Indo-Asian Journal of Finance and Accounting
Vol. 1, No. 2, **2020**, pp. 153-175

ARF INDIA
Academic Open Access Publishing
www.arfjournals.com

Micro Saving Strategy and Growth of Small and Micro Enterprises in Kenya: A Case of Women Enterprise Fund

Nyamboga Ongesa Tom

Associate Faculty, Mount Kenya University, Kenya, E-mail: ongeshtosh@yahoo.com

Received: 14 August 2020	Revised: 20 August 2020	Accepted: 24 September 2020	Publication: 30 December 2020

Abstract: *Small and Micro Enterprises (SMEs) are vital in the growth of a country's economy worldwide. Most of these SMEs have implemented several strategies to boost their growth. The adoption of micro saving strategy has not been fully embraced. The purpose of this study therefore was to establish influence of micro saving strategy on growth of SMEs in Kenya in reference to Women Enterprise Fund. This study used a descriptive survey based design. The study's target population was composed of 2032 women group leaders' beneficiaries of Constituency Women Enterprise Scheme (CWES) between 2013 and 2017. Cluster sampling and simple random sampling were used to select a sample size of 335 respondents. Quantitative primary data was collected by use of structured questionnaires. The data collected was edited and analyzed according to the research objectives. The study utilized descriptive statistics and inferential statistics to analyze data. Both ANOVA and Linear Regression Analysis were computed to assess the relationship between independent and dependent variables.The study established that micro saving strategy adopted by CWEF clients had a significant relationship onthe growth of SMEs since the calculated P value of 0.00 was less than the critical value of 0.05. The findings of this study will help the stakeholders in the informal sector to formulate and implement micro saving strategies that would promote the growth of SMEs in the country. The study recommends the government to establish policies that would strengthen the adoption of micro saving strategy by SMEs in the country.*

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

INTRODUCTION

Small and Micro Enterprises (SMEs) represent about 95 percent of the number of companies in the Organization for Economic Cooperation and Development (OECD) member states (OECD, 1998) and over 99 percent of the European enterprises (European Commission, 2011). SMEs play a significant role in most economics, especially economies of developing nations. They contribute greatly to a high number of businesses and are essential in providing employment opportunities and general economic development.

SMEs represent about 90 percent of business enterprises and are more than 50 percent of job creators globally. Formal SMEs account for about 40 percent of Gross Domestic Product (GDP) in emerging economies. World Bank report estimates that 600 million jobs are needed by 2030 to absorb global workforce, necessitating the need to invest in SMEs. In developing economies SMEs create more formal job opportunities of around 7 out 10 jobs (World Bank, 2020; Katua, 2014). SMEs are therefore pivots of most economies in regards to of aiding industrial development (Adeyeye, 2016). SMEs continue to face financial incapacity and mostly depend on internal funds to run their business. According to International Finance Corporation (IFC) 40 percent of small enterprises in developing countries have limited finances (World Bank, 2020). Micro Enterprises employ less than ten people while Small Enterprises employ between 10-49 people (African Review of Business and Technology, 2017).

In the last five years SMEs have created around 85 percent new jobs and provided two thirds of the total private sector employment in European Union (European Commission, 2018). In Italy, majority of the enterprises active in the economy are SMEs. They account to about 66.9 percent of the valued added in the country exceeding theEuropean Union (EU) average of 56.4 percent. The share of employment generated by SMEs is also higher, at 78.1 percent compared to E.U average of 66.6 percent. In total micro firms provide 44.9 percent of employment compared to E.U average of 29.7 percent (OECD, 2020). The Italian SMEs have therefore a mixed outlook. There a wide range of SMEs in Italy of which retail and wholesalers contribute the greatest percentage. The Italian government has adopted substantial number of policies to address small businesses without much success (Small Business Act (SBA), 2010; Statista Research Department, 2020).

In Asia, the regional and global economic decline has necessitated the need for a new model of growth that would create economic growth desirable for SMEs growth (Adeyeye, 2016). In Indonesia, SMEs are active in economic growth. The country has been in a position to record a high rate of job creation of about 114,144,082 by the year 2013. The absorption of sufficient labor in SMEs has increased peoples' income tremendously. The SMEs sector has played a strategic role in fighting poverty and unemployment in the country. This sector has further aided the country's GDP by about 5.9 by 2013 prompting the government to target a growth rate of GDP to about 7.5 percent by 2019. The SME sector has indeed opened job creation and reduced the rates of unemployment in the country (Kevy, 2018). Despite their great contribution to the Indonesian economy, SMEs have faced tremendous challenges in the market (Hill 2001).

In Malaysia, SMEs form the largest commercial entities that are considered important on the country's economic development. SMEs are great contributors in spurring employment, generation of come and have provided a firm foundation of the country's economic transformation. They are considered an integral component of industrial development and income generators. The SMEs are in the progress of contributing about 41 percent of the country's GDP by 2020. Malaysian SMEs are of varied nature ranging from service industry, manufacturing, agricultural, mining, and quarrying to construction industry (Tahir, Razak & Rentah, 2018; Musa & Chinniah, 2015; Department of Statistics, Malaysia, 2013). The government of Malaysia recognized SMEs to be vital in achieving the country's vision 2020 of becoming a high income nation. For this purpose, local SMEs have remained relevant in fuelling economic growth of the nation. Domestic SMEs are suppliers for Multi-National Companies (MNCs) in the global market. SMEs have been made competitive and remained strong in business. They are very active economic and industrial ventures in the country, whereby they greatly contribute to manufacturing industry (NSDC, 2015). The entrepreneurs' exposure and skills have enabled SMEs to penetrate the export market (Business News 2014). In spite of all these positive contributions, SMEs continue to face critical hurdles towards their expansion, growth and development (Musa & Chinniah, 2015).

In Africa, SMEs have created 80 percent of jobs and have been active in boosting establishment of a new middle class as well as stimulating demand for middle class (Adeyeye, 2016). In Ethiopia, promotion of SMEs has continued to a concern of the government. Several businesses and development have been formulated in order to stimulate the growth of SMEs and consequently generate jobs to the local masses. However the growth and development of the sector, especially small scale and cottage and manufacturing industries have been growing at a slow rate than anticipated. Lacks of finance and competition have been noted among the several factors influencing the growth of SMEs in Ethiopia (Ethiopian Economic Association (EAA), 2015; Getahum, 2016; Sigh & Belwal, 2008).In Namibia, the country has witnessed a high rate of small scale enterprises in the last two decades. There are about 40,000 registered SMEs. This sector contributes heavily to the national economy in regards to employment creation and addition of value to GDP. SMEs have assisted the government a lot in its endeavor to achieve vision 2030 agenda. However, most SMEs collapse at young age; probably within twelve months of their establishment. The failure rate of SMEs in the country is 75 percent (Ogbokor, 2012). Family and friends are the main sources of business loans. The SMEs sector is quite small andaccess to capital remains one of the many challenges facing the SMEs sector (Bank of Namibia, 2010; Stork, 2010).

InKenya, SMEs are the lifelihood of the economy. They constitute about 98 percent of all businesses in the country and have employed over 14 million Kenyans. The SMEs sectors cover a wide range of business firms in almost all sectors of the economy. They operate informally or formally, seasonally or annually. The SMEs are widespread in markets, streets, households and mobile units, both in urban and rural areas. The SME sector makes huge contribution in reference to fostering innovation, creating new markets, providing a high tax base and generating employment opportunities in the country. These contributions are vital in fighting poverty (Kinuthia, 2020; Katua, 2014). SMEs continue to boost Kenyan GDP as they constitute 3 percent. The value of SME output is estimated to be 33.8 percent by 2015; a remarkable increment from 13 percent recorded in 1993 (Kinuthia, 2020; African Review of Business and Technology, 2017). A report by Deloitte (2016) indicated that SMEs in Kenya have faced numerous challenges as they carry out businesses. Consequently the government formulated strategies to foster SMEs by enforcing a legislation on local products- establishing 'Buy Kenya, Build Kenya'in public procurement. A survey by National Bureau of Statistics of 2016 shows that about 2.2 million SMEs have shut down in the last five years leaving the sector with about 7.8 million enterprises.Majority of the collapsed businesses are located in the rural areas (Kangethe, 2016).

The Government of Kenya (GoK) introduced Women Enterprise Fund (WEF) in 2007 to provide accessible and affordable credit to support women to start or expand their business for wealth and employment creation. WEF was started to benefit adult women in Kenya (WEF, 2007; Karuoya, 2009). According to WEF, micro credits and training services are offered to the clients of Constituency Women Enterprise Scheme (CWES) loanproduct to start new business and/or expand business (WEF, 2016). Group member beneficiaries of CWES are given micro credits in groups. Each group constitutes a minimum of ten members but there is no limit on the maximum number. The loan interest is free with only 5% administrative fees and a grace period of one month. Reports indicate that most women clients do not have the ability to utilize the micro credits effectively. Some group members are not able to select viable business opportunities. Despite the implementation of WEF by the government, women SMEs continue to face challenges in utilizing the credits from the agency (Ijaza, Mwangi & Ngetich, 2014; Maina, 2016). The growth of SMEs has not been successful since majority of them collapse at the infancy stage (Memba, Gakure & Karanja, 2012). Several SMEs have adopted various strategies to enhance their growth without much success (World Bank, 2012). There are no clear provisions on entrepreneurs regarding micro saving strategy of WEF. Itis against this background that this study sought to establish the relationship between micro saving strategy of WEF and growth of SMEs. Thepurpose of this study therefore was to establish the influence of micro saving strategy on growth of SMEs in Kenya.

1.1. Statement of the Problem

Women play great roles in the economic development of Kenya through the SMEs sector. For this reason, the GoK introduced WEF in 2007 in order to empower women economically by providing micro credits to women groups without interest rates through the CWES channel. Despite this initiative, women entrepreneurs in Kenya continue to face challenges in accessing and utilizing micro credits from WEF fund. Poor growth of SMEs is common in many parts of the country. Insufficient borrowing trends and high default rates of CWES loans are evident in most parts of Kenya. Micro credits have been cited as major hindrances to growth of SMEs. Most studies that have been carried out focus much on the provision of micro credits on growth of SMEs. Little emphasis has been put on the role of micro saving strategy on growth of SMEs in Kenya. Furthermore, there are mixed reactions on influence of micro saving strategy and growth of SMEs globally. 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 micro saving strategies that would improve growth of SMEs.

This study's objective was to establish influence of micro saving strategy on growth of small and micro enterprises in 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.

2.1. Underpinning Theory

This study was based on the financial capital theory under the resource based entrepreneurship theory. According to this theory it is possible to start business firms when owners have access to financial capital (Blanchflower, Oswald & Stutzer, 2001; Evans & Jovanovic, 1989; Holt-Eakin, Joulfain & Rosen, 1994). This theory implies that individuals with financial capital are more able to acquire resources to effectively exploit entrepreneurial opportunities and establish business firms (Clausen, 2006). The theory argues that entrepreneurs have individual specific resources that facilitate the recognition of new business opportunities (Alvarez & Busenitz, 2001).However the opponents of this theory claim that financial capital in not an insurance of business success (Aldrich, 1999; Kim, Aldrich & Keister, 2003; Hurst & Lusardi, 2004, Davidson & Honing, 2003). The theory of financial capital provides a strong foundation of assessing the uptake and utilization of CWES loans and how this influenced beneficiaries' savings ability.

2.2.Micro Saving Strategy and Growth of SMEs

Research conducted byHeryford (2020) established that micro credits and micro savings are essential ingredients of MFIs. Micro savings is a sub set of microfinance that focuses on how unbanked SMEs that are excluded from formal financial services can accumulate funds. It is a vital strategy for entrepreneurs who deal with micro loans though it is a slow means of building up significant sum. A study by Kagan (2020) established that micro saving strategy is an option that is available to micro traders wishing to build their assets with limited funds. The strategy permits entrepreneurs to save even the smallest amounts of their proceeds to create a degree of financial security over time. However the strategy is not quite pronounced in low income earners and SMEs in developing nations. A study by Delgado et al (2014) observed that modern Micro Finance Institutions (MFIs) have evolved away from the original focus and extending microloans without collaterals. They offer micro saving services because entrepreneurs seem to require more than just microfinance. By so doing SMEs have started adopting this strategy. This has been further acknowledged by a study by Stewart et al (2012) who established that micro saving is part of financial inclusion with the potential of to transform lives for people with limited funds. If well used, micro saving has the ability to promote SMEs by enabling traders to engage in economic activities, especially for those contemplating to start or expand existing enterprises.

Harper (2011) showed that most business organizations, including SMEs, are in financial limbo because of too much borrowing at the expense of saving. Although MFIs have been successful in extending micro loans profitably they have caused indebtedness to millions of poorer people. The MFIs have failed to provide clear savings facilities for the poor entrepreneurs. On the same note Asamoah and Amoah (2015) established that micro saving mobilization is critical for a viable economic activities and investment. The ability to save and mobilize funds is major prerequisite for accessing credit that could be used well to spur growth of SMEs. The ability to same optimally is frequently hindered by low revenue and commitment. This research further indicates that microfinance scheme traders help SMEs to mobilize substantial savings conveniently. However most SMEs have a poor culture of saving and therefore find it difficult to access credit through group borrowing scheme.If used properly, micro saving strategy can stir growth of SMEs.

A Survey by Plan International (2020) argued that entrepreneurs without access to microcreditare less likely to save capital and consequently face limited resources to uplift their living standards microsaving in groups uplifts SMEs to financial services and acquisition of skills. Micro saving through groups is part of financial inclusion since they provide mechanisms of mobilizing resources while building financial knowledge and skills. This study established a close relationship between micro saving and SMEs growth. A study by Mas (2011) found out that saving strategy has been neglected over many years. His impact model highlighted strong link between debt financing, investment and entrepreneurship. The study identified that micro repayment facilitates the need for micro saving for micro entrepreneurs.

A research by Bergsman (2011) observed that MFIs have shifted and focused much on financial sustainability and micro saving of deposits by customers. This has been done on realization that for business sustainability there is every need to improve on micro savings by SMEs. As was noted by Hulme (2008), Grameen bank became more financially stable after it changed its business model to include micro saving. This study shows that Grameen bank changed its strategy by moving away from targeting poorest clients and focusing on saving. Bergsma (2011) noted further that MFIs that offered micro saving were more financially sustainable than those that did not. The study however observed that there is so significant evidence to show that by offering micro savings by MFIs abandoned poorest clients and/or SMEs. Sanchez and Aragon (2015) disagreed with these views by observing that when MFIs introduced micro savings in their products, they were able to reach more poor people hence enhancing financial inclusion. These views are echoed by Armendaris and Morduch(2005) who argued that promoting micro saving is another pathway to progress in economic development on top of being an arsenal of poverty reduction. The study shades on more light on why household save.

A research study by Karlan & Zinman (2011) confirmed that theoretically microfinance has varied effects on client's savings. This is as because the requirement within micro crediting makes debt financing repayment to decrease the levels of savings until SMEs are able to pay off the debts. Micro crediting requires borrowers to accumulate savings before they can access any loans. This study revealed that micro savings significantly increased entrepreneur's micro savings in Malawi and Kenya but evidence from Bosnia Herzegovina suggests that micro crediting reduces entrepreneur's levels of micro savings. The study did not find any evidence to suggest that micro savings enables any engagement in economic opportunities although in some cases it increases income savings, expenditureand accumulation of non-financial assets. The study however suggested that micro savings was more promising intervention to SMEs. The research recommends that micro saving without any linkageto credit, should be made available for the poor including those in the SMEs sector.

Studies have shown that internationally, savings can assist poor women in the informal sector to strengthen their economic security.Saving strategy therefore assists deprived women to improve growth of SMEs. Poor people mostly prefer saving their income instead of going for loans. Saving facilities take cover against business risks such as falling sick while a trader is conducting business (Namahaya, et al 2013). More studies reveal that savings enable traders to be efficient in loan utilization. According to Kisaka and Mwewa (2014) saving improves the ability and willingness of women to repay loans. Microsaving provides security for loans to businessmen who do not have credit cover**.** The studiesestablished that saving has a positive effect on enterprise productivity and general women entrepreneurs' wellbeing.

A study by Harper (2011) observed that business organizations are in a financial limbo because of too much saving too much borrowing at the expense of saving. Thisscenario affects all businesses including micro enterprises. Through Micro Finance Institutions (MFIs) have successfully extended credit to entrepreneurs with profits for indebtedness to millions of poor people. The MFIs have failed to provide clear saving facilities. Micro savings is crucial for entrepreneurs when contemplating to invest in business.

Research survey by International Finance Corporation report of (2010) showed that saving strategy helps entrepreneurs to establish business strategies that assist them to counter business risks. Majority of entrepreneurs, in rural areas, prefer to save their income. Most poor traders are fond of either financial or non-financial saving strategies for their wealth. Saving in kind is disadvantageous because of the risks involved. Microfinance institutions provide opportunities for these types of savings. Globally, most people prefer saving rather than going for credit. Saving strategy enables traders to minimize chances of borrowing. Poor people opt to use their saving to invest in business rather than apply for credit facilities (OECD, 2018). Micro loaning strategy has opened avenues to saving either in groups or as an individual. Most lenders use savings as a security for loan repayment. Despite this, most entrepreneurs don't find mandatory savings attractive but they rather prefer voluntary saving mechanism. Accessible saving strategy that is safe and accessible is the right approach for most SMEs. Mobile banking, field visits, groups' collections and individual voluntary savings are the most appropriate means of ensuring lower saving costs (Mwajuma, 2012).

Studies conducted indicate that the saving ability of most Kenyans has been dwindling in the recent past. There has been low Gross Domestic Savings (GDS) in the country, ranging from 3.6-24.9 percent. The growth in Gross Domestic Investment (GDI) in the country has been between 7.7 to 25 percent in the last twenty years. The low saving ability of most Kenyans has therefore resulted to a lower GDI for the past twenty years. The amount of capital mobilized in the country is not sufficient for nation's investment. The huge foreign debt and poor international funding have put pressure on the government to stimulate local savings **(**Chepkorir, 2014**).** More studies by Demirgüç-Kunt, et al (2007) established that more than half of SMEs collapse before completing one financial year of their existence. The desire to pay off the loan obligations makes the borrowers to sale their domestic belongings.

The micro credits that are borrowed by low income earners in the informal sector, increase income generation and mobilizes savings. As a tool for improving the growth of SMEs, obtaining small financial credit brings on board maintaining saving facilities that promote income generation and increase the ability to obtain business assets(Central Bank of Nigeria, 2005). Globally, several financial institutions have sought for strategies that make lending to the poor sustainable, ensure efficient loan repayment and provide saving opportunities to the customers. As such, saving is seen to be an effective strategy to help the entrepreneurs to generate income, manage business risks and fight down poverty (Omondi & Jagongo, 2018).

Women entrepreneurs in less developed nations don't have the capacity to save income yet the amount saved by a firm can be used to protect revenue generated, serve as collateral to obtain credit and help traders to expand SMEs by use of the saved assets (Akanji, 2006). Micro saving strategy enables people to make periodical savings. From such mobilized income, entrepreneurs stand a good position to have group savings and this can eventually assist the micro financing institutions to give loans to other clients. Savings enable micro traders to sustain their business. Most poor traders prefer saving to borrowing credit. Saving facilities boost low-income entrepreneurs to own responsibility of credit and this encourages prompt loan repayment. The saving requirement helps to measure repayment capability and readiness of clients to honor credit obligations (Trombetta, Calvo & Casadio, 2017).

Mkpado and Irene (2007) observed that savings deposited in micro finance agencies can be utilized by customers of the scheme for business investment. Most MFIs have a little provision for compulsory saving for their clients, especially for group membership. However, MFIs use groups and social networks to provide checks and balances against defaulting. This takes place because most MFIs do not attach any form of security to their borrowers. A study by SMEDAN & NBS (2012), attested that individual savings are essential sources of capital for the potential micro traders willing to invest in the SMEs sector.Study by Brush et al. (2009) established that women are not in a position to save and raise their own working capital. This is especially common to women who are newly married and don't have their own resources that they can use as collateral to secure loans, hence blocking them from establishing SMEs. This study found out that rural women do not save their capital in financial institutions simply because they are not aware on the significance of saving money and grow up without adequate resources to begin small scale business. Most women than men, spend a lot of money instead of saving, necessitating the need for more awareness to encourage them to save.

Study findings have shown more debate on the influence of micro saving strategy, enterprise growth and sustainable development. Rooyenand Wet (2012) strongly argued that implementation of micro saving strategy enables many clients to establish vibrant small scale activities and helps them to promote the growth of their economic enterprises. Micro saving strategy assists borrowers to acquire more assets hence reducing their poverty status. Literature reviewed shows that savings offered by micro credits leads to positive growth of most SMEs (Ojelabi et al, 2015; Emmanuel & Nneji, 2015).However, some studies have shown contradictory views on this. Tumwine, et al, (2015), Imoisi and Opara (2014) established a negative relationship between micro saving strategy and growth of SMEs. This varied reactions informed the basis of conducting this study in order to shade more light on the influence of micro saving strategy on growth of SMEs.

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 crediting 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 toAccording 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 0.80 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 $y = \alpha + \beta_1 X_1 + u$ was subjected to a test using linear regression to establish whether micro saving strategy was a predictor of growth of SMEs. Algebraically the model is follows:

Growth of SMEs $y = \alpha + \beta_1 X_1 + u$

Where y =dependent variable (growth of SMEs)

$X_{1=}$ independent variable (micro saving 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. How does Micro Saving Strategy Influence Growth of SMEs in Kenya?

This study sought to determine the influence of micro saving strategy on growth of SMEs in Kenya. 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 the Table 3.

(a) Are the saving limits of WEF favorable?

The results from this question indicates that most of the respondentsagreed with this statement as shown by a mean score of 1.8694 while a standard deviation of 0.95242 is an indicator that some respondents disagreed with the statement. This response shows a high variability from the mean score.

(b) Are the saving requirements of WEF loans favorable?

The results from this question shows that most of the respondentsagreed with this statement as reflected by a mean score of 2.5890 while a standard deviation of 0.91064 is an indicator that some respondents disagreed with the statement, hence depicting some variation from the mean.

(c) Are the saving and withdrawal procedures of WEF loans simple?

The feedback to this question elicited a mixed reaction. Most of the respondents agreed with this statement as is reflected by a mean of 2.8670 while on the other hand, some respondents disagreed with this statement as is reflected by a standard deviation of 0.94205. This response shows a small variation from the mean score.

(d) Have savings made from WEF loans promoted you to purchase of personal assets in the household?

The results from this question indicates that most of the respondentsagreed with this statement as shown by a mean score of 2.2233 while a standard deviation of 0.98954 indicating that some respondents disagreed with the statement. This response shows a slight variation from the mean. The response shows that most respondents had a positive opinion on the influence of business savings and the purchase of personal assets.

(e) Have savings from WEF loans helped you to expand your business activities?

The results from this question indicates that most of the respondentsagreed with this statement as shown by a mean score of 2.1053 while a standard deviation of 0.92031 indicating that some respondents disagreed with the statement. This response shows a small variation from the mean.

(f) Have savings from WEF loans helped you to increase your business sustainability?

The results from this question shows that most of the respondents agreed with this statement as reflected by a mean score of 2.1071 while a standard deviation of 0.94034 is an indicator that some respondents disagreed with the statement, hence depicting small variation from the mean.These findings reveal that most of the respondents believed that savings from the WEF loan enhanced business sustainability.

Table 3
Respondents' Opinions on Micro Saving Strategy and Growth of SMEs

Statement	*N*	*Minimum*	*Maximum*	*Mean*		*Std. Deviation*
	Statistic	*Statistic*	*Statistic*	*Statistic*	*Std. Error*	*Statistic*
Are Saving limits of WEF loans favorable?	308	1.00	5.00	1.8694	.52870	.95242
Are Saving requirements of WEF loans favorable?	308	1.00	5.00	2.5890	.5724	.91064
Are Saving and withdrawal procedures of WEF loans simple?	308	1.00	5.00	2.8670	.4592	.94205
Have Savings made from WEF loans promoted purchase of personal assets in the household?	308	1.00	5.00	2.2233	.05629	.98954
Have Savings made from WEF loans helped to expand business activities?	308	1.00	5.00	2.1053	.05278	.92031
Have Savings made from WEF loans increased business sustainability?	308	1.00	5.00	2.1071	.05358	.94034

Source: Field Data (2019)

4.3.Regression Analysis of micro saving Strategy and Growth of SMEs

Table 4 represents a regression model on micro saving strategy and growth of SMEs. As shown from the analysis, the coefficient of determination R square is 0.288 and R is 0.536 at 0.05, significance level. The coefficient of determination indicates that 28.1% of the variation on micro saving strategy influences the growth of SMEs.

Table 4
Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.536[a]	.288	.281	.72150

Dependent variable: Growth of SMEs
Independent variable: Micro Saving Strategy(MSS)
Source: Field Data (2019)

4.3.ANOVA Computation of Micro Saving Strategy and on Growth of SMEs

The ANOVA results shown in Table 5 confirm that the calculated P value of 0.000 is much lesser compared to the critical value of 0.05. This implies a significant relationship between micro saving strategy and growth of SMEs. The F-statistics of 34.569, signifies that the results are highly significant ($P<0.001$) and it is so much unlikely that they are computed by chance. Therefore it would be prudent to argue that the results imply that model fit significantly improves our ability to predict the outcome of the variable.

Table 5
ANOVA

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	54.654	3	18.218	34.569	.000[b]
	Residual	153.883	305	.527		
	Total	208.537	308			

a. Dependent variable: Growth of SMEs
b. Independent variable: Micro Saving Strategy(MSS)
Source: Field Data (2019)

Table 6 further indicates that a significant correlation exists between micro saving strategy and growth of SMEs through a fitted model which indicates that y= 0.841+0.158Micro Saving Strategy, which implies that a unit change in micro saving strategy results to an increase in growth of SMEs by the rate of 0.158.

Table 6
Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	*Std. Error*	*Beta*		
	(Constant)	0.841	.132		6.363	.000
	Micro saving strategy	0.158	.064	.150	2.453	.015

a. Dependent variable: Growth of SMEs

b. Independent variable: Micro Saving Strategy (MSS)

Source: Field Data (2019)

4.4. Hypothesis Testing

To determine whether micro saving strategy influences growth of SMEs, a null hypothesis stating that "There is no significant relationship between micro saving strategy of WEF and 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.

ANOVA results shown in Table 5 and 6 show, that the calculated P value of 0.000 is much lesser compared to the critical value of 0.05. This implies existence of a significant relationship between micro saving strategy and growth of SMEs. This means that the null hypothesis which states that "There is no significant relationship between micro saving strategy of WEF and growth of SMEs" is rejected and the alternate hypothesis which states "There is a significant relationship between micro saving strategy and growth of SMEs" is accepted.

4.5. Discussion of Findings

The findings of this research concur with the research by Akanji (2006) who agreed that micro savings can assist poor women to strengthen their economic security and assists deprived women to improve enterprise growth. They still reveal that poor people mostly prefer saving their income instead of going for loans. As such, saving facilities acts as insurance for credit and takes cover against business risks. Likewise this study reveals that savings can enable traders to be efficient in loan utilization and improves the ability and willingness of women to repay loans. The study findings are further in line with Ojo (2009) who affirmed that savings positively influence an enterprise production and general wellbeing of female small scale traders.

Likewise the results of this research agree with the research by (Mwajuma, 2012), Mkpado and Irene (2007) who found out that saving strategy helps entrepreneurs to establish business strategies that assist them to counter business risks. Majority of micro entrepreneurs, in rural areas, prefer to save their income. Most poor traders are fond of either financial or non-financial saving strategies for their wealth. Saving in kind is disadvantageous because of the risks involved. Globally, most people prefer saving rather than going for credit. Saving strategy enables traders to minimize chances of borrowing. Poor people opt to use their saving to invest in business rather than apply for credit facilities. Micro credits strategy has opened avenues to saving either in groups or as an individual. Most lenders use savings as a security for loan repayment. Despite this, most entrepreneurs don't find mandatory savings attractive but they prefer voluntary saving mechanism. Accessible saving strategy that is safe and accessible is the right approach for most SMEs. Mobile banking, filed visits, groups' collections and individual voluntary savings are the most appropriate means of ensuring lower saving costs (SMEDAN & NBS, 2012).

These studies further concur that savings deposited in micro finance agencies can be utilized by the customers of the scheme for their future form of business investment. Most MFIs use groups and social networks to provide checks and balances against loan defaulting. This takes place because most MFIs do not attach any form of security to their borrowers. Individual savings are essential sources of capital for the potential micro traders willing to invest in the SMEs sector. These research results are also in line with Ojelabi et al (2015), Bello (2012) Emmanuel and Nneji (2015) whose results show that savings offered by MFIs leads to positive growth of most SMEs. In the same vein, a study by Brush, et al (2009) established a significant positive relationship between saving and the growth of SMEs.

5. CONCLUSION

The findings of the study revealed the existence of a positive relationship between micro saving strategy and the growth of SMEs. The general implication is that, micro saving strategy enables clients of WEF to purchase assets, expand business activities, and increase business sustainability. From the findings, it can be concluded that micro saving strategy of WEF loans by women clients helps to increase the growth of SMEs.

5.1. Recommendation

In regards to influence of micro saving strategy on the development of SMEs, the study recommends that the government, through WEF, should make micro savings mandatory for loan beneficiaries so as to avoid loan defaulting and enhance business sustainability, business expansion and business growth by ensuring proper loan utilization.

REFERENCES

Adeyeye, A. (2016). Challenges to SMEs growth in Kenya. African Business Insight African Review of Business and Technology (2017). SMEs are growing Kenya's economy.

Akanji, O.O. (2006). Microfinance as a Strategy for Poverty Reduction: Central Bank of Nigeria. *Economic and Financial Review,* Vol.39 (4).

Aldrich, H.E. (1999). Organizations Evolving. Sage Publications.

Alvarez, S. & Busenitz, l. (2001). The Entrepreneurship of Resource Based Theory.

Armendariz, B. & Murdoch, J. (2005). The Economics of Microfinance. Cambridge Massachusetts Institute of Technology Press.

Asamoah, M. & Amoah, M. (2011). Micro Credit Schemes: A Tool for Promoting Rural Savings Capacity among Poor Farm Families: A Case Study in the Eastern Region of Ghana. *Open Journal of Social Sciences,* Vol 3, 24-30.

Banerjee, A., Karlan, D. Zinman, J. (2011). Six Randomized Evaluations of Micro Credit: Introduction and Further Steps. *American Economic Journal: Applied Economics* 7(1) 1-21.

Bank of Namibia, (2010). 12th Symposium Publication: SMEs Development in Namibia.

Bello, G.B. (2012). *An assessment of the contributions of micro finance on the growth of small and medium enterprises in Nigeria.*Advances in global business research.ISSN 2319-6912.v. 8(2). p. 16-23.

Bergsma, K. (2011). Does Offering Micro saving Make Sense for Microfinance Institutions? The American Economist Vol 56, No 2, Pp.15-27.

Blanchflower, D., Oswald, A. & Stutzer, A. (2001). Latent Entrepreneurship across Nations? *European Economic Review*, 45 (680-691).

Brush, C.A., DeBruin, A.& Welter, F. (2009).A Gender Ware Framework for Women's Entrepreneurship. *International Journal of Gender and Entrepreneurship,* Vol. 1(1) P. 8-24.

Business News (2014). SMEs contribution to GDP to hit 41%: Musa apa. The star Central Bank of Nigeria (2005). Fiscal policy.

Chepkorir, B. R. (2014). Influence of Microfinance Institutions Services on Growth of Women Owned Small and Micro Enterprises in Ainabkoi Sub-County, Uasin-Gishu County, Kenya.

Christen, B. & Mas, I. (2009). It is Time to Adhere the Microsavings Challenge, Scalably: Practical Action Publishing.

Clausen, T.H. (2006). Who identifies and exploits entrepreneurial opportunities.

Collins, D., Morduch, J., Rutherford, S. and Ruthren, O. (2019). Portofolios of the People: How the World's Poor live on $ 2 A Day. University Press, 283.

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

Davidson, P., & Honing, B. (2003). The Role of Social and Human Capital among Nascent Entrepreneurs, *Journal of Business Venturing,* 20, 121.

Delgado, M.S., Parmeter, C.F., Hartar, V., Mersland, R. (2014). Should all Microfinance Institutions Mobilize Microsavings? Evidence from Economies of Scope. Empirical Economics, 48(1).

Deloitte Report (2016). Kenya Economic Outlook 2016.

Demirgüç-Kunt, A., Klapper, L. & Panos, G.A. (2007). The Origins of Self-Employment.Washington, DC: Development Research Group, World Bank, and Department for International Development.

Department of Statistics, Malaysia (2013). National Accounts Small and Medium Enterprises 2005-2012.

EAA (2015). Small and Micro Enterprises (SMEs) Development in Ethiopia: Policies, Performance, Constraints, and Prospects, Issue No. 5.

Emmanuel, S. A. & Nneji, I.D. (2015). Contribution of Microfinance Banks to the Development of Small and Medium Scale Enterprises in Nigeria. *Research Journal of Business Theory and Practice,* 3(2) P. 139-158.

European Commission (2011). Minimizing Regulatory Burden for SMEs, vol 2011.

European Commission (2018). Entrepreneurship and Small and Medium Enterprises (SMEs) Accessed on 21st Dec 2018.

Evans, D. & Jovanovic, B. (1995). The Entrepreneurial Decision: Economic Theory and Empirical Evidence, Entrepreneurial Theory and Practice.

Getahum, M. (2016). The Challenges and Prospects of Small Scale Enterprises in Ethiopia: A Survey of SMEs of Selected Small Scale Enterprises in Addis Ababa City. *International Journal of Scientific and Research Publications,* Vol 16, Issue 5.

Harper, M. (2011). Microfinance Should Have Started With Savings. CGAP.

Heryford, K. (2020). Microsavings 101: How Do People Save When They Earn So Little? Finance Access Institute (FAI).

Hill, H. (2001). Small and Medium Enterprises in Indonesia: Old Policy Challenges For a New Administration.

Holtz-Eakin, D., Joulfaian, D. & Rosen, H.S. (1994). Sticking it out: Entrepreneurial Survival and Liquidity, *Journal of Political Economy,* 1,102.

Hulme, D. (2008). The Story of the Grameen Bank: From Subsidized Microcredit to Market-based Finance. BWPI Working Paper.

Hurst, E., & Lusardi, A. (2004). Liquidity Constraints, Household Wealth, Entrepreneurship. *Journal of Political Economy,* 2,112.

Ijaza, A.K., Mwangi, S.W., & Ngetich, K. (2014). Challenges Faced by the Women Enterprise Fund in Kenya: A Survey of Hamisi Constituency, Vihiga-Kenya. Vol. 4, No. 14.

Imoisi, A. I. & Opara, G. I. (2014). Microfinance and Its Impact in Poverty Alleviation in Nigeria: A Case Study of Some Micro Finance Banks in Edo State. *American Journal of Humanities and Social Studies*

International Finance Corporation (2010). Scaling Up SMEs and Access to Financial Services in the Developing World. G 20 Seoul Summit.

Kagan, J. (2020). Micro savings: An Overview.

Kangethe, K. (2016). Continuous Training in Technical Skills Necessary for SMEs Growth. Capital Business.

Karuoya, N. (2009). All there is to Know about Women Enterprise Fund.

Katua, N.T. (2014). The Role of SMEs in Employment Creation and Economic Growth in Selected Countries. *International Journal of Education and Research,* Vol. 2 No. 12.

Kevy, D. (2018). The Influence of SMEs in Indonesia Economy.

Kim, P., Aldrich, H.E. & Keister, L.A. (2003). Access (not) denied: The Impact of Financial, Human and Cultural Capital on Becoming a Nascent Entrepreneur. Working Paper.

Kinuthia, K. (2020). SMEs Driving Kenya's Economy. Daily Nation.

Kisaka, S. & Mwema, N.M. (2015). Effects of Microcredit, Micro savings and Training on Growth of Small and Medium Enterprises in Machakos County in Kenya.

Kisaka, S. & Mwewa, M.N. (2014). Effects of Micro Credit, Micro Savings and Training on the Growth of Small and Medium Enterprises in Machakos County in Kenya. *Research Journal of Finance and Accounting,* Vol. 5, No. 7

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- (4th Ed), Sage Publication Ltd., London.

Maina, G. (2016). Influence of Women Enterprise Fund on the Performance of Women Owned Agribusiness in Thika Town Sub County. Strategic Journal of Business and Management Change Make Sense for Micro Finance Institutions, the American Economist Vol, 56, No 2, Pp.15-27

Malala, G.N. (2015). Influence of Microfinance Services on Growth of Small Enterprises in Kiminini Division, Trans-Nzoia County, Kenya. MA Project

Mas, I. (2011). Microcredit, Micro Saving…But What about Micropayments?

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

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

Memba, S.F., Gakure, W.R. & Karanja, K. (2012). *Journal of Business and Social Sciences,* vol 3, no. 16

Mkpado, M. & Irene, C.J. (2007).effects of democratization of group administration on sustainability of agricultural micro credit groups in Nigeria; *International Journal of Social Sciences and Entrepreneurship:* ISSN 2307-6305, P.94-109

Musa, H. & Chinniah, M. (2015). Malaysian SMEs Development: Future and Challenges on Going Green. *International Research Symposium in Service Management,* IRSSM-6, 11-15 August

Mwajuma, (2012). in Nanyama, G. (2012).Influence of Microfinance Institutions of Small Business Enterprises inKenya Small: A Case of Webuye Dision, Bungoma County.

Namahaya, K.W., Ajanga, M., Omeke, M., Nasinyama, M. & Tumwine, N. (2013). The Impact of Micro Finance on the Growth of SMEs in Uganda. ICBE-RF Research Report No. 69/113, Dakar

NSDC (2015). SMEs Development Framework. The Malasyian Case. N.S.D. Council. Kuala Lumpur.

OECD (1998). Small Businesses, Job Creation and Growth: Facts, Obstacles and Best Practices. Accessed 12th October, 2018.

OECD (2018). Enhancing SMEs and access to diversified instruments. Plenary session 2.

OECD (2020). Italian Regional SMEs Policy Responses.

Ogkobor, C.A. (2012). Investigating the challenges of SMEs in Namibia

Ojelabi, R., Jooda, T.D.& Adeniran, J.O. (2015). Influence of Microfinance Bank on Small and Medium Scale Enterprise Growth in Osun State, Nigeria. *International Journal in Management and Social Sciences* 3(4) P. 447-458.

Ojo,O. (2009). *Impact of Microfinance on Entrepreneurial Development: The Case of Nigeria.* Faculty of Administration and Business, University Of Bucharest, Romania

Omondi, R.I.A. & Jagongo, A. (2018).Microfinance Services and Financial Performance of SMEs of Youth in Kisumu County, Kenya. *International Academic Journal of Economics and Finance.*

Plan international (2020). Saving Groups, Microfinance and Financial Inclusion,Plan-International.Org Assessed 24/9/2020

Royeen, C.V. & Wet, T.C. (2012).Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence.

Sanchez**,** A.P. & Aragon, J.C.T. (2015). The Benefits of Micro Savings in Microfinance Institutions. *International Master in Microfinance for Enterprises.* (IMME) 6th Edition.

SBA (2010). SBA Factsheet: Italy.

Singh, G. & Belwal, R. (2008). Entrepreneurship and SMEs in Ethiopia: Evaluating the Role, Prospects and Problems Faced By Women in This Emergent Sector. *Gender in Management* vol. 23, no.2 pp. 120-136

SMEDAN & NBS, (2012). Survey Report on Micro, Small and Medium Enterprises (MSMEs) In Nigeria.2010 National MSME Collaborative Survey.Collaboration between National Bureau of Statistics (NBS) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).

Statista Research Department, (2020). Italy: SMEs Industry Sectors

Steward, R.J., Rooyen, C.V., Koth, M. & Chereni, A. (2012). Do Microcredit, Micro savings and Microleasing as Effective Financial Inclusion Interventions Enabling Poor People, and especially Women, to Engage in Meaningful Economic Opportunities in Low and Middle Countries? A Systematic Review of the Evidence:EEPI-Centre.

Stork, C. (2010). The State of SME Development in Namibia.

Tahir, H.M., Razak, N.A. & Rentah, F. (2018). The Contribution of Small and Medium Enterprises (SMEs) on Malaysian Economic Growth: A Sectoral Analysis. Conference Paper

Trombetta, M., Calvo, M.L. & Casadio, P. (2012). Micro Finance Institutions and Micro and Small Institutions in Ghana.The Potential of the Missing Middle.

Tumwine, S., Akisimire, R., Kamukama, N., & Mutaremwa, G. (2015). A borrowing cost model for effective performance of SMEs in Uganda. *World Journal of Entrepreneurship, Management and Sustainable Development,* 11(2), 74-89.

WEF (2007) *www.wef.co.ke*

WEF (2016). *www.wef.co.ke*

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

World Bank, (2012). World Development Report 2010. A Better Investment Climate for Everyone, IBRD, Washington D.C.