

**ROTATING SAVINGS AND CREDIT ASSOCIATIONS AND GROWTH OF
WOMEN OWNED MICRO SMALL AND MEDIUM ENTERPRISES, IN BOMET
COUNTY, KENYA**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university. No part of this research project should be reproduced without the authority of the author and/or that of Kenyatta University.

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DEDICATION

I dedicate this research project to the Almighty God for the strength, divine help and enablement to do this project well.

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OPERATIONAL DEFINITION OF TERMS

Growth:	The general increase in size, assets, sales and profit in an enterprise.
Lending Policies:	The ROSCAs set of guidelines outlining who qualifies for a loan and the terms of said loan.
Literacy Level of Members:	The skills and knowledge held by ROSCA members which enable them to make wise and productive decisions.
Loan sizes:	The total amount that a ROSCA member qualifies to be advanced as credit.
Membership:	The state of belonging in an institution or group, in this case a ROSCA; the agreement by which someone joins the ROSCA.
Medium Enterprises:	A business that employs between 50 and 100 people and has an annual turnover in the range of Ksh 5 million to Ksh 800 million.
Micro Enterprises:	A business consisting of nine employees or fewer.
Small Enterprises:	A business consisting of fewer staff and with lower cash flow.
Rotating Savings and Credit Associations:	A group of people who voluntarily agree to contribute regularly to create a fund that will be disbursed to each group member in turn.
Women-owned enterprise:	A business in which women hold at least 51% of the stake and are also actively involved in daily operations and management.

ABBREVIATIONS AND ACRONYMS

ANOVA:	Analysis of Variance
BDS:	Business Development Services
FGDs:	Focused Group Discussions
FSD:	Financial Sector Development
IFI:	Informal Financial Institution
ILO:	International Labour Organization
MFI:	Micro Finance Institutions
MOE'S:	Men-owned Enterprises
RBV:	Resource Based View
ROSCAs:	Rotating savings and Credit Associations
SACCOs:	Savings and Credit Cooperative Societies
MSMEs:	Micro Small and Medium Enterprises
SPSS:	Statistical Package For Social Sciences
WOE'S:	Women-owned Enterprises

ABSTRACT

In industrialized countries, micro small and medium-sized enterprises typically constitute over 90% of firms, provide employment for around two-thirds of all workers, and comprise almost 50% of value addition in non-agricultural sectors. The micro small and medium-sized enterprises sector in Kenya has historically been considered responsible for and today sustains the possibility of uniting millions of workers who are eking out a living, within both the informal and mainstream economy. However, micro small and medium-sized enterprises globally are faced with relatively harsh credit constraints. From the banks' perspective, micro small and medium-sized enterprises financing is usually viewed as riskier due to the relative opaqueness when contrasted with larger firms. However, rotating savings and credit associations are a key source of funds for capital accumulation, especially in women owned businesses. This study therefore investigated the function played by rotating savings and credit associations in boosting the growth of women owned micro small and medium-sized enterprises in Bomet County, Kenya. More specifically, the study aimed to determine the effect of lending policies, literacy level of members, loan size and membership in rotating savings and credit associations on the growth of the women owned businesses. The study adopted descriptive survey research design, and captured data from a population comprising 270 micro small and medium-sized enterprises operating in Bomet County. This mode of sampling within the study was random, with a selected sample size of 135 micro small and medium-sized enterprises. The study was rooted in Schumpeterian Theory, Resource Based View Theory and Collective Action Theory. The study used structured questionnaires for collecting primary data. The collected data was analyzed through the Statistical Package for Social Sciences. Descriptive findings showed that the respondents disagreed that lending policies had an effect on the growth of women owned businesses. They were neutral that literacy level of members, loan sizes and membership affected the growth of women owned businesses. Regression findings showed that there was a statistically significant positive effect of lending policies and membership on growth of women owned businesses. Further, there was a statistically insignificant positive effect of literacy level of members and membership on growth of women owned businesses. The study concluded that rotating savings and credit associations play a crucial role in providing access to finance, fostering social capital, and enhancing entrepreneurial endeavors among women entrepreneurs. To further support the growth of women-owned businesses, policymakers and stakeholders should consider facilitating the formalization and regulation of rotating savings and credit associations, providing tailored financial literacy programs, and promoting networking opportunities. These measures can contribute to a more inclusive and sustainable economic environment, empowering women entrepreneurs and driving overall socio-economic development in the region.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Micro, Small and Medium Enterprises (MSMEs) are considered by many to be key contributors to socio-economic development in the African setting (Tambunan, 2017; Ngugi *et al.*, 2016). MSMEs indeed constitute a very large number of businesses in African countries. They are further involved in wealth and job creation, increase in GDP, and are often at the forefront of innovation and entrepreneurship. Thus, they are generally considered to be a key factor in a country's competitiveness and development. At a grass-roots level MSMEs have acquired a reputation for playing a critical role in pushing towards economic growth and providing for equitable and sustainable progress.

According to Kobia, Katwalo and Kiraka (2015), MSMEs should be recognized as seedbeds for cutting-edge innovation. Indeed, this advantage is particularly a result of their flexibility and their elastic organizational structures, which enables them to respond rapidly to changing environments. As a result of this, MSMEs are a notable contributor to the production of economic and social value. In Kenya, MSMEs constitute around 75% of all businesses, employing 4.6 million workers (30%) of the workforce, making up 87% of new jobs, and contributing 18.4% of GDP (GOK, 2009). Approximately 28 billion Kenyan Shillings are estimated to be invested in this sector. The government of Kenya thus sees the sector as the heart of industrial and technical advancement and has channeled multiple development strategies through it (GOK, 2007).

The MSME sector contends with serious challenges which prevent it from attaining to its potential and thus accomplishing these government expectations. Such challenges include limited availability of information, insufficient access to market finances and technology, inconvenient protocols, and a burdensome regulatory environment (GOK, 2005). Ryan (2014) noted that MSMEs struggle to procure bank funding, since banks are not as willing to back MSMEs as they are to invest in large enterprises. Ngui (2014) highlighted the low rate of founding of new MSMEs and the higher rate of collapse of established MSMEs before reaching the age of 5 years. A UNDP report focusing on Kenyan MSMEs in Kwale and Kitui Counties highlighted difficulties of MSMEs in accessing funds in spite of a high number of potential lending institutions.

Muthoni (2015) pointed out that MSMEs are exceedingly numerous, since they constitute above 80% of job creation in less developed countries and as much as 90% of enterprises in the majority of African nations. One disadvantage of this prevalence is that it leads to a high level of competition. Hence, unceasing technological advancement and ever-evolving customer requirements demand a strong market awareness and willingness to adapt if MSMEs are to succeed. On the other hand, the capital costs associated with higher value markets make them difficult to access and as a result it can be difficult for MSMEs to maintain the needed pace of evolution. Most women entrepreneurs are engaged in low value markets, since these present the lowest entry barriers, but the end result is that the markets that can be accessed are already saturated and opportunities for growth are restricted (Kirakaet, 2012).

Globally, the MSMEs sector constitutes over 90% of all businesses and serves as a pivotal source of employment, engaging approximately 60-70% of the workforce (World Bank, 2020). Regionally, the importance of MSMEs varies, with the Asia-

Pacific region, notably countries such as India and China, showcasing substantial MSME sectors attributed to their vibrant entrepreneurial ecosystems and favorable governmental policies (Asian Development Bank [ADB], 2019). These countries leverage initiatives like financial assistance, skill development programs, and regulatory reforms to foster MSME growth, thereby bolstering economic dynamism and resilience in the region.

In Africa, MSMEs serve as linchpins in poverty alleviation and economic advancement (AfDB, 2017). These enterprises are pivotal in providing employment opportunities, particularly in rural and underserved areas, thereby contributing to livelihood improvement and income generation for marginalized populations (UNCTAD, 2020). MSMEs in Africa also foster innovation, diversification, and resilience within local economies, driving sustainable development goals (ILO, 2019). Moreover, they play a crucial role in promoting gender equality and empowering women through entrepreneurship and employment opportunities (UNDP, 2018).

In Kenya, the MSME sector has historically been responsible for raising people from the survivalist level into the mainstream economy and as a result many people engage in it with the hope that it can achieve the same for them (Maengwe & Otuya, 2016). In acknowledgement of this vital role of small businesses, the Kenyan Government through Kenya Vision 2030 has purposed to strengthen MSMEs by developing their capacity and helping them innovate in order that they might become key industries (Gichuki, Njeru & Tirimba, 2014).

1.1.1 Growth of MSMEs

Growth of a business results from the enterprise's unique combination of demands, capacities, and culture (Nelson & Winter, 1982). Growth opportunities are thus closely

linked to a firm's production activities (Coad, 2009). For growth to occur, measures must be in place to ensure in-depth development and transformation that results in an increased quality of product and likely a consequently improved profit margin (Dziallas & Blind, 2019). MSME growth, therefore, according to (Terziovski & Samson 2010), refers to both of these factors: increased profitability of the enterprise and improved quality.

Various quantitative measures have been utilized in the measurement of MSME growth. For example, Anggadwita and Mustafid (2014) consider efficiency, financial achievement, productivity, size of clientele. Gupta & Batra (2016), meanwhile, emphasise market share, profitability, productivity, revenue dynamics, costs, and liquidity (Zimon, 2018). Additionally, growth can be assessed based on a qualitative approach, by analyzing factors such as accomplishment of organization goals, style of leadership, and employee conduct (Anggadwita & Mustafid, 2014), the feedback of customers (Alpkan, Yilmaz & Kaya, 2007), or product development, processes, organizational dynamics, and marketing (Sheehan, 2013). In the context of this study, however, quantitative factors was used: growth was measured through profitability, sales growth, and stock turnover.

Women Owned Enterprises have the ability to generate both economic and non-economic profits for their owners, especially in developing countries. In emerging markets women-owned MSMEs constitute 8–10 million businesses, a total of 31–38% of all formalized businesses (Becker, 2015). Globally, women-owned MSMEs make up 25–33% of firms, with the percentage in Africa being significantly higher, reaching 40–50%, and even as high as 60% in certain countries. (Tundui & Tundui, 2014). There are 1.3 million MSMEs in Kenya and the Kenya National Bureau of statistics (KEBS),

records that almost half of these are owned by women. Of these women-owned enterprises, 85% operate within the informal sector. Women-owned MSMEs, moreover, contribute around 20% of the GDP in Kenya. 462,000 new jobs have been created each year since 2000, and the vast majority of these (445,000) have been created within the informal sector in which most women-owned MSMEs operate (Voices of Women entrepreneurs Kenya).

Parker (1993) noted that when compared with enterprises run by men, those run by women are much less likely to experience growth. Despite outnumbering men-owned enterprises, women-owned enterprises contribute only 32% of new job opportunities compared to 43% that are provided by men-owned enterprises, as a result of this lower rate of expansion. Women-owned enterprises experience a different dynamic than men-owned enterprises, as attested by their slow rate of growth. Moreover, on average women-owned enterprises put up less initial capital, and are thus often forced to operate from the owner's home, and will typically engage unskilled and unpaid workers. In addition to the challenge of acquiring funding to establish an enterprise, Packer also observed that women also face other challenge that hinder the growth possibilities of their enterprises.

1.1.2 Rotating Savings and Credit Associations (ROSCAs)

In developing countries, Rotating Savings and Credit Associations (ROSCAs) take a very significant place. Greetz (2006) defines these as groups of people who commit to meeting for a set period of time to borrow and invest together. ROSCAs are effectively a bank for the less economically capable, with money not being allowed to remain idle but changing hands swiftly so as to satisfy both production and consumption demands. Meetings may be arranged regularly or, especially in rural communities in which

agriculture is a dominant factor, may be tied to seasonal cash flow rhythms. Each member contributes a set amount every meeting and one pre-selected member takes this entire sum on a rotating basis. Consequently, during the life of a ROSCA each member occasionally will receive a large lump sum of money for use according to whatever purpose he or she deems fit. This approach to saving is a popular substitute to saving at home, which is regarded as risky, because of the possibility of theft or friends and relatives demanding access to the savings.

Gelinas (in Khan & Lightfoot, 2011) categorized ROSCAs into three primary varieties: investment ROSCAs, bidding ROSCAs, and marketplace ROSCAs. Investment ROSCAs are typically run by entrepreneurs, with members receiving the precise amount they have contributed without accruing interest. Selection of members to receive the dividend is usually by the drawing of lots, in which those who have received their portion already are omitted. Therefore, each member who has not yet received has an equal chance to be the winner of the pot during each draw. In bidding ROSCAs, on the other hand, an individual receives the money based on different factors such as bidding more, pledging higher contributions, or giving the other members a one-time payment. The profit acquired is distributed equally among members. A member of a bidding ROSCA may be given the money once only, but at the same time this process does not define ranking. Thirdly, a marketplace ROSCA is conducted by a professional ROSCA manager who is typically tasked with the work of collecting member contributions within the market, following which the kitty is auctioned off. The organizer usually remains with a commission in return for services rendered, whilst the remainder of the proceeds are distributed among members (Yusuf, Ijaiya & Ijaiya, 2009).

Kan (in Donoso, Altunbaş & Kara, 2011) studied ROSCAs in Taiwan from 1972 to 1992 and found that they played a significant role in yielding funds for capital expansion. Levenson and Besley (in Kedir & Ibrahim, 2011) further attested that ROSCAs have assisted households to obtain durable goods in Taiwan. While the enforcement of market contracts is typically a challenging task in developing countries (Tanaka & Nguyen, 2009), Li and Hsu (2009) observed that ROSCAs, as non-market institutions, typically have an advantage with respect to oversight relative to other finance sources. ROSCA members additionally have the advantage that they can acquire indivisible goods from an earlier date with a ROSCA, since they can more easily access a large lump sum when compared with other credit facilities. Anderson, Baland, and Moene (2009) investigated a Kenyan informal settlement and found an engagement rate in ROSCAs of 57% of households. They further discovered that these households contribute an average of 20% of their net income. These findings are further supported by Aketon, Sawada and Otsuka (in Tanaka & Nguyen, 2009), who studied Kenyan small enterprise owners and discovered that ROSCAs were the single biggest source of credit.

Basu (2011) identified the discount factor as an important contributor to pushing an individual to engage with a ROSCA. With a lower discount rate came a correspondingly higher likelihood of participation in a ROSCA. This suggests that people whose mindset is more focused on the present have a lower enthusiasm for ROSCAs. Firstly, individuals who are more focused on the present may lack the self-awareness to acknowledge the challenge they have with self-control and thus to join ROSCAs as a mitigation strategy. On the other hand, more future-oriented people are more likely to acknowledge that ROSCAs can both help participants achieve multiple goals and at the same time stir them towards commitment (Yimer *et al.*, 2018). Participants may become

part of a ROSCA to keep illiquid savings, to insure themselves against burglary, and/or to possess adequate capital to make future investments.

1.1.3 Women Owned MSMEs

Women-Owned Micro, Small, and Medium Enterprises (MSMEs) are businesses that are owned and operated by women entrepreneurs (KAM, 2019). These enterprises typically fall within the micro, small, or medium-sized category based on their scale of operations, workforce size, and revenue generation. The term "MSME" encompasses a wide range of businesses, including retail shops, artisanal craft producers, service providers, and manufacturing units, among others. Women-owned MSMEs play a significant role in driving economic growth, fostering innovation, and creating employment opportunities in various industries (KNBS, 2018).

Women-owned Micro, Small, and Medium Enterprises (MSMEs) in Kenya have been increasingly recognized for their substantial contributions to the economy. According to the Kenya National Bureau of Statistics (KNBS) report in 2018, women-owned MSMEs constituted nearly half, approximately 48%, of the total MSMEs in the country. This statistic underscores the significant presence and impact of women entrepreneurs in Kenya's business landscape (KNBS, 2018). A survey conducted by the Kenya Association of Manufacturers (KAM) in 2019 shed further light on the challenges and resilience of women-owned MSMEs. Despite facing obstacles such as limited access to finance and market constraints, women entrepreneurs displayed remarkable adaptability and innovation (KAM, 2019).

The outbreak of the COVID-19 pandemic in 2020 presented unprecedented challenges for businesses worldwide, including those owned by women in Kenya. An International Finance Corporation (IFC) study conducted in the same year highlighted the resilience

of women entrepreneurs in the face of adversity. Many women-owned MSMEs pivoted their operations online and explored new markets to mitigate the pandemic's impact (IFC, 2020). In 2021, the United Nations Development Programme (UNDP) released a report emphasizing the importance of gender equality and women's empowerment in Kenya's economic development. The report called for targeted support and policy interventions to address the unique needs and challenges faced by women-owned MSMEs (UNDP, 2021).

A study by the World Bank in 2023 underscored the role of women-owned MSMEs in Kenya's sustainable development agenda. The report emphasized the need for gender-responsive policies and programs to unlock the full potential of women entrepreneurs. It recommended tailored capacity-building initiatives and gender-sensitive financing mechanisms to support the growth of women-owned businesses (World Bank, 2023). Women-owned MSMEs in Kenya have emerged as vital contributors to economic growth and development. Despite facing challenges, women entrepreneurs have demonstrated resilience and innovation. However, sustained efforts from policymakers, development agencies, and the private sector are crucial to create an enabling environment that empowers and supports women-owned MSMEs to thrive.

1.1.4 Rotating Savings and Credit Associations (ROSCAs) in Bomet County, Kenya.

Rotating Savings and Credit Associations (ROSCAs) play a crucial role in providing financial services and support to individuals and communities, particularly in regions like Bomet County, Kenya. According to a report by the Kenya Financial Diaries in 2018, ROSCAs are a common informal financial mechanism utilized by households across various regions of Kenya, including Bomet County. These associations enable

members to pool their savings and rotate access to a lump sum of money regularly. In Bomet County, where formal financial services may be limited or inaccessible to some communities, ROSCAs serve as an essential means of mobilizing savings and providing access to credit (Kenya Financial Diaries, 2018).

A study by the Kenya Institute for Public Policy Research and Analysis (KIPPRA) in 2019 highlighted the role of ROSCAs in promoting financial inclusion and resilience among rural communities in Kenya, extending to areas like Bomet County. ROSCAs provide a social safety net and facilitate access to credit for various purposes, including agricultural investment, education, healthcare, and small business initiatives (KIPPRA, 2019). Ongoing initiatives by local NGOs, community-based organizations, and government agencies aim to strengthen ROSCAs and enhance their sustainability and impact in Bomet County. These efforts include financial literacy programs, capacity-building workshops, and partnerships with formal financial institutions to link ROSCA members with additional services and resources (County Government of Bomet, 2021).

1.2 Statement of the Problem

Entrepreneurship constitutes a key avenue that women can utilize to access opportunities to enhance their livelihoods and improve the socioeconomic status both of themselves and of their families, where applicable (World Bank, 2011). MSMEs owned by women are significant since through them women provide income for their households. As such, they can be a vital pathway to poverty reduction, job creation for a local labor force, and potentially even a revenue source for governments. Unfortunately, Kenyan women-owned MSMEs come up against serious financial challenges, which may hinder or even cripple their efficiency and expansion. Furthermore, a relatively low proportion of women have assets that would enable them

to access loans, meaning access to formal credit markets is a difficult (Dinning, 2010; Kanyi, 2014; Kariuki & Ngugi, 2014). MSMEs in Kenya consistently experience operational and market related difficulties, with the result that many plateau relatively quickly after establishment (Kiveu & Ofafa, 2013; Nyangori, 2010; KIPPRA, 2006; Kiraka, Kobia and Katwalo, 2013). Women often make multiple credit sales transactions concurrently together with other transactions not related to the business, including use of money for domestic purposes, which can cause complications; a further roadblock is inadequate financial literacy. These hurdles and more make it problematic for women to access traditional or mainstream financial institutions (World Bank, 2014).

In spite of the existence of a variety of micro-financing alternatives, such as table banking, ROSCAs are among the most widely utilized informal sources of microfinance among women operating in MSMEs. However, there is little information available on the effectiveness of ROSCAs in promoting growth among women-owned MSMEs. Nevertheless, women-owned businesses and enterprises have been researched more generally. For example, Muthathai (2017) investigated the factors affecting growth in Kenyan women-owned businesses, finding that the average level of education of such women remained low. This has resulted in a dearth of good business management skills and knowledge within this sector. Meanwhile, lack of family support, coupled with difficulty in accessing loan facilities has also contributed to poor performance of women-owned businesses. Kiruthu (2012) performed an analysis of the impact of different services (both financial and non-financial) on the number and success of women-owned firms in Thika Municipality, together with concerns of the women entrepreneurs and service providers. He likewise found that women

entrepreneurs faced particular accessibility challenges to financial and non-financial services, which presents a major challenge in their expansion and growth.

Existing literature suggests that ROSCAs can enhance financial inclusion and access to credit for women, however, there is a lack of detailed analysis on how these mechanisms operate within the unique socio-economic context of Bomet County. Incorporating gender empowerment could help address these conceptual gaps and provide a more nuanced understanding of ROSCAs' impact on women-owned MSMEs (Coleman, 1988; Kabeer, 2005). There are methodological gaps arising from limitations in data collection methods and research design. The studies carried out elsewhere may have faced challenges in obtaining representative samples of women-owned MSMEs and ROSCA participants affecting the generalizability of findings. Additionally, reliance on self-reported data without triangulation from multiple sources may have introduced biases and inaccuracies (Pitt & Khandker, 1998; Creswell & Creswell, 2017).

Contextual gaps may stem from limited understanding of the local socio-economic context and institutional dynamics in Bomet County. While statistics on MSMEs and ROSCAs in Kenya provide some context, there is a need for more granular data specific to Bomet County to inform the study adequately. For instance, statistics on women's participation in ROSCAs, their demographic characteristics, and the sectors in which their businesses operate could enrich the analysis and provide a more nuanced understanding of the local context (World Bank, 2020; Ongolo & Ondiek, 2016). Informal financial institutions such as ROSCAs are therefore one possible means of filling the above-identified gaps and providing financial and business capacity support to MSMEs. However, limited research exists assessing effectiveness of ROSCAs in

delivering such services to women-owned enterprises and thus the need for the current study.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The primary objective of this study was to investigate the effect of ROSCAs on the growth of women-owned MSMEs in Bomet County, Kenya.

1.3.2 Specific Objectives

In seeking to address the general objective, the following four specific objectives were utilized as a guide:

- (i) To establish the effect of lending policies of Rotating Savings and Credit Associations on the growth of women-owned businesses in Bomet Central Business District, Kenya.
- (ii) To examine the effect of literacy level of members of Rotating Savings and Credit Associations on the growth of women-owned businesses in Bomet Central Business District, Kenya.
- (iii) To determine the effect of loan sizes of Rotating Savings and Credit Associations on the growth of women-owned businesses in Bomet Central Business District, Kenya.
- (iv) To establish the effect of membership in a Rotating Savings and Credit Association on the growth of women-owned businesses in Bomet Central Business District, Kenya.

1.4 Research Hypotheses

The following four hypotheses will be used to guide the approach of the study to each objective, respectively:

H₀₁: Lending policies laid out by Rotating Savings and Credit Associations have no significant effect on the growth of women-owned businesses in Bomet Central Business District.

H₀₂: Literacy level of members in Rotating Savings and Credit Associations have no significant effect on the growth of women-owned businesses in Bomet Central Business District.

H₀₃: Loan sizes made available by the Rotating Savings and Credit Associations have no significant effect on the growth of women-owned businesses in Bomet Central Business District.

H₀₄: Membership in a Rotating Savings and Credit Association have no significant effect on the growth of women-owned businesses in Bomet Central Business District.

1.5 Significance of the Study

This research has implications for at least three groups. Firstly, the research outcomes will inform policy-makers on the typical expectations of members towards ROSCAs when they join. This understanding will guide in the development of more appropriate policies to govern ROSCAs so that they may best serve their members. Secondly, the research may inform financial institutions on the needs of their potential customers, in order that they may add new products to their menus. Lastly, it could give rise to members themselves having better service options assuming that formal institutions do proceed to enhance their service ranges based on these needs.

1.6 Scope of the Study

This particular research was conducted in Bomet Central Business District and it focused on MSMEs in the manufacturing sector, including those engaged in manufacture of furniture, tailoring, dealers in electronics, boutiques, fruit and vegetable

vendors, and bakeries, which covered most of the sectors in which businesses in Bomet are engaged. The study interrogated the function that ROSCAs played to enable growth among women-owned MSMEs. The role of ROSCAs was assessed using lending policies, literacy level of members, loan sizes, and membership whereas the growth of women-owned MSMEs was measured by sales growth.

The research variables selected for use were supported by Schumpeterian theory, resource-based theory, and collective action theory. This data was gathered from women owning MSMEs in Bomet Central business district, through the utilization of a semi-structured questionnaire and descriptive survey design. This research study considered the 5-year period from 2015 to 2020, during which the capping of interest rates was introduced to the banks in 2016 and 2017 was an election year, likely leading to MSMEs being affected in terms of financing.

1.7 Limitations and Delimitations of the Study

One limitation that was anticipated in this study is the potential for selected respondents to regard the questionnaire as seeking sensitive information and therefore to be hesitant to respond. The researcher alleviated this potential issue by including a cover letter from the university to inform and assure them of the purposes for gathering this data and that it was used exclusively for this research. Given that few similar studies have been conducted, there is also a limit to the availability of empirical literature on the role played by ROSCAs towards growth among women-owned MSMEs both in general and specifically within the targeted area. As a result, this research focused attention on the literature from related fields and considered how these studies relate to the research objectives and questions identified above.

1.8 Organization of the Study

This study was set out in three chapters, each with sub-sections. Chapter One introduced the study, including giving background on both women-owned MSMEs and ROSCAs, and further identified the problem that the study was designed to investigate, the study's objectives and the questions which was asked to meet these objectives. The wider importance of the study and its scope and potential limitations were also touched upon. Chapter Two discussed the literature that pertains to the topic at hand and was composed of two main sub-sections which address the literature on the theoretical basis underlying this study and the empirical data relating to ROSCAs, respectively. The conceptual framework underlying this study was also briefly discussed. Chapter Three then discussed the research's adopted methodology and addressed the study's design, the target population, the means of sampling that population, the instrument and procedure utilized in data collection, and the data analysis that was carried out once the data has been collected. Chapter four has the research findings and discussions while chapter five has the summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, theories anchoring the study were reviewed, studies related to the role that ROSCAs have played in ensuring the growth of women owned MSMEs have been discussed. Having noted the work that has already been carried out in this field, gaps in the existing literature have been identified, including the research gap that this particular research will seek to satisfy. Finally, the conceptual framework was presented.

2.2 Theoretical Literature Review

This subsection reviewed various theoretical foundations underlying the identified study objectives. Each identified theory is connected to the relevant study objective.

2.2.1 Resource Based View Theory

Studies by Penrose (1959), Bain (1968), Wernerfelt (1984), Rumelt (1984), and Barney (1986) led to the development of Resource Based View (RBV) theory. This theory is rooted in the idea that an enterprise's competitive edge is found in its resources (Davis & Simpson, 2017). These are therefore key contributors to the performance of a company. RBV theory thus assumes that an organization's ability to outshine its competitors is found in the resources to which it has access and can exploit, as opposed to its ability to have control over its operational environment. RBV theory insists that every firm possess an assortment of resources in the form of assets, abilities, processes, skills, and understanding. However, it is the relative value, uniqueness, and difficulty to imitate or replace these resources that gives a firm its competitive edge or lack thereof (Barney, Ketchen & Wright, 2011; McWilliams & Siegel, 2011).

These factors have explanatory power when seeking to understand organizational differences in performance, since any given organization will possess a unique set of resources when compared to any of its competitors (Kraaijenbrink, Spender & Groen, 2010). This theory has been utilized by micro enterprises as a framework for diagnosing and evaluating the resources to which they have access. RBV theory divides resources into two groups: property—which can be transferred from one company to another—and knowledge—which can transform tangible input resources. Based on RBV theory, Newbert (2008) identified knowledge-based resources as arising from diverse factors, including experience, background in business, education, age, and industry.

Critics argue that RBV tends to focus excessively on internal resources while overlooking the impact of external environmental factors. In reality, firms operate within complex and dynamic environments shaped by factors such as technological changes, market shifts, regulatory frameworks, and competitive dynamics. Ignoring these external forces can limit the applicability of RBV in explaining a firm's competitive advantage comprehensively (Barney, 1991). RBV's static nature does not fully account for the dynamic characteristics of resources and their potential for imitation or substitution over time. Resources that are valuable and rare today may become common or obsolete tomorrow due to technological advancements, changes in market demand, or competitive actions. Therefore, RBV's failure to incorporate the dynamic nature of resources can undermine its ability to explain sustained competitive advantage in rapidly evolving industries or markets (Barney, 1991).

RBV can offer insights into how ROSCAs provide access to critical resources such as capital and social networks. However, RBV's focus on internal resources may overlook the external environment's influence on ROSCA effectiveness, including regulatory

factors and market dynamics (Barney, 2001). Additionally, RBV's static perspective might not fully capture the evolving nature of ROSCA contributions to MSME growth over time (Helfat et al., 2007) and therefore this theory anchored the dependent variable: growth of MSMEs.

2.2.2 Schumpeterian Theory

Schumpeter developed the theory in 1934. According to Schumpeter (2004), innovation entails the entire process beginning at identifying a window of opportunity and progressing through idea generation, prototyping, manufacture, marketing, and retail. He asserted that innovation arises through the novel combinations that an entrepreneur makes, which produce unique processes, products, or sources of supply. This approach to innovation is summarized by the term entrepreneurial orientation, which refers to a mindset that is directed towards the pursuit of cutting-edge developments. This term has been applied to the activities and processes that are operative within a firm to ensure that innovation is an unceasing activity, including planning, evaluation, decision making, and diverse aspects of the firm's culture, values, and purpose. Thus, entrepreneurial orientation may operate as a strategy at the level of the firm, leading to processes that enterprises utilize in order to fulfill their organizational mandate, stay on mission, and develop competitive edge (Wiklund & Shepherd, 2004). Within the Schumpeterian theory, then, entrepreneurial orientation is a key measure of organizational potential.

According to Schumpeterian theory, innovation involves not only transforming the company itself but even molding the climate in which the company operates (Stopford & Fuller, 1994). This study further averred that such innovation does not only involve the development of original products and solutions, but may also involve the development even of new industries. New capabilities are eventually manifested

leading to the demand that other organizations must also respond to the game-changing innovation (De Geus, 1988; Tichy & Charan, 1989). This can lead over time to the complete transformation of an entire industry. The current situation is liable to lead to Schumpeterian corporate entrepreneurship because the atmosphere is conducive to serious innovations. This is because of a combination of employees who are inclined to make the most of opportunities availed to them and managers who are willing to promote innovation.

Schumpeterian theory foregrounds the catalytic function within an organization of entrepreneurship and deliberate exploitation of opportunities to innovatively add value and thus increase income. It thus promotes risk-taking and requires pro-activity from an enterprise's leadership, coupled with innovation that aims to cultivate opportunities through intellectual investment to exploit the potential profit and development (Acs *et al.*, 2009). Schumpeterian growth theory draws a distinction between intellectual and physical capital, thus separating credit which can appreciate physical assets from innovation which gives rise to improved intellectual capital, which can nevertheless lead to enhanced profits. Thus, it is primarily through technological progress via innovation that firms can accomplish their stated objective of increasing their profitability. This process incorporates what Schumpeter referred to as 'creative destruction.'

Creative destruction is rooted in the assumption that each innovation that is developed seeks to build a new process or product that will grant the creator a competitive advantage over his/her rivals (creative) and that such innovations are developed through a process of recognizing the obsolescence of or the need to evolve beyond former innovations (destruction). Of course, it must be equally acknowledged that the present

innovation is merely a stepping stone in this process and will itself one day be improved or done away with altogether (Freiling, 2008; Rosenbusch, Brinckmann & Bausch, 2011). Schumpeterian theory applies within the scope of this research since it acknowledges that organizational-level entrepreneurship is related to growth according to every metric by which this can be measured (Wyk & Adenusi 2012).

Critics argue that Schumpeterian Theory predominantly focuses on technological innovation, neglecting other forms of entrepreneurship and innovation such as social or organizational innovation. This narrow focus limits the theory's applicability in contexts where non-technological innovations play a significant role in driving growth and development (Fagerberg, 2004). Schumpeterian Theory posits that innovation leads to "creative destruction," where new technologies or business models replace existing ones, resulting in the decline or obsolescence of established firms or industries. Critics contend that this assumption overlooks the potential negative consequences of creative destruction, such as job losses, social disruption, and environmental degradation (Mokyr, 2010).

Schumpeterian Theory provides a lens through which we can understand how innovation and entrepreneurship drive economic development (Acs & Audretsch, 2010). According to the theory, entrepreneurs play a central role in introducing new products, services, processes, or business models, thereby disrupting existing markets and creating opportunities for growth (Putnam, 2000). In this context, ROSCAs (Rotating Savings and Credit Associations) can be viewed as a form of entrepreneurial activity facilitator, particularly for women-owned MSMEs (Micro, Small, and Medium Enterprises) in regions like Bomet County, Kenya. This theory anchored the objective on literacy level of members and the membership.

2.2.3 Collective Action Theory

Olson (2009) was the developer of Collective Action Theory. He described collective action as the behavior of agents who have elected to coordinate activities instead of acting individually. The end goal of such action is the accomplishment of a mutually agreed upon goal which caters to the needs of each person involved. ROSCAs actively work to prevent freeloading by the vetting of prospective members by existing group members, as well as setting in place agreements on how monitoring will be conducted. Informal credit markets prefer to utilize social sanctions over economic ones, which helps in preventing desertion (Bharamappanavara, Hanisch & Rommel, 2016).

ROSCA members are thus tasked with the duty of assessing a prospective member's apparent group motivation, as an indicator of how his/her contributions towards the group's operations will benefit it. Collective Action Theory, moreover, seeks to answer why individuals join themselves together into groups to pursue goals alongside one another, instead of operating on an individual basis. It infers that contributions to collective action, while they may not immediately give direct benefit to the individual, nevertheless grant an individual improved standing within the group, which in turn motivates further contribution.

The foundational principle of a ROSCA is the ongoing interaction of a self-selected group. Frequent sessions allow a group to grow to know one another well and observe the behavior of others in the context of the group, in addition to the financial transactions that occur. Members who receive an amount can use it to cater for diverse demands, including but not limited to consumer goods, durable goods, contribution to personal savings, financing minor economic activities, travel, or migration (Dagnelie & Lemay-Boucher, 2011; Ibrahim, 2016).

The necessary values underlying a ROSCA, as noted by anthropologists who first explored them, include the virtues of reputation, trustworthiness, membership, and social approval. (Raccanello, Anand & Arroyo Martínez, 2009). According to Dana (2013), as a local economy develops, ROSCAs are gradually replaced by formal financial establishments, since they offer a “middle rung” for development. However, ROSCAs have proved to not only offer effective solutions in the face of market failures but they have also provided uniquely positive economic outcomes. Thus, they cannot be seen merely as intermediate steps in offering financial solutions.

Critics argue that Collective Action Theory overlooks the challenge of free riding, where individuals benefit from collective efforts without contributing their fair share. In the context of ROSCAs, some members may exploit the collective savings without making significant contributions, undermining the sustainability and effectiveness of the group (Olson, 1965). Another criticism is related to coordination challenges inherent in collective action. ROSCAs require effective coordination among members to ensure timely contributions, fair rotation of funds, and transparent decision-making processes. However, coordination difficulties may arise due to differences in member preferences, priorities, or capabilities, hindering the achievement of collective goals (Ostrom, 1990).

By scrutinizing how women entrepreneurs collectively mobilize resources through ROSCAs (Rotating Savings and Credit Associations), the study delved into the intricate mechanisms by which collective action facilitates various aspects of entrepreneurial development among women in Bomet County, Kenya. Firstly, it uncovered how ROSCAs serve as vital channels for accessing finance, particularly for those who lack access to formal banking services. Secondly, the study illuminated how participation in

ROSCAs foster the formation of social capital, nurturing trust, collaboration, and knowledge sharing among women entrepreneurs. Lastly, it elucidated how ROSCAs promote entrepreneurial activities by providing a supportive environment for risk-taking, innovation, and business growth. Through this analysis, the study has offered valuable insights into the role of collective action in empowering women-owned MSMEs and driving economic development in the region. This theory anchored the objectives on lending policies and loan sizes.

2.3 Empirical Literature Review

2.3.1 Lending Policies and Growth of Women-Owned MSMEs

Johnson and Smith (2018) conducted a study on the impact of lending policies on the growth of women-owned MSMEs in South Africa. The research was a longitudinal study. Surveys and interviews were used in data collection and analysis done using panel data regression. Findings revealed that restrictive lending policies significantly hindered the growth and expansion of women-owned MSMEs. Discriminatory lending practices, such as higher interest rates and collateral requirements for women entrepreneurs, limited their access to finance and constrained business development opportunities.

Gupta and Singh (2019) examined the role of lending policies in the growth of women-owned MSMEs in India. Cross-sectional study was the research design adopted. Questionnaires and archival data were used in data collection. Data was analyzed using Structural equation modeling. Results denoted significant impact of favorable lending policies on the growth and performance of women-owned MSMEs. Access to affordable credit, flexible repayment terms, and targeted financial support facilitated

business expansion, innovation, and market competitiveness among women entrepreneurs.

Chen and Li (2021) carried out a study on the effect of government lending policies on the growth of women-owned MSMEs in China. Quasi-experimental design was adopted in the study. Administrative records and surveys were the sources of data while analysis was done using propensity score matching. The study found that government-led initiatives to improve lending policies significantly boosted the growth and development of women-owned MSMEs. Targeted loan programs, financial literacy training, and mentorship support increased women entrepreneurs' access to capital and enhanced their business management skills, leading to improved performance and sustainability.

Khan and Rahman (2023) analyzed the impact of microfinance lending policies on the growth of women-owned MSMEs in Bangladesh. Descriptive research design was adopted in the study. Data was collected using questionnaires and analyzed using difference-in-differences estimation. Inclusive microfinance lending policies played a crucial role in promoting the growth and empowerment of women-owned MSMEs. Access to small loans, flexible repayment schedules, and tailored financial products enabled women entrepreneurs to invest in business expansion, human capital development, and income generation activities, thereby contributing to poverty alleviation and economic development in the region.

2.3.2 Literacy level of members and Growth of Women-Owned MSMEs

Sifa and Komba (2019) carried out a study on literacy level and growth of women-owned MSMEs in Tanzania. Cross-sectional research design was used in the study. Data was collected from a survey where questionnaires were distributed to the sampled

respondents. Ordinary least squares regression was used in data analysis. The findings revealed a positive association between the literacy level of women entrepreneurs and the growth of their MSMEs. Women with higher literacy levels tended to exhibit better business management practices, financial literacy, and decision-making capabilities, leading to improved business performance and growth prospects.

Nasir and Ansari (2020) did a study on literacy and women entrepreneurship in Pakistan. Longitudinal study was the research design adopted. Both primary and secondary data was collected through interviews and secondary data analysis. Structural equation modeling was used in analysis. The study found a significant positive relationship between the literacy level of women entrepreneurs and the growth of their businesses. Literate women were better equipped to access information, negotiate contracts, and manage financial resources effectively, contributing to the sustainable growth of their MSMEs over time.

Alabi (2018) conducted a study on literacy level and performance of women-owned MSMEs in Nigeria. The research was a case study. Semi-structured interviews and document analysis were used in obtaining data used in the study. Qualitative content analysis was done. The findings highlighted the importance of literacy skills in enhancing the performance and growth of women-owned MSMEs. Women entrepreneurs with higher literacy levels demonstrated greater confidence in decision-making, ability to navigate regulatory requirements, and access to formal financial services, all of which contributed to the success of their businesses.

Arora and Mishra (2023) carried out a study on literacy and entrepreneurial success focusing on women-owned MSMEs in India. Quasi-experimental research design was used in the study. Surveys and focus group discussions were used in obtaining the data.

Data was analyzed using difference-in-differences estimation. There was a significant positive impact of literacy on the entrepreneurial success of women-owned MSMEs. Literate women entrepreneurs demonstrated higher levels of innovation, market knowledge, and risk management abilities, leading to improved business performance and growth outcomes compared to their illiterate counterparts.

2.3.3 Loan sizes and Growth of Women-Owned MSMEs

Li and Wang (2018) carried out a study on loan sizes and growth of women-owned MSMEs in rural China. Longitudinal research design was used in the study. Surveys and interviews were used during data collection. Hierarchical linear modeling was used in data analysis. The study found that larger loan sizes positively correlated with the growth of women-owned MSMEs. Access to larger loans allowed women entrepreneurs to invest in business expansion, purchase of equipment, and hiring of additional employees, leading to increased productivity and revenue generation over time.

Ouma and Odongo (2019) conducted a study on the impact of loan sizes on the growth of women-owned MSMEs in Kenya. Cross-sectional research design was used in the study. Questionnaires and focus group discussions were used in data collection. Linear regression was carried out during analysis. The findings revealed a significant positive relationship between loan sizes and the growth of women-owned MSMEs. Women entrepreneurs who accessed larger loans were better able to invest in business expansion, product diversification, and market penetration strategies, leading to enhanced competitiveness and profitability.

Ahmed and Chowdhury (2021) carried out a study on loan sizes and performance of women-owned MSMEs in Bangladesh. Quasi-experimental research design was

adopted in the study. Surveys and administrative records were the sources of data. Propensity score matching was used in data analysis. Findings demonstrated a positive impact of larger loan sizes on the performance and growth of women-owned MSMEs. Women entrepreneurs who received larger loans experienced higher levels of business expansion, job creation, and revenue growth compared to those with smaller loan sizes, highlighting the importance of adequate financial support for business development.

Nguyen and Pham (2023) assessed the relationship between loan sizes and growth of women-owned MSMEs in Vietnam. Descriptive research design was adopted. Data was collected using questionnaires which were distributed to the sampled respondents. Difference-in-differences estimation was used in analysis. The study found a significant positive association between loan sizes and the growth of women-owned MSMEs. Women entrepreneurs who received larger loans demonstrated higher levels of investment in business expansion, technology adoption, and employee training, leading to improved productivity and competitiveness in the

2.3.4 Membership and Growth of Women-Owned MSMEs

Wang and Zhang (2018) carried out a study on membership and growth of women-owned MSMEs in China. Longitudinal research design was used in the study. Surveys and administrative records were the sources of data used in the study. Fixed-effects regression were used in analysis. The study found a positive association between membership in business associations or networks and the growth of women-owned MSMEs. Women entrepreneurs who actively participated in professional networks or industry associations benefited from increased access to information, resources, and market opportunities, which contributed to enhanced business performance and expansion.

Kwak and Lee (2019) conducted a research on the impact of membership on the growth of women-owned MSMEs in South Korea. Cross-sectional research design was used in the study. Questionnaires and interviews were the data collection tools used in the study. Structural equation modeling was used in analysis. Findings revealed a significant positive relationship between membership in business organizations or chambers of commerce and the growth of women-owned MSMEs. Active participation in professional networks provided women entrepreneurs with access to knowledge, skills, and support services, facilitating business development and market expansion efforts.

Ayalew and Tafesse (2021) carried out a study on membership and performance of women-owned MSMEs in Ethiopia. Quasi-experimental research design was used in the study. Surveys and focus group discussions were used in data collection. Propensity score matching was used in data analysis. Findings demonstrated a positive impact of membership in business associations or cooperatives on the performance and growth of women-owned MSMEs. Women entrepreneurs who were actively engaged in industry networks or collective enterprises experienced higher levels of business success, including increased sales, profitability, and market share.

Tran and Nguyen (2023). assessed the Relationship between Membership and Growth of Women-owned MSMEs in Vietnam. Descriptive research design was adopted in the study. Questionnaires were used for data collection and data was analyzed using linear regression. Results showed that membership in business associations or trade unions positively influenced the growth and development of women-owned MSMEs. Women entrepreneurs who participated in industry networks or professional organizations

gained access to valuable resources, information, and support networks, which facilitated business expansion and market access opportunities.

2.4 Summary of Literature and Research Gaps

This research sought to investigate the function carried out by ROSCAs in facilitating the growth of women-owned MSMEs in Bomet County. Relatively little of the available literature focuses upon women-owned businesses and enterprises. One of these, Muthathai (2017) researched the influences upon growth of Kenyan women-owned businesses. Meanwhile, Kiruthu (2012) aimed to analyze the effect that different services (whether monetary or otherwise) had on the quality and quantity of women-owned enterprises in Thika Municipality, together with the concerns of women entrepreneurs and providers of financial services. In none of these studies is there presentation of empirical evidence elucidating the function carried out by ROSCAs in enhancing the growth of women-owned MSMEs. There are also no studies focused on Bomet County. This particular gap is the niche into which this study aims to fit.

Table 2.1: Summary of Literature Review

Study	Topic	Findings	Research Gap	Focus of the Current Study
Johnson and Smith (2018)	The impact of lending policies on the growth of women-owned MSMEs in South Africa	Restrictive lending policies significantly hindered the growth and expansion of women-owned MSMEs	The study was carried out in South Africa	The study was carried out in Kenya

Gupta and Singh (2019)	The role of lending policies in the growth of women-owned MSMEs in India	Results denoted significant impact of favorable lending policies on the growth and performance of women-owned MSMEs	Cross-sectional research design was adopted	Descriptive research design was adopted
Chen and Li (2021)	The effect of government lending policies on the growth of women-owned MSMEs in China	The study found that government-led initiatives to improve lending policies significantly boosted the growth and development of women-owned MSMEs	Quasi-experimental design was adopted	Descriptive research design was adopted
Khan and Rahman (2023)	The impact of microfinance lending policies on the growth of women-owned MSMEs in Bangladesh	Inclusive microfinance lending policies played a crucial role in promoting the growth and empowerment of women-owned MSMEs	The study was carried out in Bangladesh	The study was carried out in Kenya
Sifa and Komba (2019)	Literacy level and growth of women-owned	The findings revealed a positive association	Cross-sectional research	Descriptive research design was adopted

	MSMEs in Tanzania	between the literacy level of women entrepreneurs and the growth of their MSMEs	design was adopted	
Nasir and Ansari (2020)	Literacy and women entrepreneurship in Pakistan.	The study found a significant positive relationship between the literacy level of women entrepreneurs and the growth of their businesses	Longitudinal study was the research design adopted	Descriptive research design was adopted
Alabi (2018)	Literacy level and performance of women-owned MSMEs in Nigeria.	The findings highlighted the importance of literacy skills in enhancing the performance and growth of women-owned MSMEs	Semi-structured interviews and document analysis were used	Questionnaires were used in data collection
Arora and Mishra (2023)	Literacy and entrepreneurial success focusing on women-owned MSMEs in India	There was a significant positive impact of literacy on the entrepreneurial success of	Quasi-experimental research design was used	Descriptive research design was adopted

		women-owned MSMEs		
Li and Wang (2018)	Loan sizes and growth of women-owned MSMEs in rural China.	Larger loan sizes positively correlated with the growth of women-owned MSMEs	Longitudinal research design was used in the study	Descriptive research design was adopted
Ouma and Odongo (2019)	The impact of loan sizes on the growth of women-owned MSMEs in Kenya.	The findings revealed a significant positive relationship between loan sizes and the growth of women-owned MSMEs	Focus group discussions were used in data collection	Questionnaires were used in data collection
Ahmed and Chowdhury (2021)	Loan sizes and performance of women-owned MSMEs in Bangladesh.	Findings demonstrated a positive impact of larger loan sizes on the performance and growth of women-owned MSMEs	The study was carried out in Bangladesh	The study was carried out in Kenya

Nguyen and Pham (2023)	The relationship between loan sizes and growth of women-owned MSMEs in Vietnam.	The study found a significant positive association between loan sizes and the growth of women-owned MSMEs	The study was carried out in Vietnam	The study was carried out in Kenya
Wang and Zhang (2018)	Membership and growth of women-owned MSMEs in China	The study found a positive association between membership in business associations or networks and the growth of women-owned MSMEs	Longitudinal research design was used	Descriptive research design was adopted
Kwak and Lee (2019)	The impact of membership on the growth of women-owned MSMEs in South Korea.	Findings revealed a significant positive relationship between membership in business organizations or chambers of commerce and the growth of	Cross-sectional research design was used	Descriptive research design was adopted

		women-owned MSMEs		
Ayalew and Tafesse (2021)	Membership and performance of women-owned MSMEs in Ethiopia	Findings demonstrated a positive impact of membership in business associations or cooperatives on the performance and growth of women-owned MSMEs	The study was carried out in Ethiopia	The study was carried out in Kenya
Tran and Nguyen (2023)	Relationship between membership and growth of women-owned MSMEs in Vietnam	Results showed that membership in business associations or trade unions positively influenced the growth and development of women-owned MSMEs	The study was carried out in Vietnam	The study was carried out in Kenya

Source: Researcher (2022)

2.5 Conceptual Framework

A conceptual framework is a group of ideas and theories that form the basis on which a researcher may identify the problem which they will investigate, frame their questions, and identify relevant literature (Ravitch and Riggan, 2016). This framework

may be defined in a brief description and illustrated through a diagram showing the study's central concepts and their proposed inter-relationships (Nuryanah & Islam, 2015). This study's conceptual framework is illustrated in Figure 2.1.

Independent Variables

Dependent Variables

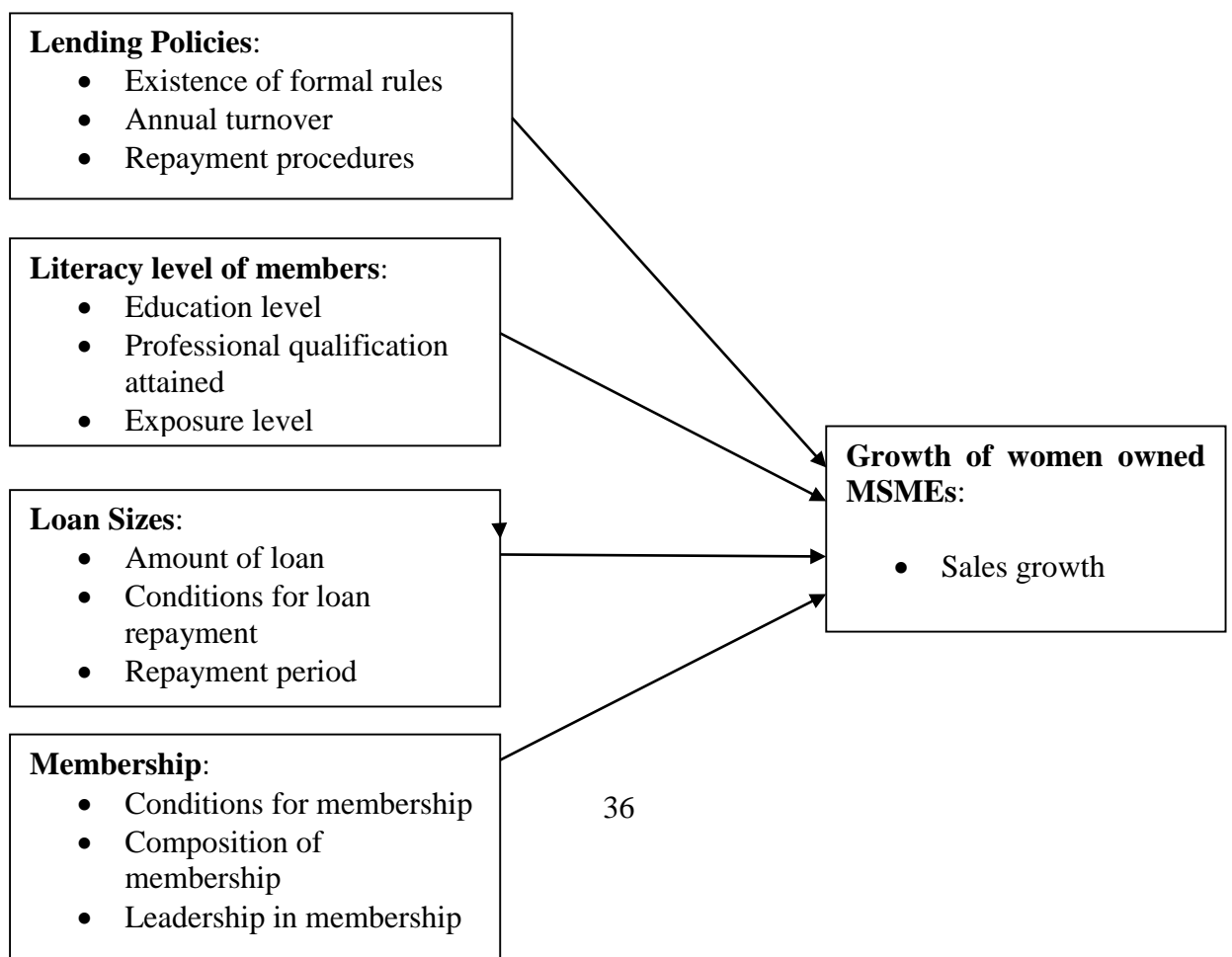


Figure 2.1: Conceptual Framework

Source: Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was adopted to fulfill the objectives outlined above. Incorporated within the discussion are the research design employed, the study population investigated and sampling technique, the questionnaire that was utilized for data collection, and the data analysis technique that was used subsequent to data collection.

3.2 Research Design

The research utilized a descriptive survey design. Descriptive survey design aims to ascertain and present an accurate representation of people and events, including the characteristics of an individual, group, or a situation under study (Coughlan, Cronin & Ryan, 2007). This approach was preferred because it ensured that all possible factors were accounted for and thus minimized potential bias that would otherwise affect the data collected (Salaria, 2012). The study sought to study ROSCAs and their influence upon the growth of women-owned MSMEs in Bomet Central Business District.

3.3 Target Population

This study targeted business owners and supervisors. The study particularly focused on women who own or run businesses in Bomet Central Business District and are engaged in one of several business sectors as outlined below.

Table 3.1: Target Population

Stratum	Target Population	Percentage
Tailoring	40	14.8
Furniture making	30	11.2
Boutique	60	22.2
Vegetable and Fruit Vendor	60	22.2
Bakeries	20	7.4
Electronic dealers	60	22.2
Total	270	100.0

Source: Department of Social Services, Bomet County (2020)

3.4 Sample Size and Procedure

Sampling entails the selection of a representative subset of a wider population within a research area. This study adopted the stratified random sampling technique based on various business enterprises found in Bomet Central business district. This technique began with division of a target population into various strata (Alvi, 2016). In the case of this study, the strata were the different sectors in which the women who own MSMSEs are engaged. The relative size of each stratum then determines the sample size sought from each individual stratum. Having identified these sample sizes, random sampling was applied to decide which subjects would participate in the study. This ensured that the studied population represented the whole and thus eradicated any potential bias. A sample of between 10 and 30% of the total targeted population was typically sufficient to ensure that a study's findings can be generalized (Mugenda and Mugenda, 2003). This study, however, aimed to sample 50% of the target population of women-owned MSMEs in Bomet Central Business District Table 3.2 indicates the chosen sample sizes within each stratum.

Table 3.2: Sampled Population within Each Stratum

Stratum	Target population	Sampling Factor %	Sample Size	Percentage
Tailoring	40	0.5	20	14.9
Furniture making	30	0.5	15	11.1
Boutique	60	0.5	30	22.2
Vegetable and fruit vendors	60	0.5	30	22.2
Bakeries	20	0.5	10	7.4
Electronic dealers	60	0.5	30	22.2
Total	270		135	100

Source: Researcher (2022)

3.5 Data Collection Instruments

In this study, both primary and secondary sources of data were employed. The principal tool for data collection were semi-structured questionnaires with closed-ended questions. This questionnaire was piloted with a few women from the targeted population to ensure that it was comprehensible and gave usable data, in order to ensure that the data that would be collected will be accurate and valid. The closed-ended questions delivered structured responses which may be analyzed with quantitative metrics. The questionnaire was divided into two sections: Section A addressing respondent's general information, and Section B addressing each of the study variables in six sub-sections (with questions on ROSCA lending policies, literacy level within the group, loan sizes available from the group, expectations of group members and growth of individual's business). Secondary data was be acquired from the Department of Social Services, Bomet County.

3.5.1 Validity of Research Instrument

Zohrabi (2013) argued that research tools intended for use in directly assessing planned behavior theory's constructs should be validated before constructing the final questionnaire. For this study, the questionnaire items were validated by the opinions of qualified experts, namely the supervisor and lecturer.

3.5.2 Reliability of Research Instrument

The reliability of a research instrument is the trustworthiness or accuracy that it attains with respect to the indicators it was created to measure (Colton and Covert, 2007). Reliability refers to a tool which measures with a high degree of consistency, yielding the same results when administered multiple times to the same population under the same circumstances. The study utilized the Cronbach Alpha (α) measure for internal consistency. This coefficient signified the degree to which a group of questions may be understood to be measuring one underlying variable (Tavakol & Dennick, 2011). A coefficient value of 0.7 was used as a cut-off point for establishing that the instrument was reliable, as is generally recommended. Any value higher than this was regarded as indicating that the instrument is usable.

3.6 Data Collection and Procedure

Questionnaires were administered by dropping them off and picking them up at a later date. This was facilitated through a local contact person who was able to follow up with participants in the study and thus improved the response rate. Once the allocated time period elapsed, the filled questionnaires were collected. A register was kept to track all distributed questionnaires.

3.7 Data Analysis and the Presentation

Data analysis entailed the limiting of captured data so that it could be analyzed in a manageable fashion, the production of summaries, the identification of trends within

the data, and the application of statistical techniques. The data to be collected in this research is quantitative (see above on Data Collection Instrument). These data was analyzed using SPSS. Descriptive statistics connotes the use of proportions, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Multiple regression analysis was administered to establish the relationships between the independent and the dependent variables. According to Orodho (2007), regression analysis is a statistical parameter used to measure the relationship amongst variables. It incorporates numerous techniques for modeling and analyzing many variables.

$$Y = \beta_0 + \beta_1 X_{t1} + \beta_2 X_{t2} + \beta_3 X_{t3} + \beta_4 X_{t4} + \varepsilon.$$

Where:

Y = Growth of Women Owned MSMEs.

t = Financial years 1,2,3,4

X_1 = Lending Policies.

X_2 = Literacy level of members

X_3 = Loan sizes

X_4 = Membership

ε = Error term

β_0 = y Intercept when $X=0$

$\beta_1, \beta_2, \beta_3$ and β_4 = Regression (beta) coefficients associated with independent variables.

The relationship between ROSCAs and the growth of women owned MSME's was arrived at by conducting a multiple regression analysis. The SPSS was used to analyze the output, while the statistical significance of the model was determined by use of analysis of variance (ANOVA) which connotes the probability of occurrence of R^2 . The

fitness of the approximated regression model at 95% level of confidence was measured by the F-statistic in the ANOVA table where a p-value of at most 0.05 was applied as the parameter for the interpretation. The statistical importance of the beta coefficients generated in the regression analysis was validated by the corresponding p-values and the T-statistic for the unique research variables. A p-value of 0.05 was purported as the threshold for establishing if the corresponding beta coefficient was statistically substantive at a 95% level of confidence.

3.8 Ethical consideration

Resnik (2015) defined ethics as “conforming to the standards of conducts of a given profession or group.” In research, one of the standards of conduct expected is to ensure confidentiality of participants in the survey. This was achieved by excluding personal details such as names so that all respondents are anonymous within the data, while forms were delivered and returned in sealed envelopes to ensure that the information therein is truly anonymous. Moreover, their permission for the usage of their data was explicitly sought. The university-issued authorization letter was utilized for purposes of seeking approval from NACOSTI for the data collection portion of the research. This approval, together with the cover letter to potential respondents was important for building trust with the respondents to increase the likelihood of their co-operation.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This section documents the results that were realized on analyzing data. The results were obtained by analyzing data in two main techniques; descriptive statistics for frequencies and inferential methods were used to empirically elucidate rotating savings and credit associations and the growth of women owned micro small and medium enterprises in Bomet central business district, Bomet county Kenya.

4.2 Response Rate

This study achieved a response rate of 94.8%. A total of 135 questionnaires were distributed to women who own or run businesses in Bomet Central Business District. 129 of the questionnaires were dully filled and returned to the researcher. The findings on the response rate are presented in Table 4.1.

Table 4.1: Response rate

	Sample Size	Response	Response Rate
Questionnaires	135	128	94.8%

From the response table above, 128 questionnaires out of the original sample size of 135 were completely filled and returned equivalent to (94.8%) response rate. According to Young (2013), a response rate analysis is essential in order to assess whether a study obtained the recommended threshold of participants. Garg and Kothari (2014) allude that a response rate of more than 70% is reliable to conduct analysis and thus rendering the response rate for this study more than adequate.

4.3 Demographic Information

Respondents were asked to provide information regarding their demographic characteristics. These included the gender of the respondents, level of education, their age, the years of existence of their business, and number of employees in their businesses. The demographic characteristics were analyzed and presented in the table below.

Table 4.2: Demographic Table

Characteristic	Category	Frequency	Percentage
Gender			
	Male	60	46.5
	Female	69	53.5
Total		129	100
Age			
	Below 30 Years	29	22.5
	31-40	13	10.1
	41-50	71	55.0
	Over 50 Years	16	12.4
Total		129	100
Level of Education			
	Primary	11	8.5
	Secondary	40	31.0
	College	21	16.3
	University	57	44.2
Total		129	100
Existence of Business			
	Below 1 year	31	24.0
	2 to 5 years	58	45.0
	6 to 10 years	23	17.8
	Over 10 years	17	13.2
Total		129	100
No. of Employees			
	1 to 5	30	23.3
	6 to 10	45	34.9
	11 to 50	13	10.1
	Over 50	41	31.8
Total		129	100

From the demographic table, distribution of the respondents according to gender showed that majority of the respondents were female with a frequency of 69 representing (53.5%) of total respondents while the rest 60 were male being (46.5%) of

the total respondents. This therefore implies majority of the respondents were females. On the age distribution, a majority of the respondents are aged between 41 and 50, with a frequency of 71 equivalent to (55.0%) of the total respondents. The second largest were from below age of 30 years, with a frequency of 29 representing (22.5%), over the age of 50 years were 16 equivalent to (12.4%). The remaining were 13 between the ages of 31 to 40, (10.1%) of the respondents. On the level of education, 11(8.5%) were primary school certificate holders, 40 were secondary school certificate holders representing (31.0%) of the respondents, 21(16.3%) were college certificate holders while the remaining 57 representing (44.2%) who were the majority of the respondents holding university degree. The distribution on the number of employees showed that businesses had between 6 and 10 employees with a frequency of 45 representing (34.9%) of the respondents. 30(23.3%) had employees between 1 and 5 employees, 13(10.1%) had employees between 11 and 50 while the rest 41(31.8) who were the majority had employees over 50.

4.4 Descriptive Analysis

In this section, a summary of the descriptive statistics

4.4.1 Lending policies and the growth of women owned enterprises

The first objective sought to establish the effect of lending policies of ROSCAs on the growth of women-owned micro small and medium enterprises in Bomet Central Business District, Kenya. Five statements were formulated to measure this effect. This statement were later rated on a five-point Likert scale where; SD = Strongly Disagree (1), D = Disagree (2), N = Neutral (3), A = Agree (4), SA = Strongly Agree (5). Table 4.3 presents the findings of descriptive statistics on lending policies and the growth of women owned enterprises.

Table 4.3: Descriptive Statistics on Lending policies

	SD (1)	D (2)	N (3)	A (4)	SA (5)	M	STD
We have formulated rules that guide all the operations of our group and particularly on lending	87(66.4)	20(15.6)	11(8.6)	2(1.6)	8(6.3)	1.3	0.5
Our group does not dictate to the members on ways to spend the money they receive from the group	10(7.8)	110(84)	5(3.9)	1(0.8)	2(1.6)	1.9	0.3
Repayment procedures are spelled out clearly to the members who take a loan from the group	70(53.4)	31(24.2)	11(8.6)	7(5.5)	9(7)	1.5	0.5
Our group is particular on how loans acquired by members should be utilized	10(7.8)	15(11.7)	5(3.9)	91(69.5)	7(5.5)	4.3	0.5
Our lending policies are clear on what to do in case of loan defaulting by a member	24(18.3)	33(25.7)	53(40.5)	1(0.8)	17(13.3)	2.2	0.8

**Overall Mean
and Standard
Deviation**

2.2 0.5

A significant number 87(66.4%) of respondents strongly disagreed they have formulated rules that guide all the operations of their group and particularly on lending. This was also supported by low mean rate (M=1.3 and STD=.5). A majority of the respondents 110(84%) disagreed (M=1.9 and STD=.3) their group does not dictate to members on ways to spend the money they receive from the group. This therefore suggests group dictates to members on how to spend money received from the group. 70(53.4%) disagreed that repayment procedures are spelled out clearly to the members who take a loan from the group implying that repayment procedures are not clearly communicate to members. Most of the respondents agreed 91(69.5%) that their group is particular on how loans acquired by members should be utilized. This was supported by high mean rate of (M=4.3 and STD=.5). Finally, 53(40.5%) were neutral (M=2.2, STD=.8) about their lending policies being clear on what to do in case of loan defaulting by a member.

4.4.2 Literacy Level of Members and the growth of women owned enterprises.

To examine the effect of literacy level of members of ROSCAs on the growth of women-owned businesses in Bomet Central Business District, Kenya was the second objective of the study. Various statements on literacy levels were formulated and respondents were asked to indicate extent to which the formulated statement applied to the ROSCA they were involved in using a five point Likert scale where; SD = Strongly Disagree (1), D = Disagree (2), N = Neutral (3), A = Agree (4), SA = Strongly Agree (5).

Table 4.4: Descriptive Statistics on Literacy level of members

Statement	SD (1)	D (2)	N (3)	A (4)	SA (5)	M	STD
------------------	---------------	--------------	--------------	--------------	---------------	----------	------------

Our group organizes regular trainings for the members particularly on how to run their enterprises	1(0.8)	75(57.3)	19(14.5)	13(10.2)	20(15.6)	2.8	1.0
The group pays for the members to attend workshops who in turn come and train other group members	19(14.5)	22(16.8)	72(55)	11(8.6)	4(3.1)	3.9	1.0
We have skilled members in our group who are involved in day to day running of the group	22(16.8)	72(55)	19(14.5)	14(10.7)	1(0.8)	2.9	1.2
Education is not a requirement for joining our group	10(7.8)	76(58)	16(12.2)	10(7.8)	16(12.2)	2.0	0.9
Our group activities do not require members to be literate	87(66.4)	22(16.8)	8(6.3)	10(7.8)	1(0.8)	1.3	0.5
Overall Mean and Standard Deviation						2.6	0.9

From the results it can be shown clearly that 75(57.3) majority of the respondents disagreed that their group organizes training for the members particularly on how to run their enterprises. This is supported by low mean rate of 2.8 and standard deviation of 1.0. 72(55%) a significant number of the respondents were neutral (M=3.9 and STD=1.0) about the group paying for the members to attend workshops who in turn come and train other group members. A majority 72(55%) of the respondents disagreed that they have skilled members in their group who are involved in day to day running of the group. This was supported by a mean and standard deviation (M=2.9 and STD=1.2). Also 76(58%) of the respondents disagreed (M=2.0 and STD=.9) that education is not a requirement for joining their group. Finally, 87(66.4%) of the respondent who are the majority strongly disagreed that their group activities do not

require members to be literate. The overall mean and standard deviation was low implying that the literacy level of the members was low.

4.4.3 Loan sizes and the growth of women owned enterprises

The third objective sought to determine the effect of loan sizes of ROSCAs on the growth of women-owned businesses in Bomet Central Business District, Kenya. To determine this effect six elements which were rated on a five point Likert scale were used. Respondents were asked to indicate to the extent to which the statements applied to the ROSCA they were involved in.

Table 4.5: Descriptive Statistics on Loan Sizes

Statement	SD (1)	D (2)	N (3)	A (4)	SA (5)	M	STD
The loans acquired from the group are sufficient	16(12.2)	73(55.7)	1(0.8)	22(16.8)	16(12.2)	2.6	1.3
Members in our group acquire loans at very low interest rates	1(0.8)	95(72.5)	14(10.9)	15(11.5)	3(2.3)	2.6	1.1
The loan size given by the group is	19(14.5)	17(13)	77(58.8)	14(10.7)	1(0.8)	3.2	1.2

dependable and timely							
A member is given the amount they apply for depending on the available savings	19(14.5)	16(12.2)	54(41.2)	29(22.7)	10(7.8)	3.7	1.5
Members get loans according to the amount they have saved with the group	10(7.8)	17(13)	11(8.6)	78(59.5)	12(9.3)	4.0	0.9
Our group restricts the amount a member can take at ago	7(5.4)	9(7)	12(9.3)	91(69.5)	9(7)	3.9	0.8
Overall Mean and Standard Deviation						3.3	1.1

According to the results in the Table 4.5, it can be seen from the findings that a majority of the respondents 73(55.7%) disagreed that the loans acquired from the groups are sufficient. This was supported by (M=2.6 and STD=1.3). 95(72.5%) who are the majority of the respondents disagreed (M=2.6, STD=1.1) that members in their group acquire loans at a very low interest rates. A significant number of the respondents were neutral about the loan size given by the group being dependable and timely. This was by 77(58.8%) of the respondents supported by mean of 3.2 and standard deviation of 1.2. 54(41.2%) were also neutral (M=3.7 and STD=1.5) if a member is given the amount they applied for depending on the available savings. 78(59.5%) who were the majority of the respondents agreed that members get loans according to the amount they have saved with the group. This was supported by a high mean rate of 4.0 and standard

deviation .9. The last statement was also agreed (M=3.9 and STD=.8) upon by 91(69.5%) a majority of the respondents.

4.4.4 Membership and the growth of women owned enterprises

The final objective of the study sought to establish the effect of membership in a ROSCA on the growth of women-owned businesses in Bomet Central Business District, Kenya. This was assessed using five statements all rated on a five point Likert scale. The results are presented in the Table 4.6 below.

Table 4.6: Descriptive Statistics on Membership

Statements	SD (1)	D (2)	N (3)	A (4)	SA (5)	M	STD
Enrollment to our group is free at the beginning of every cycle	20(15.6)	73(55.7)	5(3.9)	16(12.2)	14(10.7)	2.0	1.4
All members are obligated to participate in all group activities	1(0.8)	75(57.3)	16(12.2)	3(2.3)	33(25.2)	2.9	1.3
Desertion is not allowed until the end of the cycle	1(0.8)	92(70.2)	18(14.1)	10(7.8)	7(5.4)	2.5	0.9
New members are allowed to join in between the cycle as long as they meet certain conditions set by the group	35(27.3)	23(17.6)	18(14.1)	17(13)	35(26.7)	2.7	1.7
Members who fail to participate in group activities are fined	22(16.8)	10(7.8)	74(56.5)	18(14.1)	10(7.8)	3.3	1.3
Overall Mean and Standard Deviation						2.7	1.3

From the results, 73(55.7%) of the respondents who are the majority disagreed that enrollment to their group is free at the beginning of every cycle, supported by a mean of 2.0 and standard deviation 1.4. A significant number 92(70.2%) of the respondents disagreed (M=2.5 and STD= .9) that desertion is not allowed until the end of the cycle. New members are allowed to join in between the cycle as long as they meet certain conditions set by the group was disagreed by 53(40.5%) of the majority the respondent supported by mean and standard deviation (M=2.7 and STD=1.7). Lastly, 74(56.5%) of the respondents were neutral about members being fined for failing to participate in group activities.

4.5 Regression Analysis

Regression analysis was used to test the formulated hypothesis on Rotating Savings and Credit Associations and the Growth of women owned enterprises.

4.5.1 Lending Policies and Growth of Women owned Businesses

H₀₁: Lending policies laid out by Rotating Savings and Credit Associations have no significant effect on the growth of women-owned businesses in Bomet Central Business District

The results in Table 4.7 are the regression results on lending policies and the growth of women owned businesses

Table 4.7: Regression Results on Lending Policies and Growth of Women owned Businesses

Model	R ²	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.020a	0.0004	-0.0075	0.5652	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.069	0.898		3.418	0.001
Lending Policies	0.089	0.401	0.020	0.221	0.825

a. Predictors: (Constant), Lending Policies

b. Dependent Variable: growth of women-owned businesses

Results shows that the proportion of variance in growth of women-owned businesses explained by lending policies is (2%) or $R^2=0.02$. This variation explained in the model is very small. The other variations (98%) are explained by other external factors outside this model. The shrinkage between $R^2=0.0004$ and adjusted $R^2=-0.0075$ is 0.0079 and shows that the suggested model used generalizes well since the adjusted R^2 is too close to R^2 . A shrinkage of less than 0.5 indicates that the validity of the model is very good (Field, 2005). The finding also indicates that lending policies ($\beta = 0.020$, $p > .05$) is not significant there has no effect on the growth of women owned businesses in Bomet

County. The research hypothesis was therefore accepted since lending policies do not have significant effect. This study was affirmed by an earlier study that was done whose conclusion was there was no statistical association between access to microcredit and the growth of SMEs in terms of net profits (Clemencia & Charles, 2013)

4.5.2 Literacy level of Members and Growth of Women owned Businesses

H₀₂: Literacy level of members in Rotating Savings and Credit Associations have no significant effect on the growth of women-owned businesses in Bomet Central Business District

A simple linear regression was carried out between literacy level of members and growth of women owned businesses. The results in Table 4.8 are the regression results on literacy level of members and the growth of women owned businesses

Table 4.8: Regression Results on Literacy Level of Members and Growth of Women owned Businesses

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.895a	0.800	0.799	0.253	
	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta		
(Constant)	-0.257	0.158		-1.625	0.107
Literacy level of members	1.364	0.061	0.895	22.482	0.000

a. Predictors: (Constant), Literacy level of members

b. Dependent Variable: growth of women-owned businesses

According to the results, (89.5%) or $R^2 = .895$ of variation in variance is explained by level of literacy level of members. This variations model is regarded as sufficiently

large (Cohen, 1988). The other variations of (10.5%) are explained by other external factors outside this model. The shrinkage between $R^2=0.800$ and adjusted $R^2=0.799$ is 0.001 and shows that the suggested model used generalizes quite well since the adjusted R^2 is too close to R^2 .

The findings also indicate that literacy level of members ($\beta = .895$, $p < .05$), had a positive effect on growth women owned businesses. The unstandardized β coefficient of literacy level of members shows that unit change in the level of literacy level of members' causes 1.364 units' increment in growth women owned businesses level and the change is significant as shown by the p-value. Therefore, the regression results indicate that there was a statistically significant positive effect of literacy level of members on growth women owned businesses level. Therefore, the research hypothesis was rejected. This study validates an earlier study whose findings concluded that there is a significant relationship between entrepreneurial management training and women owned enterprise performance (Njoroge & Jagongo, 2016)

4.5.3 Loan sizes on Growth and Women owned Businesses.

H₀₃: Loan sizes made available by the Rotating Savings and Credit Associations have no significant effect on the growth of women-owned businesses in Bomet Central Business District

The results in Table 4.9 are the regression results on loan sizes and the growth of women owned businesses.

Table 4.9: Regression Results on Loan Sizes and Growth of Women owned Businesses

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.140a	0.020	0.012	0.560

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.953	0.435		9.093	0.000
Loan size	-0.205	0.129	-0.140	-1.588	0.115

a. Predictors: (Constant), Loan size

b. Dependent Variable: growth of women-owned businesses

From the results, (14%) or $R^2 = .14$ of variation in variance was explained by loan sizes. This variations model is a low one. The other variations of (10.5%) are explained by other external factors outside this model. The shrinkage between $R^2=0.020$ and adjusted $R^2=0.012$ was 0.008 and shows that the suggested model used generalizes quite well since the adjusted R^2 is too close to R^2 .

The findings also indicate that loan size ($\beta = -0.140$, $p < .05$), had a negative effect on growth women owned businesses. The unstandardized β coefficient of loan size shows that unit change in the loan size causes -0.205 units' decrement in growth women owned businesses level and the change is not significant as since the p-value is greater than 0.05. Therefore, the regression results indicate that there was a statistically insignificant positive effect of membership on growth women owned businesses level. Therefore, the research hypothesis was accepted. This finding supports an earlier study which revealed that access to credit from formal financial Institution has a negative non-significant impact on improving MSMEs performance in Anambra State done by Ojukwu et al. (2021).

4.5.4 Membership and Growth of Women-owned Businesses

H₀₄: Membership in a Rotating Savings and Credit Association have no significant effect on the growth of women-owned businesses in Bomet Central Business District

A simple linear regression was carried out in order to answer the research hypothesis as shown in Table 4.10.

Table 4.10: Regression Results on Membership and Growth of Women owned Businesses

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.552a	0.304	0.299	0.472	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.392	0.125		19.139	0.000
Membershi p	0.325	0.044	0.552	7.427	0.000

a. Predictors: (Constant), Membership

b. Dependent Variable: growth of women-owned businesses

According to the results, variation in variance of (55.2%) or $R^2 = .552$ of is explained membership. This variations model is regarded as sufficiently large since it is over (50%). The shrinkage between $R^2=0.304$ and adjusted $R^2=0.299$ is 0.005 and shows that the suggested model used generalizes quite well since the adjusted R^2 is too close to R^2 .

The findings also indicate that membership ($\beta = .552, p <.05$), had a positive effect on growth women owned businesses. The unstandardized β coefficient of membership shows that unit change in the level of membership causes 0.325 units' increment in growth women owned businesses level and the change is significant as shown by the p-value. Therefore, the regression results indicate that there was a statistically significant positive effect of membership on growth women owned businesses level. Therefore, the research hypothesis was rejected confirming early studies whose findings revealed that membership to a ROSCA has the significant impact to improve MSME's performance (Ojukwu et al., 2021)

4.5.5 Overall Regression Model

Table 4.10 gives the results of the regression model summary.

Table 4.10: Model Summary on Rotating savings and credit associations and the growth of women Owned Enterprises

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983 ^a	0.966	0.965	0.105

a. Predictors: (Constant), Membership, Lending Policies, Literacy Level of Members, Loan Size

From the model summary table, r-squared for the relationship between the independent variables and the dependent variable was 0.966. This implies that 96.6% of the variation in the dependent variable is explained by the independent variables. The outcomes of the ANOVA were established as well as shown in Table 4.11.

Table 4.11: ANOVA on Rotating Savings and credit associations and the growth of women owned enterprises

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	38.920	4	9.73	884.84	.000b
Residual	1.353	123	0.01		
Total	40.273	127			

a. Dependent Variable: Growth of Women Owned Businesses

b. Predictors: (Constant), Membership, Lending Policies, Literacy Level of Members, Loan Size

According to table 4.11, F computed as 884.84. The p-value being 0.000 which is less than 0.005, therefore the model was considered a good fit. The outcomes of the beta coefficients as well as relevance for evaluating the theory are as shown in Table 4.12.

Table 4.12: Regression Coefficients on Rotating savings and credit associations and the growth of women owned enterprises

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.252	0.878		-1.425	0.157
Lending Policies	-0.601	0.255	-0.133	-2.355	0.020
Literacy Level of Members	2.066	0.048	1.355	43.285	0.000
Loan Size	0.338	0.093	0.231	3.618	0.000

Membership	-0.225	0.027	-0.383	-8.343	0.000
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a. Dependent Variable: Growth of Women Owned Businesses

From Table 4.12, the following equation was established:

All model coefficients were significant at 0.005. The findings also reveal that the model coefficients which include Literacy level of members ($\beta = 1.355, p < .05$), and Loan size ($\beta = 0.21, p < .05$) have a positive significant effect on the growth of women owned businesses. Lending policies ($\beta = -0.133, p < .05$) and membership ($\beta = -0.383, p < .05$) have a negative significant effect on growth of women owned businesses. The unstandardized β coefficient of lending policies shows that a unit change in lending policies causes a unit -0.601 change in growth of women owned businesses in Bomet County. Likewise, a unit change in literacy level of members, loan size and membership causes 2.066, 0.338 and -0.225 change in growth of women owned businesses respectively.

The relationship between the dependent and independent variables can be represented as follows;

$$Y = \beta_0 - 0.601X_{t1} + 2.066X_{t2} + 0.338X_{t3} - 0.225X_{t4} + \varepsilon.$$

Where:

Y= Growth of Women Owned MSMEs.

t= Financial years 1,2,3,4

X₁=Lending Policies.

X₂=Literacy level of members

X₃=Loan sizes

X₄=Membership

ε = Error term

$\beta_0 = y$ Intercept when $X=0$.

Therefore, representing,

$$Y = \beta_0 - 0.601Xt_1 + 2.066Xt_2 + 0.338Xt_3 - 0.225Xt_4 + \varepsilon.$$

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter is set out to provide a summary of the analyzed findings based on the specific objectives. The conclusions are also provided as informed by the hypotheses that were tested and recommendations for policy, practice and management.

5.2 Summary of the Study

This study achieved a response rate of 94.8 %. Data analysis was done using SPSS and into main methods; using descriptive and inferential statistics. The tool for data collection passed internal reliability test. The study revealed that 98.3 % of variations in the growth of women owned enterprises (Dependent Variable) is explained by loan sizes, membership, literacy level of members and lending policies (Independent variables). Moreover, the model linking the predictors and the growth of women owned enterprises was statistically significant as the ANOVA test had p-value of 0.000. The next sub-section presents findings in specific objectives:

5.2.1 Lending policies and the growth of women owned enterprises.

The first objective was to establish the effect of lending policies of Rotating Savings and Credit Associations on the growth of women-owned businesses in Bomet Central Business District, Kenya. Descriptive results showed that respondents disagreed that lending policies of Rotating Savings and Credit Associations affected the growth of women-owned businesses. Regression results showed that lending policies drawn by Rotating Saving and credit Associations (ROSCA's) had no effect on the growth of women owned Micro, small and medium enterprises in Bomet County, Kenya.

5.2.2 Literacy level of Members and the growth of women owned Micro Small and medium enterprises.

The second objective was to examine the effect of literacy level of members of Rotating Savings and Credit Associations on the growth of women-owned businesses in Bomet Central Business District, Kenya. Descriptive results show that the respondents were neutral that literacy level of members affected the growth of women owned Micro small and medium enterprises. The regression results indicated that there was a statistically

significant positive effect of literacy level of members on the growth women owned micro small and medium enterprises.

5.2.3 Loan Sizes and the growth of women owned enterprises.

The third objective was to determine the effect of loan sizes of Rotating Savings and Credit Associations on the growth of women-owned businesses in Bomet Central Business District, Kenya. Descriptive results show that the respondents were neutral that loan sizes affected the growth of women owned Micro small and medium enterprises. The regression results indicated that there was a statistically insignificant positive effect of loan sizes on the growth women owned micro small and medium enterprises.

5.2.4 Membership and the growth of women owned enterprises.

The fourth objective was to establish the effect of membership in a Rotating Savings and Credit Association on the growth of women-owned businesses in Bomet Central Business District, Kenya. Descriptive results show that the respondents were neutral that membership affected the growth of women owned Micro small and medium enterprises. The regression results indicate that there was a statistically significant positive effect of membership to ROSCA on growth women Micro Small and medium enterprises.

5.3 Conclusion

This study draws the following conclusions:

The research demonstrated that lending policies drawn up by Rotating Savings and credit associations (ROSCA's) had no effect on the growth of women owned Micro small and medium enterprises since the members were not restricted on how they were to spend monies gotten from the ROSCA. The Study's outcome implies a positive

impact between the literacy level of members who belong to a ROSCA and the growth of women owned Micro Small and Medium Enterprises. It is therefore important for the office bearers to organize regularly trainings and seminars to enlighten their members because this will translate into improved lives through the growth of their business. When the group is also run by skilled individuals it helps the group grow and finances managed better.

It was also ascertained that the size of loan issued by ROSCA did not have a positive impact on the growth of women owned Micro Small and Medium Enterprises, this is because the amount of money one gets is dependent on the savings one has and the money may or may not be invested into one's business because the members are not dictated on how they should use the money. The findings revealed that by being a member of a ROSCA there is a positive impact on the growth of women owned Micro small and medium enterprises. This means by belonging to a ROSCA one has access to finance to boost their business. They also have opportunities to increase their knowledge base on how they can best run their businesses.

5.4 Recommendations

This study makes the following recommendations;

5.4.1 Recommendation for Policy

- Rotating Savings and Credit Associations (ROSCA's) should train its members on financial management as it was noted to be a significant factor in influencing the growth of women owned Micro small and medium enterprises.
- Leadership of ROSCA's should collaborate with training institutions and individuals to impart knowledge on financial management on members.

5.4.2 Recommendation for Practice

- Rotating Savings and Credit Associations (ROSCA's) should devise strategies on how they can save some funds for investments in income earning projects. This can be done by requesting members to set aside a percentage out of their contribution.
- Rotating Savings and Credit Associations (ROSCA's) can incorporate Table banking to run concurrently with the ROSCA's, as the table banking can enable members earn additional income from the income generated out of the interest rate charged on loans.

5.5 Contribution to Knowledge

This study contributes to knowledge in three folds.

- Firstly, the results are important for policy formulators who seek to improve performance of ROSCA's.
- Secondly, this study improves operational procedures that can be adopted by women who already belong to a ROSCA and own Micro Small and Medium Enterprises.
- Lastly, this study has provided an opportunity for comparison of results with global and regional perspectives.

5.6 Suggestions for Further Studies

Since this study delved in determining the role of ROSCA's to the growth of women owned Micro Small and medium enterprises, in Bomet Central Business District, Bomet county, a similar study can be done in other counties in order to compare and contrast the results. Moreover, another study can be done using other constructs such as Table banking to have more insights on Informal access to finance. Lastly, the study can be duplicated and done as survey of all counties in Kenya in order to have a country

overview of the role of ROSCA's on performance of other entities other than women owned Micro Small and Medium enterprises.

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APPENDICES

Appendix I: Authorization Letter



KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 18th May, 2023

TO: Ruth Chepkemoi Serem
C/o Accounting and Finance Dept.

REF: D53/CTY/PT/28063/2014

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the Graduate School Board of 5th April, 2023 entitled "Savings and Credit Associations and Growth of Women Owned Micro Small and Medium Enterprises, in Bomet County, Kenya."

You may now proceed with your Data Collection, Subject to Clearance with the Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School Completed Supervision Tracking and Progress Report Forms per semester. The forms are available at the university's website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL






C.c. Chairman, Department of Accounting and Finance

Supervisors:

1. Dr. Ambrose Jagongo
C/o Department of Accounting and Finance
Kenyatta University

AM/inn

Appendix II: Research Permit

 <p>REPUBLIC OF KENYA</p>	 <p>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p>
Ref No: 398348	Date of Issue: 11/September/2023
RESEARCH LICENSE	
	
<p>This is to Certify that Ms. Ruth Chepkemai Serem of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Bomet on the topic: ROTATING SAVINGS AND CREDIT ASSOCIATION AND GROWTH OF WOMEN OWNED MICRO SMALL AND MEDIUM ENTERPRISES IN BOMET COUNTY KENYA for the period ending : 11/September/2024.</p>	
License No: NACOSTI/P/23/29188	
398348 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
<p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	
See overleaf for conditions	

Appendix III: Questionnaire

This questionnaire is divided into six sections that should take a few minutes to complete. Please respond by placing a tick in the relevant box or writing in the spaces where appropriate. All information will be treated with strict confidentiality.

Section A: Demographic Information

1. What is your gender?
Male Female
2. How old are you? (Years)
Below 30 31-40 41-50 Over 50
3. What level of education have you reached?
Primary Secondary College University
4. How long has your business been running?
Below 1 year 2 to 5 years 6 to 10 years
Over 10 years
5. How many employees does your business have?
1-5 6-10 11-50 Over 50

Section B: Lending Policies

1. The table below contains various statements on lending policies, kindly indicate the extent to which this is true of the ROSCA you are involved in.

SD = Strongly Disagree (1), D = Disagree (2), N = Neutral (3), A = Agree (4), SA = Strongly Agree (5)

	SD	D	N	A	SA
	(1)	(2)	(3)	(4)	(5)
We have formulated rules that guide all the operations of our group and particularly on lending					
Our group does not dictate to the members on ways to spend the money they receive from the group					
Repayment procedures are spelled out clearly to the members who take a loan from the group					
Our group is particular on how loans acquired by members should be utilized					
Our lending policies are clear on what to do in case of loan defaulting by a member					

Section C: Literacy Level of Members

1.The table below contains various statements on literacy levels. Kindly indicate the extent to which this statement applies to the ROSCA you are involved in.

SD = Strongly Disagree (1), D = Disagree (2), N = Neutral (3), A = Agree (4), SA = Strongly Agree (5)

	SD	D	N	A	SA
	(1)	(2)	(3)	(4)	(5)
Our group organizes regular trainings for the members particularly on how to run their enterprises					
The group pays for the members to attend workshops who in turn come and train other group members					
We have skilled members in our group who are involved in day to day running of the group					
Education is not a requirement for joining our group					
Our group activities do not require members to be literate					

Section D: Loan Sizes

1.The table below contains various statements on loan sizes. Kindly indicate the extent to which each of these statements applies to the ROSCA you are involved in;

SD = Strongly Disagree (1), D = Disagree (2), N = Neutral (3), A = Agree (4), SA = Strongly Agree (5)

	SD	D	N	A	SA
	(1)	(2)	(3)	(4)	(5)
The loans acquired from the group are sufficient					
Members in our group acquire loans at very low interest rates					
The loan size given by the group is dependable and timely					
A member is given the amount they apply for depending on the available savings					
Members get loans according to the amount they have saved with the group					
Our group restricts the amount a member can take at ago					

Section E: Membership

1. The table below contains various statements on group membership. Kindly indicate the extent to which each of these statements applies to the ROSCA you are in.

SD = Strongly Disagree (1), D = Disagree (2), N = Neutral (3), A = Agree (4), SA = Strongly Agree (5)

	SD	D	N	A	SA
	(1)	(2)	(3)	(4)	(5)
Enrollment to our group is free at the beginning of every cycle					
All members are obligated to participate in all group activities					
Desertion is not allowed until the end of the cycle					
New members are allowed to join in between the cycle as long as they meet certain conditions set by the group					
Members who fail to participate in group activities are fined					

Section F: Growth of Women Owned Businesses

1. How do you rate your business on the following constructs?

VP = Very Poor (1), P = Poor (2), A = Average (3), G = Good (4), VG = Very Good (5)

	VP	P	A	G	VG
	(1)	(2)	(3)	(4)	(5)
Level of profitability					
Customer base					
General growth rate					
Asset growth					

THANK YOU FOR TAKING TIME TO FILL THIS QUESTIONNAIRE