

Micro - enterprises have become one of the critical areas of development in developing economies like Kenya. To enhance their development, the Government has made some efforts in putting in place structural and legal framework like enactment of micro finance laws. Despite this effort, the development of micro-enterprises is still slow. Today one of the most compelling challenges facing Kenya is the problem of poverty. Poverty is not only on a steady increase but also wide spread in urban and rural areas. In the quest for solutions to the country's development challenge and poverty alleviation, microfinance is becoming one of the most popular options as credit has been identified as a barrier facing the poor. However, effort by the poor to move out of poverty through micro - enterprises has not been a success as the enterprises have not been able to access MFI finances due to lack of collateral and uncertainty surrounding its effectiveness in poverty reduction. The objectives of the study were:

1. To examine the impact of micro finance on household welfare indicating poverty reduction
2. To find out whether microfinance programmes savings reduce vulnerability and risks of clients
3. To find out whether micro finance promotes women empowerment
4. To find out the role of markets, infrastructures and other factors in development of micro enterprises.

The study design used descriptive survey method, questionnaires and interviewing. Purposive sampling technique was used. The study was conducted in Nairobi's Kibera area. The population consisted of 143 enterprises drawn from the slum area of Kibera who have benefited from microfinance. Sample size was 45 enterprises out of the population of 143. The study was facilitated by use of both primary and secondary data. The collected data was analyzed statistically using mean, Standard deviation and Range with the help of Statistical Package for Social Sciences (SPSS) and graphs were made on MS Excel. The result was tabulated in the form of frequencies and percentages. Study results are useful for policy formulation and decision making in respect of government micro credit. It contributes to Government departments implementing micro credit programs. Contribute to existing body of literature and form a basis for further research. The findings confirmed that microfinance plays a key role in the development of micro - enterprises. But to maximize its effectiveness in enterprise development and poverty reduction, there should be more state intervention to strengthen itself and have the dynamism to create the necessary infrastructure in areas where majority of the poor struggles with poverty. The dependent variable taken in the study was micro - enterprise development where as independent variables were poverty reduction, women empowerment, savings and markets and Intervening variables were government policies, political factors, social factors, economic factors and legal factors.