.

Research Hypotheses

Ho1: Capacity building has no significant influence on the growth of group-based MSEs in Kenya.

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

LITERATURE REVIEW

Theoretical Framework

Human Capital Entrepreneurship Theory (HCET)

The proponents of Human Capital Theory are Schultz (1961) and Becker (1964) who looked at the key constructs of the theory as knowledge and skills (Schultz, 1961) and education and experience (Becker, 1964). The Human Capital theory is founded on the premise that entrepreneurship capacity is a critical component of an entrepreneur's human capital, which is reflected in their managerial capability and know-how. More skills, higher education and experience, therefore, ensure that efforts put towards entrepreneurial activities are properly directed and thus lead to an increase in enterprises' growth (Rengiah, 2016). According to Mulyungi (2016), this theory considers knowledge as one that increases entrepreneurs' cognitive to higher productivity. Entrepreneurship capacity in terms of skills, knowledge and attitude is thought to play a role in opportunity identification and exploitation, risk-taking ability, uptake and appropriate use of funds.

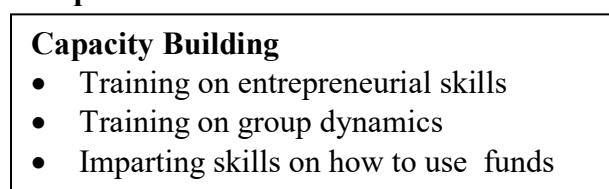
Entrepreneurial Orientation Theory

The term Entrepreneurial orientation was first coined by Miller (1983) for individuals or enterprises that are characterized by product-market innovation, those who/that 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).

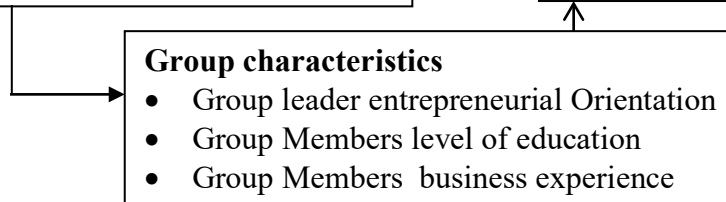
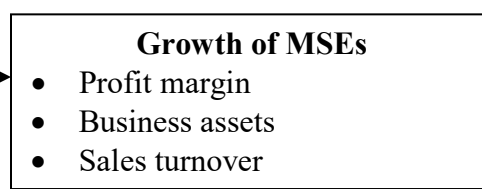
Conceptual Framework

Capacity building constitutes the independent variable whereas the growth of Micro and Small Enterprises was the dependent variable. Group characteristics constitute the mediating variable;

Independent Variable



Dependent Variable



Mediating Variable

Figure 2.1: Conceptual Framework

Empirical Literature

Chatterjee and Datta (2020) undertook a study in Bengal which revealed that capacity building or training adds to the skills of the entrepreneurs, changes their attitude on how they perceive and conduct business activities and in turn, enhances the ability of their firms to perform better. An investigation undertaken by Mandengenda (2017) on the role of training on business performance in Guyana revealed that equipping youth and women with entrepreneurship skills increased their productivity, enterprise growth, increase in the net value of the business, increase in profitability and finally the speedy completion of the market-related transactions. Parker (2018) established that entrepreneurship skills training is important in shaping people's minds in becoming an entrepreneur or not, taking risks or not, the acquisition of knowledge, attitude and skills relevant to enterprise growth and its related activities.

In Africa, Teka (2022) opines that capacity building or training on entrepreneurial skills of women and youth is considered a determinant of the growth of Micro Small Enterprises.. A study carried out among 17 MSEs in Ghana by Ameyaw (2022) revealed that capacity building is a requirement before accessing loans from government agencies. Kraemer-Mbula *et al.* (2019) found that groups which underwent training or capacity building before obtaining financial support had their businesses register a 13.6% growth rate compared to their counterparts who did not. According to a study by Zarrouk, Sherif, Galloway & El Ghak (2020), training fosters risk-taking, innovation and creativity among entrepreneurs which are the key ingredients for the success and growth of the Micro Small Enterprises.

In Kenya, Mabururu and Wekesa (2020) assert that a lack of basic skills in business management and entrepreneurship has been a major drawback in the growth and development of the MSE sector. A study carried out in Nairobi County by Njoroge (2018) found that GSEFs like Youth Enterprise Development, Women as well as Uwezo Funds are mandated to train the beneficiaries to make them more creative and innovative thus always looking for unique ways of filling a market. However, Njoroge (2018) as well as other reviewed empirical studies have not interrogated how specific skills acquired during capacity building or training influence the growth of MSEs, hence the study.

Mungai (2017) looked into the relationship between training and MSEs growth in Kenya. The research design for this study was the descriptive method. The target population for this study was Nairobi-based entrepreneurs who had successfully received business growth training under the Mwezi Kali II Project. The population consisted of 400 entrepreneurs who had operated their enterprises in Kenya. Systematic and Stratified sampling strategies were used to select the sample of 80 respondents in this study. The researcher collected data by administering questionnaires to the entrepreneurs in the target group. The results were that business management training had a positive effect on the entrepreneurs and as such, new products and services were introduced in the enterprise after the training.

METHODOLOGY

A 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

purposely 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 along the study objectives and presented in narrative forms and verbatims. On the other hand, 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 capacity building and the growth of group-based MSEs a simple regression analysis was used. The bootstrap method was used to assess mediation effects.

FINDINGS AND DISCUSSIONS

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%. Based on Mugenda and Mugenda (2013) argument that a 50% response rate is adequate for data analysis and reporting, 60% is good, while 70% is excellent, the study's response rate was thus excellent.

Descriptive Analysis Results

Descriptive Results for Capacity Building on the Growth of Group-Based MSEs

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

Table 1: Descriptive Results for Capacity Building on the Growth of Group-Based MSEs

Capacity Building statements	SD	D	N	A	SA	M	SD
Our group received the pre-financing mandatory training	1.4	3.4	5.3	60.4	29.5	4.13	0.77
We have been trained on modern management business techniques	7.2	13	40.1	33.3	6.3	3.18	0.99
We have received the necessary skills to sustain and grow our business	2.4	7.2	50.2	34.3	5.8	3.34	0.80
The fund management provides seminars for skills improvement	24.6	42.5	14.5	13.5	4.8	2.31	1.13
Our group has attended government-sponsored enterprise fund seminars	8.7	58	15.5	13.5	4.3	2.47	0.98
The skills improvement seminars are offered regularly	24.2	52.7	13.5	6.8	2.9	2.12	0.95
Skills improvement seminars have enabled the growth of our enterprise	6.8	47.3	26.6	12.6	6.8	2.11	0.95
Our group was advised on the procedures to apply and comply with the government-sponsored enterprise loans	4.3	5.3	7.7	56.5	26.1	3.95	0.97
We have been mentored on how to use the GSEFs	2.4	7.2	11.1	56.5	22.7	3.90	0.92
The skills on how to use government-sponsored enterprise loans are important for enterprise growth	1.4	9.2	12.6	55.1	21.7	3.86	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 enquired whether the groups received the pre-financing mandatory training. The majority of the respondents, (60.4%; mean=4.13, standard deviation=0.77) agreed that their group received the pre-financing mandatory training. The findings demonstrated that their group received the pre-financing mandatory training. In support of the findings, Opiyo (2013) found that training given to the youth further enhanced the chances of youth empowerment after receiving the loans.

The majority of the respondents (40.1%; mean=3.18, standard deviation of 0.99) were not sure on having been trained on modern management business techniques. The findings imply that some of the MSE group owners have not been trained on modern management business techniques while a few of them have been trained. Half of the respondents (50.2%) were not sure whether they have received the necessary skills to sustain and grow their business. According to Mabururu and Wekesa (2020), one significant obstacle to the growth and development of the Micro and Small Enterprises (MSE) sector is the lack of fundamental skills in business management and entrepreneurship.

The study sought to determine whether the fund management provides seminars for skills improvement where most of the respondents (42.5%) disagreed, 24.6% strongly disagreed. This was supported by a mean of 2.31 with a high standard deviation of 1.13 demonstrating the high response variance. The findings imply that there the fund management does not provide seminars for skills improvement. This is against the findings by Njoroge (2018) who found that GSEFs like Youth Enterprise Development, Women as well as Uwezo Funds are mandated to train the beneficiaries to make them more creative and innovative thus always looking for unique ways of filling a market.

In addition, 58% of the respondents disagreed that their group has attended government-sponsored enterprise fund seminars (mean=2.47, standard deviation =0.98). The findings imply that the groups had not attended government-sponsored enterprise fund seminars. With a mean of 2.12 and a standard deviation of 0.95, the majority of the respondents (52.7%) disagreed that the skills improvement seminars are offered regularly. The findings of the study suggest that skills improvement seminars are not conducted on a regular basis. In a similar vein, Kitonga (2012) discovered that there was poor utilization of training programs related to the Youth Enterprise Development Fund (YEDF). The study found that 47.3% disagreed (mean= 2.11, standard deviation =0.95), and 26.6% were not sure. The findings imply that skills improvement seminars have not enabled the growth of the enterprise. The findings differ with Mungai (2017) who established that business management training had a positive effect on the entrepreneurs and as such, new products and services were introduced in the enterprise after the training. However, this could be attributed to the fact that the current study has established limited entrepreneurial training.

The study found that the majority of the respondents, 56.5% (mean 3.95, standard deviation = 0.97) agreed that their groups were advised on the procedures to apply and comply with the government-sponsored enterprise loans, 26.1% strongly agreed. The findings show that the groups were advised on the procedures to apply and comply with the government-sponsored enterprise loans. Consistent with the findings, Ameyaw (2022) revealed that capacity building is a requirement before accessing loans from government agencies.

The study assessed whether the enterprise owners have been mentored on how to use the GSEFs. The study established that the majority of the respondents, 56.5% (mean 3.90, standard deviation

= 0.92) agreed that they have been mentored on how to use the GSEFs. This implies that the enterprise owners have been mentored on how to use the GSEFs.

Moreover, the study sought from the respondents whether the skills on how to use government-sponsored enterprise loans are important for enterprise growth. The study found that over half of the respondents, 55.1% (mean 3.86, standard deviation = 0.91) agreed that skills on how to use government-sponsored enterprise loans are important for enterprise growth. This implies that skills on how to use government-sponsored enterprise loans are important for enterprise growth. Jacob (2021) revealed that capacity-building and training programs for entrepreneurs play a crucial role in fostering the development of entrepreneurial skills, practices, and business plans. In addition, Parker (2018) posits that entrepreneurial capacity-building and training programs provide aspiring entrepreneurs and existing business owners with valuable opportunities to acquire knowledge, develop essential skills, and gain insights into effective business practices.

The study revealed from the interviews that the government-sponsored enterprise funds in Kenya often provide capacity-building services to borrowers. These capacity-building services aim to enhance the skills and knowledge of borrowers, equipping them with the necessary tools to effectively manage and grow their micro and small enterprises (MSEs). The respondents indicated that the Government-sponsored enterprise funds offer entrepreneurship training programs designed to impart essential business skills and knowledge. These programs cover topics such as business planning, financial management, marketing strategies, record-keeping, and customer service. More so, the findings revealed that some funds collaborate with business development service providers to offer additional support to borrowers. The findings are consistent with the empirical study conducted by Parker (2018). Parker's study established the importance of entrepreneurship skills training in shaping individuals' mindsets and readiness to become entrepreneurs, take risks, and acquire the knowledge, attitude, and skills necessary for enterprise growth.

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
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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 find out whether the group leader anticipates needs and challenges for action initiatives. The study found that the majority of the respondents (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. A majority of the respondents agreed that their leader is keen for them to identify and evaluate potential opportunities and strategies a further 24.2% strongly agreed. 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 supports 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). 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% agreed that business education provides the business with foundations for its management. The findings imply that business education provides the business with foundations for its management. Building upon this notion, Lukeš et al. (2019) revealed that education had a significant influence on the level of entrepreneurial intention and the subsequent success of businesses.

The study findings 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. This shows 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), individual personal characteristics such as prior experience with role models and social networks have been identified as determinants of enterprise growth. From the findings, the majority of the respondents, 68.1% (mean=3.62, standard deviation = 0.91) agreed that past business experience has provided the business with 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 dynamics and unique attributes of group-based enterprises. Government-sponsored enterprise funds typically require MSEs to form or belong to organized groups, such as self-help groups, cooperatives, or registered associations. The composition of the group, including the number of members, their roles, and responsibilities, is considered during the credit evaluation process. The cohesion and commitment of the group members can be an important

factor in assessing creditworthiness. The study found that a strong and cohesive group, characterized by collaboration, accountability, and skills development, can maximize the effectiveness of GSEFs' support. 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.

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. 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.

The study sought whether the enterprises have an increase in their customer base after they acquired the government-sponsored enterprise fund. 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. These findings imply that the enterprises have an increase in the 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. 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 (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. 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).

Inferential Statistics

Regression between capacity building on the growth of group-based MSEs

The study employed simple linear regression to examine the relationship between capacity building and the growth of group-based Micro and Small Enterprises (MSEs) in Kenya.

Table 4: Model Summary for Capacity Building

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.683 ^a	.466	.429	.33007

a. Predictors: (Constant), Capacity building

According to the findings, the coefficient of determination (R squared) is 0.466 and the adjusted R squared of 0.429 at 95% significance level. The R squared of 0.466 implies that capacity building can explain 46.6% percent of the variation in MSE growth in Kenya. The remaining 53.4 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 Capacity building

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.819	1	2.819	7.101	.008 ^b
	Residual	81.382	205	.397		
	Total	84.201	206			

a. Dependent Variable: Growth

b. Predictors: (Constant), Capacity building

Findings in Table 5 above show the F value indicating whether the set of independent variables as a whole contributes to the variance in the dependent variable. The F value was 7.101 and was significant (p = 0.008) at 95%. This means that capacity building was significant in predicting the growth of MSEs in Kenya.

Table 6: Coefficients for Capacity Building

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.804	.387		7.253	.000
Capacity building	.321	.120	.183	2.665	.008

a. Dependent Variable: Growth

$$Y = \beta_0 + \beta_2 X_2 + e$$

$$Y = 2.804 + 0.321 X_2 + e$$

Capacity building has a positive and statistically significant effect on the growth of MSEs in Kenya as shown by a coefficient of 0.321 and p-value of 0.008. This shows that an increase in capacity building increases the growth of MSEs in Kenya by 0.321 units. The study thus rejects the null hypothesis; **H₀₁**: The capacity building has no significant influence on the growth of group-based MSEs in Nairobi County, Kenya. Thus, Capacity building has a significant influence on the growth of group-based MSEs in Nairobi County, Kenya. Consistent with the findings, Mandengenda (2017) revealed that equipping youth and women with entrepreneurship skills increased their productivity, enterprise growth, increase in the net value of the business. In the same vein, Ameyaw (2022) conducted a study among MSEs in Ghana and found that capacity building, including training, was a prerequisite for accessing loans from government agencies. On the other hand, in Kenya, Mabururu and Wekesa (2020) assert that the lack of basic business management and entrepreneurship skills has been a significant hindrance to the growth and development of the MSE sector.

Mediation Effect of Group Characteristics on the Relationship between Capacity Building 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 capacity building and growth of group-based MSEs.

Table 7: Mediation Effect of Group Characteristics on the Relationship Between Capacity Building and Growth of Group-based MSEs

**** Total, Direct, and Indirect Effects of Capacity building ON Growth						
Total effect of Capacity building on Growth						
Effect	se	t	p	LLCI	ULCI	
.3207	.1204	2.6647	.0083	.0834	.5580	
Direct effect of X on Y						
Effect	se	t	p	LLCI	ULCI	
.2699	.1099	2.4572	.0148	.0533	.4865	
Indirect effect(s) of X on Y:						
	Effect	BootSE	BootLLCI	BootULCI		
Grp characteristics	.0508	.0452	-.0293	.1484		

From the findings, the lower bound confidence interval is -0.0293 and the upper bound confidence interval is 0.1484. If the confidence interval does not include zero, it suggests that there is a significant mediation effect. Therefore the indirect effect of group characteristics on the relationship between capacity building and growth of group-based MSEs is insignificant since the confidence interval includes zero. Thus group characteristics have no mediation effect on the relationship between capacity building and the growth of group-based MSEs. According to the findings, these elements of group characteristics have no mediation effect on the relationship

between capacity building and the growth of group-based MSEs. This implies that the influence of these group characteristics factors does not play a significant role in mediating the relationship between capacity building efforts and the subsequent growth of the MSEs. When considering the Entrepreneurial Orientation (EO) theory, we can contrast the findings with its emphasis on the importance of proactive and innovative behaviors for organizational performance and growth (Covin & Lumpkin (2011)). However, the findings suggest that capacity-building activities alone may directly impact growth, regardless of the entrepreneurial orientation of the group leader and the educational qualifications and business experience of group members. The findings regarding the absence of a mediating effect of group characteristics on the relationship between capacity building and growth in group-based MSEs contrast with the expectations of Entrepreneurial Orientation theory, which highlights the importance of proactive and innovative behaviors influenced by group characteristics factors such as the entrepreneurial orientation of the leader and the educational and business backgrounds of group members.

Conclusions

Capacity building has a significant and positive influence on the growth of group-based MSEs in Nairobi County, Kenya. The study highlights the importance of providing MSE owners with training, knowledge, and skills to enhance their business capabilities. The study demonstrated that access to pre-financing mandatory training and modern management business techniques positively impacts the empowerment and development of MSEs. The study concludes that group leaders play a significant role in anticipating needs, encouraging innovation, and promoting strategic thinking within group-based MSEs. Education among enterprise owners and group members contributes to their decision-making abilities, management skills, and the overall growth of the enterprise. Past business experience enhances the enterprise's growth and development by providing valuable skills and knowledge. Group characteristics have an insignificant mediation effect on the relationship between capacity building and MSE growth.

Recommendations

The government should enhance borrower education and communication to ensure the GSEFs repayment plan is well understood by MSEs. Government agencies, fund management organizations, and other stakeholders should collaborate to ensure regular and comprehensive skills improvement seminars are provided to MSE owners. The government-sponsored funds management should provide support and training programs for group leaders to enhance their skills in anticipating needs, promoting innovation, and making strategic decisions.

The fund's management should ensure that fund requirements align with the unique characteristics and needs of group-owned enterprises. Provide necessary support for capacity-building, market linkages, and financial access to enhance the success of group-based MSEs. The government should develop policies and regulations that recognize the unique characteristics and needs of group-based MSEs. This can include providing tax incentives, streamlining business registration processes, and offering preferential treatment in government procurement opportunities.

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