Indo-Asian Journal of Finance and Accounting
Vol. 2, No. 1, 2021, pp. 195-212

ARF INDIA
Academic Open Access Publishing
www.arfjournals.com

Relationship between Social Capital Strategy and Growth of Small Micro Enterprises Funded by Women Enterprise Fund in Selected Counties of Kenya

Tom Ongesa Nyamboga

Umma University, Garissa Campus, E-mail: ongeshtosh@yahoo.com

Received: 30 April 2021; Revised: 12 May 2021;
Accepted 28 May 2021; Publication: 9 June 2021

Abstract: Women play significant roles in the economic development of many nations through the Small and Micro Enterprises (SMEs). The government of Kenya having realized this scenario introduced Women Enterprise Fund (WEF) as a micro credit in 2007 to boost women economically. Many years have passed but the SMEs have not performed well as envisaged. The purpose of this study was to examine the relationship between social capital strategy and growth of SMEs funded by women enterprise fund in Kenya. The study's specific objective was to assess the influence of social capital strategy on the growth of SMEs funded by WEF in selected counties of Kenya. This study used a descriptive survey based design. The target population for this study was 2032 women group leaders' who were the beneficiaries of Constituency Women Enterprise Scheme (CWES) between 2013 and 2017. Both cluster sampling and simple random sampling were used to select a sample size of 335 respondents. Structured questionnaires were used to collect quantitative primary data by aid of closed ended questions. The data collected was edited and analyzed based on the research objectives. The study utilized both descriptive and inferential statistics to analyze data. ANOVA and Linear Regression Analysis were computed to assess the relationship between independent variable and the dependent variable. The study established that social capital strategy adopted by CWES clients had a significant relationship on the growth of SMEs since the calculated P value of 0.024 was less than the critical value of 0.05. The findings of this study will help the stakeholders in the SME sector to formulate and implement micro social capital strategies that would promote the growth of SMEs in the country. The study recommends that the WEF agency should promote awareness on WEF women groups in the country. Such women groups encourage loan utilization, loan repayment, and business problem solving among loan beneficiaries.

Keywords: Social Capital Strategy; Small and Micro Enterprises; Women Enterprise Fund; Entrepreneurs; Constituency Women Enterprise Scheme; Government of Kenya.

1. Introduction

SMEs play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to our estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world. In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs. However, access to finance is a key constraint to SME growth; it is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries (World Bank, 2020). SMEs are therefore central in attaining Sustainable Development Goals (SDGs) globally. They are outstanding in enhancing inclusivity and sustainability of economic growth, reducing inequality and hastening industrial growth and innovation. The success of all these is dependent on the conduciveness of the business environment (OECD, 2017).

In Europe, SMEs remain the pivot of European economy, constituting 99.8 percent of all enterprises and providing two thirds of employment (European Commission, 2019). In Asian- Pacific region, SMEs are the backbone of the economy. They constitute more than 98 percent of all enterprises, providing about 50 of the workforce. The SMEs contribute about 17 percent in low income countries like India and about 40-50 percent in higher income countries like Malaysia and Singapore (Ata, 2020). Continental Africa owes its economic growth largely to SMEs contribution to the economy in regards to employment creation and GDP generation. The SMEs create around 80 percent of the region's employment, influence a new middle class and promote the demand for new goods and services. African governments have henceforth turned to entrepreneurship to support future economic growth through SMEs (World Economic Forum, 2015). Conducive business environment is a pillar that supports SMEs development across Africa (IFC, 2020). Notwithstanding the benefits accrued from the SMEs sector the growth of SMEs in Africa faces a number of generic challenges among them lack of access to appropriate capital from both the banking sector and the capital markets (Society for International Development, 2012).

In Kenya, the SME sector lead in creating jobs, and helps in boosting the county's Gross Domestic Product (GDP). By the end of 2017 the country's GDP was estimated to be to have SMEs contribution of 3 percent. From the

National Economic Survey Report by the Central Bank of Kenya (CBK), SMEs comprise of around 98 percent of all commercial entities in the country, and provides about 30 percent of annual jobs. They contribute significantly to the country's GDP of around 3 percent. A survey report by the same organization in 2014, shows that about 800, 000 employment opportunities that were established came from the SME sector. In further survey conducted by Delotte Kenya (2016) it was observed that SMEs are hindered by several factors including poor technology, lack of adequate capital and market, corruption as well as low levels expertise. In another survey conducted by the Kenya Bureau of Statistics (KBS) released in early 2017 did show that SMEs have a low mortality rate and rarely last more than a year. In very extreme cases a few of them are able to survive five years of existence. The government of Kenya decided to control the interest rates in the country so as to boost SMEs but the cap was removed in early 2020. This has exposed most of the SMEs to financial vulnerability among other hurdles (Kenyan SMEs Finance Survey, 2018). It is against this background that this study was carried to assess the influence of social capital strategy on the growth of SMEs in Kenya.

1.1. Statement of the Problem

SMEs are vital in the growth of Kenyan economy. The government has identified the SMEs as viable tools of attaining Vision 2030 as well as the international SDGs. This was the main reason that compelled the government to initiate WEF strategy to empower women economic potentials by availing micro credits to women groups through the CWES channel that is found in each constituency. Despite this initiative, women entrepreneurs in Kenya continue to face a myriad of hurdles in their business undertakings. Low mortality rates have led to poor growth of SMEs in many parts of the country. The borrowing trends are quite low in most constituencies. There are also lots of default rates of CWES loans among women beneficiaries in Kenya. Most studies have focused on the relationship between micro credits and the growth of SMEs. Few studies have focused on the influence of social capital on the growth of SMEs in Kenya. This study was carried out to fill these gaps. The findings of this study would help stakeholders in the SMEs sector to formulate and implement effective social capital strategies that would improve growth of SMEs.

This study's objective was to assess the influence of social capital strategy on the growth of SMEs funded by WEF in selected counties of Kenya. The research was based on both null and alternate hypothesis which stated that:

H_0: There is no significant relationship between micro saving strategy of WEF and growth of small and micro enterprises in Kenya.

H_1: There is a significant relationship between micro saving strategy of WEF and growth of small and micro enterprises in Kenya.

2. Underpinning Theory

This study was based on the theory of information Asymmetry and Grameen Model

2.1. Information Asymmetry Theory

This study was based on information asymmetry theory. This theory was founded by Akerlof (1970). The theory argues that individuals selling goods and services in the market normally utilize certain numerals to determine the value of the products they offer for sale. In the case of WEF, women beneficiaries consider the worth of the financial credit they intend to obtain from the micro finance while the creditors have the intimate of the financial credit. Pegged on these arrangements, creditors have an added advantage and can sell their products (interest on loans) of less value than there is in the market. Lack of adequate information would therefore make creditors to provide less valued products to the market.

This theory explains that in a market scenario a business entity has significant and relevant information than others and this can be lead to a market breakage (Spence & Stiglitz, 2001). This would lead to tough competition in the market and reservation of information for the prospective clients. According to this theory the duty of the seller is to share significant information with its clients and promote social interaction mechanism among the clients.

More proponents of this theory argue that most traders are engaged in social linkages. The social links in these relations facilitate the growth of business enterprises and full utilization of resources. Diversities among the entrepreneurs impede the performance of commercial entities. Past entrepreneurship, and previous business skills and experience, can affect a firm's growth rate (Aldrich, 1989).The theory of asymmetrical information provides basic information to explain how social capital strategy and training strategy adopted by WEF, is instrumental in promoting the growth and development

2.2. Grameen Model

The Grameen model is based on the group lending ideology that was started by Mohammed Yunus in Bangladesh in 1993. This model is based on social bonds and benefits that are established from shared convictions based on group obligations, consortium status, loan evaluation and prospective future access to credit for individual client. Each of these elements is directly contingent on individual member maintenance of his/her credit repayment commitment (Todaro & Smith, 2011). Grameen model is a cyclic procedure with a sequential of one year time frame. The process is repeated and the size of the loan increased in each complete sequence. This model is relevant to this study because it is based on collective social responsibility to act as collateral for the loan secured. The SMEs in Kenya are formed and operate on the Grameen model where loans are given to a group with minimum size of 10 members who have collective responsibility to provide social network and peer pressure to ensure that members comply with the loaning conditions. It is therefore necessary to find out how women clients of WEF have been able to utilize this model to ensure growth of their SMEs through social capital.

2.3. Social Capital and Growth of SMEs

The main role of social networking is to serve as a nerve centre of information. Social networks act as glue that unites people and their economic activities (Zuwarimwe & Kirsten, 2010; Sabatini, 2006). Successful micro traders tend to use social capital in promoting the performance of their business. Social networking in an enterprise results in tremendous benefits due to high cooperation and information sharing among the traders (Kickul, Gundry, & Sampson, 2007**)**. As noted by Massey and Maria (2011) and Sathiabama (2011) social networks enhance the growth of SMEs and lead to women economic empowerment. Despite these positive benefits, social capital faces problems that make its performance to be low. Poor sharing of information, social norms and inappropriate business management skills are disincentives to business growth (Kibas, 2005).

Studies by OECD (2004*)* indicated that there is less social capital among the females compared to the males. The women networks are mostly associated with household obligations hence can be challenge to the enterprise activities. Women social capital is adversary affected by the traditional division of labor. This study by OECD explains that women entrepreneurs are a major source of knowledge and essential tools in the growth of SMEs. The study shows that women are different from men in relation to the nature of networks they form but lack crucial information needed for effective enterprise development. This is because social capital is very resourceful in the success of a business.

Literature available observes that most women use group formation to acquire funds for enterprise activities. However, group conflicts are a common feature in this type of borrowing. Women prefer individual credits rather than group loans because personal loans are much more, quantitatively. Conflicts within the group emerge because some members are not open on how they utilize credit funds. Despite this, there are tough conditions for a person to qualify for individual loans. In this case they need security for the loan, some sort of business experience, an operational business plan and bank account (Kadurenge, Wokabi, Ng'etich, 2014).

Women join groups as social units due to a strong sense of solidarity exhibited in such social environment. Women solidarity becomes a powerful tool of empowering women in making sound business decisions and sharing of information relating to business matters. Micro finance institutions seem to lure women traders compared to men traders. This is informed by the assumption that women are more docile when they are in groups and simpler to control than male entrepreneurs when instituting MFIs projects. Female clients respond very fast to peer pressure and will do what it takes in order to pay back credits that are borrowed from creditors. Most of women don't like shame that is associated with loan defaulting and are therefore loyal to their group and MFIs. As a result of such assumptions, MFIs tend focus more on female than male entrepreneurs while executing their programs**.** It is argued that MFIs tend to gain more from micro crediting than women do (Shukuran & Rahman, 2011).

According to Franco, Heiko and Pereira (2016) group networks are essential elements for starting and developing business enterprises even though most female small scale traders lack these networks that could help them to obtain micro credit strategies. Social links contribute greatly to the development of SMEs in many parts of Africa. Group formation strategy improves implementation of micro crediting programs. The finding shows that women solidarity empowers the capability of making sound business decisions by supporting business needs through information sharing (Lawal, et al, 2009). As Franco, Heiko and Pereira (2016) observed that most micro traders in most parts of the world do not have adequate networks hence the failure to practice linkages deny them the opportunity to share business information. This is shared by Boden and Nucci (2000) who indicated that inadequate social networks hinder the success of SMEs from the time the business starts to operate.

Social capitals entail social networks and inter relationships among people. These social links provide bonds that give act as glue between people and the wider society together (Kiprotich, 2014). Social capital provides room for a smooth flow of information between the borrowers and lenders. Social capital develops from the social groups that work in a well-coordinated manner. Social capital forms the basis of group lending model. Current studies done by Akinguola, et al (2013) on social capital strategy suggested that this phenomenon develop women towards a more consistent step in improving the welfare of the SMEs if and when developed well amongst the clients of microfinance. Interactions between groups, social networks as well as integrity amongst traders promote coordination of joint activities. Groups of receipts such as loans from the same pool are essential elements of social capital because such entities focus on attaining specific goals and objectives (Putman, 2000).

Access to good networking is a key factor towards the success of SMEs. Associating with individuals who matter is essential in determining the development of a business activity (UNECE, 2004). Most women SMEs operate in small scale and have no links with professional bodies; consequently they have no ability to obtain adequate information from the public. This research notes that female entrepreneurs are not able to move about freely during the course of their business due to family responsibilities and other social cultural restrictions. This isolation makes women entrepreneurs to have a deficient of valuable information about marketing of their products (Tundui & Tundui, 2013).

As Carter, *et al* (2006) noted, socially embedded network links are essential for the wellbeing of business entities. The social networks enable women entrepreneurs to obtain desirable information and guidance concerning on how to establish an enterprise. Social connections, contacts and sharing of information, is a key factor in gaining customers, sellers as well as valuable business news and source of finance. Women are able to get family support through social capital and are well supported play crucial in uplifting the growth and sustainability of business. This study by Carter observes that internal family support is more significant than external networks like business partners, staff mates and former employers. As noted by Mutuku (2006) the assistance women get from their husbands is more important for the success of women SMEs. Women social networks are totally different from men networks because men networks are pegged on personal gains unlike women networks that are based on effectiveness. Social capital is needed for establishing a business by providing information. Nikolic (2015) observed that weak social capital opens doors to discovery of opportunities by opening up the entrepreneur to new ideas, suggestions and advices. Most small scale entrepreneurs depend on the advice from family friends' members and comrades to maintain business secrecy and control over their business.

Oke (2013) noted that most female entrepreneurs have less commercial networks hence are unable to follow numerous channels of business. Majority of the female SMEs are small scale in nature and therefore lack membership to large professional agencies. This restrains women from obtaining adequate information about business. Majority of business networks in the market are held by male traders and are exclusive in nature. Societal responsibilities bar women from venturing into social networks, because they are held during odd hours of the day. Deficiency of social networks makes females to loss awareness and the necessary exposure to deserving role models. It is further noted that majority of female traders are not given invitation to delegations and trading missions due to their roles in the family. Women entrepreneurs don't have accessibility to networks (Ondiba & Kenichi, 2019).

Akcomak (2009) showed that micro crediting strategy leads to female networks which are crucial in adapting to dynamic world. Social capital enables women micro traders to provide some guidance towards societal values. While in social groups, women are in a position to make development decisions and choices and finally develop products with utility. Social networking is important in making mutual decisions. As argued by Sanyal (2009) social capital produces economic bonds by accessing micro loans. The overall resultant of this action is mutual empowerment among the beneficiaries.

Poor growth of women SMEs and the resultant poverty are closely associated with inaccessibility to capital and inadequate revenue generation. These leads to food shortages, poor medical status, lack of educational training, exclusion, and undesirable shelter. Stability of SMEs requires sustainability of micro crediting strategies, especially regarding women as agents of their destiny (Vani, 2011). Social capital can enhance gender based relationships by designing micro crediting strategies which are entirely focusing on female empowerment paradigm (Mayoux, 2006). Empowering women SMEs involves an increment of women making decisions or choices, as individuals or groups, for productive goods and services. World Bank report (2001) identified sharing of news and messages, active participation, and inclusivity as important elements of social capital that promotes growth of SMEs.

Tendai (2013), Hadi and Kamaludhin (2015), Adhikary and Papachristu (2014), Nishantha and Kwaruma (2011), argued that there are scanty studies on the effects social capital on growth of SMEs in most parts of Africa. Most of the studies carried out were done on the developed world, especially Asia. This provided adequate gaps to be filled by this study.

3. Research Methodology

3.1. Research Design

This study was carried out within Nyanza Region of Kenya. The region has six counties of Kisii, Nyamira, Migori, Kisumu, Siaya and Homa Bay. The region is located in the southwest part of Kenya around Lake Victoria. The research sites constituted the counties of Kisii, Nyamira and Migori which were purposively selected because of poor performance of SMEs in these areas. Based on the current study, a quantitative research approach was used to maintain objectivity of data.

Descriptive survey research design was adopted in this study to collect and analyze the opinion of women beneficiaries of WEF on their experience on crediting strategy and growth of SMEs. A research design is a conceptual structure within which research is conducted (Kothari, 2014). Descriptive research design studies all the design information to obtain pertinent information concerning the status of the phenomena and draws conclusions from the facts discovered (Kumar, 2014).Using this design, the researcher attempted to find answers to questions by assessing how crediting strategy influenced the growth of SMEs. The target population consisted of all groups' leaders beneficiaries of CWES from all the constituencies of Migori, Nyamira and Kisii Counties. In the current study, the target population was 2032 respondents, and this included all women group leaders from a total of 2032 groups. The group leaders were selected purposively because they have experience and detailed information concerning social capital strategy and its influence on SMEs. The researcher targeted women group leaders who benefited from the CWES between the year 2013 and 2017.

Table 1: Target Population

County	*Number of constituencies*	*Women groups*	*Target population*
Kisii	9	1205	1205
Migori	8	479	479
Nyamira	4	348	348
Total	21	2032	2032

Source: Women Enterprise Fund Report (2018)

A sample size of 335 was used for this study, constituting women group leaders who had benefited from CWES between 2013 and 2017 in all constituencies of Nyamira, Kisii and Migori counties. The study selected women group leaders from a population of 2032 by using Yamane (1967) sampling frame formula:

$$n = \frac{N}{1 + Ne^2}$$

Where
n = sample
N = population

e^2 = margin error (0.05).
$n = 2032/1+2032(0.05)^2$
$n = 335$

Women respondents were selected in a random manner from each site proportionally. Cluster sampling was ideal for selecting women group leaders. A list of all beneficiary women groups was selected from each case study site by the use of simple random sampling, using random numbers through computer programs. The researcher then selected women group leaders from each cluster as respondents. All the women group leaders' of the selected clusters then became units of observation and were included in the sample. Gupta (2008) suggested that a sample is regarded as large if it exceeds 30 and therefore 335 was an appropriate size. The duration of credit was considered an important ingredient to track the impact after a long period. This gave a better understanding if WEF had any influence on the growth of women SMEs.

Table 2: Sample Size

County	*Number of constituencies*	*Women groups leaders*	*Cluster sampling of women group*	*Sample size*
Kisii	9	1205	199	199
Migori	8	497	79	79
Nyamira	4	348	57	57
Total	21	2032	335	335

Source: Author (2019)

Structured questionnaires were used to collect primary data from the respondents. According to to Mugenda & Mugenda (2012) structured questionnaires are research tools used to collect information from the study population. The structured questionnaires had closed-ended questions that were simple to analyze and aided in obtaining quantitative data. Likert scale with 5 response categories was used to measure research variables. Piloting of the research instruments was done to ensure content validity, correct wording, clarity of expression and understandability. Piloting was done on a sample of 10% of the respondents from cluster groups that were excluded from the final study. Cronbach alpha coefficient method was used to test the reliability of the research tools. The research tools were administered twice to the same group of respondents in an interval of one week. The questionnaires that were used in the pilot study were coded, and their responses tested to generate their reliability coefficient by use of SPSS Version 24.

A reliability of 0.75 was obtained and considered significant for this study. The research instruments were tested and pretested on the randomly selected respondents to ensure that the research tools were accurate and would be correct to be used by others. Content validity was used for this purpose. The quantitative data in this research was analyzed by descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS version 24). In this study, descriptive statistics included measures of central tendencies, measures of dispersion, frequencies, and percentages. The study used one way ANOVA and linear regression analysis to establish the relationship between the independent variable and dependent variable.

The Model$y = \alpha + \beta_1X_1+u$was subjected to a test using linear regression to establish whether social capital strategy was a predictor of growth of SMEs. Algebraically the model is follows:

Growth of SMEs $y = \alpha + \beta_1X_1+u$

Where y =dependent variable (growth of SMEs)

$X_{1=}$ independent variable (social capital strategy)

α = constant

β_1=the coefficient of the independent variable

u = the error term.

Thereafter results from data analysis procedure were tested to establish if they were statistically significant in order to decide on whether to reject or accept the null hypothesis hold at 0.05 confidence level.

4. Findings

Three hundred and thirty five (335) respondents were expected to respond to research questions, out of which only 308 respondents answered, representing a response rate of 92%. Mugenda and Mugenda 2012) and Kothari (2014) observed that a response rate of 50% is adequate for a study. Sekaran (2000) and Cooper & Schindler (2003) confirmed that a response rate above 70% is very good for a study. The total sample size of 308 was therefore adequate to generalize the sample results to the entire study population.

4.1. Descriptive Analysis of Social Capital Strategy and Growth of SMEs

This study sought to assess the influence of social capital strategy on growth of SMEs in the counties of Kisii, Migori and Nyamira. The respondents were requested to respond to a set of questions based on a five-point Likert scale. The outcomes of this analysis are shown in Table 3. Firstly, the study sought to establish whether there was women awareness of WEF loan facility helped to improve business growth. The outcomes of the research indicate that most of the participants agreed with the statement as shown by a mean score of 2.1456 and a standard deviation of 0.96774. This standard deviation shows some variance from the mean. This response therefore implies a positive relationship between women awareness on WEF activities and growth of business activities. As to the question on whether social bonds among women clients facilitated loan utilization, most of the participants concurred with the question as shown by a mean of 2.2848. The standard deviation of 1.17459 indicates much variation from the mean, signifying that some of the respondents disagreed on the significant relationship between social bonds and business growth.

Respondents were required to answer whether women collaboration in social groups improved business growth, most of the respondents agreed to this statement as reflected by a mean score of 2.8643. A standard deviation of 0.50345 is an indication that some of the respondents disagreed with this statement. This score shows some variation from the mean hence some respondents did not see any relationship between women collaboration in social groups and the growth of SMEs.

Furthermore, the respondents were asked to respond to whether group problem solving of business matters improved business growth. Majority of the respondents agreed that sharing and solving business problems jointly assisted the beneficiaries to improve their business growth as reflected by a mean of 2.7508. The standard deviation of 1.32387 indicates much variability from the mean score. On the question of whether group unity of women clients encouraged loan repayment among the group members, a mean of 2.8864 indicates that a high percentage of the participants were in agreement that group unity had indeed helped most beneficiaries to repay their loans while a standard deviation of 1.34700 shows some of the

Table 3: Respondents' Opinions on Social Capital Strategy and Growth of SMEs

Statement	*Frequencies*	*Mean*	*Std. Deviation*	*Variance*	*Min*	*Max*
Women awareness of WEF loans helps to improve business growth	308	2.1456	0.96774	0.937	1.00	5.00
Women social bonds facilitate WEF loan utilization	308	2.2848	1.17459	1.380	1.00	5.00
Women collaboration in social groups improves business growth	308	2.8643	0.50345	0.482	1.00	5.00
Group problem solving of business matters improves business growth	308	2.7508	1.32387	1.753	1.00	5.00
Group unity of women clients encourages loan repayment	308	2.8864	1.34700	1.814	1.00	5.00
Social capital strategy improves business growth	308	2.6136	1.27750	1.632	1.00	5.00

Source: Field Data (2019)

respondents disagreed with the statement. This response shows much variability from the mean, implying that some beneficiaries did not find a positive relationship between group and loan repayment. Lastly, on the question of whether social capital strategy improved business growth, a mean of 2.6136 shows that most of the respondents agreed to the question by acknowledging that social capital indeed promotes growth of their SMEs whereas a standard deviation of 1.27750 indicates much variability from the mean.

4.2. Regression Analysis of Social Capital Strategy on Growth of SMEs

Table 4 represents a regression model on social capital strategy and the growth of small and micro enterprises. As shown in table, the coefficient of determination R square is 0.031 and R is 0.177 at 0.05, significance level. The coefficient of determination indicates that 2.2% of the variation on social capital strategy influences the growth of SMEs. This confirms the existence of a significant and positive correlation between social capital strategy and growth of small and micro enterprises.

Table 4: Model Summary

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.177[a]	.031	.022	1.20466

a. Dependent Variable: Growth of SMEs
b. Independent Variable: Social Capital Strategy
Source: Field Data (2019)

4.3. ANOVA Computation of Social Capital Strategy on Growth of SMEs

The one way ANOVA computations furthermore attests that the model fit is appropriate for this data because the calculated figure of 0.024 p value is much smaller compared to the critical value of 0.05 as indicated in Table 5. This implies the existence of a significant positive correlation between social capital strategy and the development of small and micro enterprises. The F-statistics of 3.180, shows that the results are highly significant ($P<0.001$) and it is very unlikely that results are computed by chance.

Table 5: ANOVA

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	13.845	3	4.615	3.180	.024[b]
	Residual	426.652	305	1.451		
	Total	440.497	308			

a. Dependent variable: Growth of SMEs,

b. Independent variable : Social Capital Strategy (SCS)

Source: Field Data (2019)

In Table 6 the results demonstrate a significant positive correlation between social capital strategy and growth of SMEs; through the fitted model Y= 1.323+0.302 Social Capital Strategy which implies that any unit change in social capital strategy has an effect on the growth SMEs by the rate of 0.302.

Table 6: Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Sig.*
1	(Constant)	1.323	0.155		8.535	.000
	Social capital factors	0.302	0.064	0.281	4.718	.000

a. Dependent Variable: Growth of SMEs
b. Independent Variable: Social Capital Strategy
Source: Field Data (2019)

4.3.1. Hypothesis Testing

To determine whether social capital strategy of women clients of WEF influences growth of SMEs, (H_0) hypothesis which states that "There is no significant relationship between social capital strategy of WEF and the growth of SMEs" was tested.

Decision rule: If the calculated p value is found to be smaller than the critical value of 0.05, then the null hypothesis is not accepted.

From the computations, the calculated 0.024 p value obtained is much less compared to 0.05 critical value as shown in Table 5. These figures imply the existence of a significant and positive correlation between social capital strategy and the development of small and micro enterprises. The (H_0) hypothesis which states that: "There is no significant relationship between social capital strategy of WEF and the growth of SMEs" is rejected and the alternate hypothesis which states that: "There is a significant relationship between social capital strategy of WEF and the growth of SMEs" is accepted.

4.4. Discussion of Findings

The findings of this research concur with Zuwarimwe and Kirsten (2010), Sabatini (2006), Kickul, et al. (2007) and Sathiabama (2011) who said that the main role of social networking unites people and their economic activities and helps in promoting the performance of their business. These studies observe that social capital strategy leads to better performance of the enterprises. Group networks are essential elements for starting and developing business enterprises and contribute greatly to the development of SMEs in many parts of Africa. Social capital improves implementation of micro crediting programs because women solidarity empowers the capability of making sound business decisions. This study's findings are in line with studies by Massey and Maria (2011) who argues that social networks increase collaboration and better communication among women entrepreneurs leading to business growth assists women small scale traders to experience enhanced awareness, self-confidence and attain sense of achievement.

These research results comply with those by Kibas (2005), Kiprotich (2014) and Sanyal (2009) who showed that micro crediting strategy leads to female networks which make most women to adapt to the changing world. Social capital enables women micro traders to provide some guidance towards societal values. While in social groups, women are in a position to make development decisions and choices and finally develop products with utility. Social networking is important in making mutual decisions social capital produces economic bonds by accessing micro loans which results to capacity to change societal values. The overall resultant of this social networking is mutual empowerment among the beneficiaries.

The findings also concur with those by Nikolic (2015), Akcomak (2009) and Ondiba and Kenichi (2019) whose findings established that social capital is a necessity for establishing a business because it provides necessary business information. These studies show that social capital opens doors to discovery of opportunities by exposing an entrepreneur to new ideas, suggestions and advices. These studies claim that social networks are essential to the wellbeing of business enterprises. Social networks enable women entrepreneurs to obtain desirable information and guidance concerning on how to establish an enterprise. Social connections and sharing of information is a key factor in gaining customers, sellers as well as valuable business news and source of finance. Women are able to get family support through social capital and this support is crucial in uplifting the growth and sustainability of business. This study observes that internal family support is more significant than external networks like business partners, staff mates and former employers. These findings agree with those by Oke (2013) and Tundui and Tundui (2013) who noted that access to good social networking is a key factor towards the success of SMEs. Associating with individuals who matter in life is essential in determining the development of a business activity. Social capital links people and the wider society together and provides room for a smooth flow of information between the borrowers and lenders.

5. Conclusions

The study's findings established a positive and significant correlation between social capital strategy and the development of small scale businesses. The overall implication is that, social capital strategy leads to improved growth of SMEs in terms of business growth, improved loan utilization, and loan repayment. From the findings, it is it can be concluded that social capital strategy of women clients helps to increase growth of SMEs.

The study recommends that the government of Kenya, through Women Enterprise Fund agency should promote awareness on WEF group formation. Such women groups would encourage loan utilization, loan repayment, and assist in solving business problem collectively among loan beneficiaries. The study further recommends that WEF be exclusively 100 percent for women entrepreneurs.

References

Adhikary, S. & Papachristou, G. (2014). Is There a Trade off Between Financial Performance and Outreach in South Microfinance Institutions? *The Journal of Developing Areas*, 48 (4) 381-402.

Akcomak, I.S. (2009). Impact of Social Capital on Economic and Social Outcome. Pers Maastrich Publishing, Netherlands

Akerlof, G.A. (1970). The Market for Lemons: Quality Uncertainty and the Market Mechanism. *Quarterly Journal of Economics,* the MIT Press.

Akingunola, R.O., Adekunle, O.A., Adegbesan, K.J., Aninkan, O.O. (2013). Microfinance Banks and Entrepreneurship Development in Nigeria: A Case of Ogun State. *European journal of business management*, 5(8) 100-110.

Aldrich, H.E. (1989). Networking among Women Entrepreneurs; In O. Hagan, C. Rivchin and D Sexton (Eds), Women Owned Business, New York: Praeger, Pp. 103-132.

Ata, D. (2020). The role of SMEs in Asian economic growth: SME Finance Forum.

Boden, R. & Nucci, A. (2000). On the Survival Prospects of Men's and Women's New Business Venture. *Journal of Business Venturing*, 15(4): 347-362. Bolvia. Journal of Development Studies; 37: P.101-132

Carter, S., Wilson, F. Shaw, E. & Lam, W. (2006). Gender, entrepreneurship and business fiancé: investigating the relationship between banks and entrepreneurs in the UK

Cooper, D.R. & Schindler, P.S. (2003). Business Research Methods. 8th Edition, MacGraw-Hill Irwin, Boston Deloitte Kenya (2016). Kenya Economic Outlook.

Franco, M. Heiko, H & Pereira, A. (2016). Empirical Study a Bow the Role of Social Networks in SMEs Performance. *Journal of Systems and Information Technology*.

Gupta, N. & Mirchindani, A. (2018). Investigating Entrepreneurial Success Factors of Women SMES in UAE. *Management Decision,* Vol 56, No 1.

Hadi, N.A. & Kamaludhin, A. (2015). Social Collateral, Repayment Rates and the Creation of Capital among Clients of Microfinance. *Procedia Economics and Finance,* 31, P. 823-828. IFC (2020). SME initiatives

Kadurenge, I. A., Wokabi, M. S. & Ng'etich, K. A.; (2014). Challenges Faced by the Women Enterprise Fund in Kenya: A Survey of Hamisi Constituency, Vihiga County- Kenya. *Research on Humanities and Social Sciences*, Vol.4, No.14, 2014.

Kenyan SMEs finance survey (2018). A study on SME financing challenges relating to access to finance and their general financial needs. Viffa consult group.

Kibas, B. (2005). Challenges facing Women Entrepreneurs. Paper Presented at the Third Africa Resource Meeting, Nairobi, November, 27-30.

Kickul, J. R., Gundry, L.K. & Sampson, S.D. (2007). Women Entrepreneurs Preparing for Growth: The Influence of Social Capital and Training on Resource Acquisition. *Journal of Small Business and Entrepreneurship,* 20(2) 169-181.

Kiprotich, E. (2014). The Influence of Social Capital on the Growth of SMEs in Nairobi, Kenya, Doctoral Dissertation, University of Nairobi.

Kothari, C. (2014). Research Methodology: Methods and Techniques. 3rd Edition; New Age International Publishers, New Delhi, India.

Kumar, R. (2014). Research Methodology: A Step By Step Guide for Beginners- (4thEd),Sage Publication Ltd., London.

Lawal, J. O., Omonona, B.T., Ajani, O.I.Y., & Oni, O. A. (2009). Effects of Social Capital on Credit Access among Cocoa Farming Households in Osun State, Nigeria. *Agricultural Journal* 4(4): 184-191.

Massey, D. S. & Maria, A. L. (2011). Social Capital and International Migration from Latin America. *International Journal of Population Research,* Volume 2011 Article ID 834145, 18 Pages

Mayoux, L. (2006). Women's Empowerment and Microfinance: A 'Think Piece' for the Microfinance Field. Sustainable Micro-Finance for Women's Empowerment; *Www.Genfinance.Info/.*Accessed on 10th October 2015.

Mugenda, O.M. & Mugenda, A.G. (2012). Research Methods: Quantitative and Qualitative Approaches. Act Press, Nairobi.

Mutuku, M. (2006). Entrepreneurial Learning among Women Micro-Entrepreneurs in Kenyan Dairy Processing Industry. A Paper Presented At the 3rd International Entrepreneurship Conference, Nairobi.

Nikolic, D. (2015). Social capital, culture and institutions as determinants of entrepreneurship in a development context, undergraduate economic review: vol. 1212 (1), article 14

Nishantha, B. & Kwamura, Y. (2011). The Role of Human and Social Capital in Small enterprise growth: Evidence From Sri Lanka. Ryukoku University Jingji, History and Criticism, 51 (1), 69-89.

OECD (2017). Enhancing the Global Contributions of SMEs in Global and Digitalized Economy, Paris

OECD (2004). 2nd OECD Conference of Ministers Responsible for Small and Medium of Small Scale Enterprises in Chimanimani District of Zimbabwe in Aggrekon, of Social Sciences and Entrepreneurship: ISSN 2307-6305, P.94-109.

Oke, D.F. (2013). Effects of Social Networks on Women Entrepreneurs in Nigeria.A Case Study of Ado-Eketi Small Scale Enterprise. *International Journal of Education and Research*.

Ondiba, H.A. & Kenichi, M. (2019). Social Attributes and Factors Influencing Entrepreneurial Behavior among Women in Kakamega County, Kenya. *Journal of Global Entrepreneurship Research,* Vol 9(2).

Putman, R. (2000). Bowling Alone: The Collapse and Revival of American Community. Simon and Schuster, New York.

Sanyal, P. (2009). From Credit to Collective Action: The Role of Microfinance in Promoting women's social capital and normative influences. American Sociological Approach.

Sathiabama, M. (2011). Human *Capital* Management– A Critical Factor to Build MSME's Future in India

Sekaran, U. (2000). Research Methods for Business A Skill Approach. John Wiley & Sons, New York

Shukuran, K. & Rahaman, F. (2011). A Grameen Bank Concept: Microcredit and Poverty Allevation Program in Bangladesh. Paper Presented In ICETCIP, Bangok

Society for International Development (2012). SMEs as Strategic Drivers of African Socio-Economic Transformations: Challenges and Policy Prescriptions.

Spence, M. & Stiglitz, J. (2001). Job Market Signaling: Quarterly Journal of Economics. The MIT Press.

Tendai, C. (2013). Networks and Performance of Small and Medium (MSEs) in Different Stages of the Life Cycle: A Case Study of Small Business in Netherlands.

Todaro, M. & Smith, S.C. (2011). Development of economics (11th ed). Harlow, England: Pearson.

Tundui, C.E. & Tundui, H. (2013). An Empirical Analysis of Social Capital and Enterprise Performance in Tanzania: The Case of Women Owned Businesses. *International Journal of Developing Societies,* Vol 2 (1) Pp.50-60.

UNECE (2004). Women's self-employment and entrepreneurship in the ECE region, background paper prepared by secretariat for the regional symposium on mainstream gender into economic policies, Geneva, 28-30.

Vani, S. K. (2011). Women's Empowerment and Microfinance an Asian Perspective Study: IFAD.

World Bank (2001). Engendering Development; through Gender Equality inRight, Resources and Voice. New York: Oxford University Press.

World Bank (2020). Small and Medium Enterprises (SMEs) Finance: Improving SMEs' Access to Finance and Finding Innovative Solutions to Unlock Sources of Capital.

World Economic Forum (2015). Why SMEs are key to growth in Africa.

Yamane, T. (1967). Statistics, an Introductory Analysis. 2nd Ed, New York: Harper and Row

Zuwarimwe, J. & Kirsten, J. (2010). The Role of Social Networking in Development of Small Scale Enterprises in Chimanimani District of Zimbabwe. In Aggrekon, Vol. 49, No 1.

for citation :

Tom Ongesa Nyamboga (2021). Relationship between Social Capital Strategy and Growth of Small Micro Enterprises funded by Women Enterprise Fund in Selected Countries of Kenya. *Indo-Asian Journal of Finance and Accounting,* Vol. 2, No. 1, pp. 195-212.