VILLAGE SAVINGS AND LENDING ASSOCIATIONS: A ROADMAP FOR SMALL-SCALE ENTREPRENEURS CAPITAL FORMATION IN KENYA

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Abstract

Globally, Savings and Lending institutions are critical institutions within economies that energize a culture of saving which is critical for capital formation. However, most of them operate and provide services in areas which are economically dynamic because investment opportunities are more diverse in such areas. However, Village Savings and Lending Associations in Kenya have come in handy in place of the more formal Savings and Lending institutions as facilitative platforms helping the poor unserved entrepreneurs to save and accumulate capital for small investments as well as consumption. The study investigated the effect of Village Savings and Lending Associations on capital formation among small-scale entrepreneurs in Kenya. Specifically, the study was investigating the role of group dynamics, unique aspects of the saving model, group legislation and duration of membership in these groups on capital accumulation for members in Kenya. Institutionalist theory of Capital Formation and the Game theory anchored the study. A descriptive research design was used while a sample size of 398 respondents was picked from a target population of 4,595 registered members using proportionate stratified and random sampling designs. A questionnaire was used to collect data which was analysed using multi-linear regression. The analysis was done using STATA. The results indicated that Group Dynamics, uniqueness aspect of the saving model, legislation, and duration of membership, had a positive effect on Village Saving and Lending Associations in influencing Capital Formation in Villages in Kenya. It was concluded that indeed VSLAs play an important role in enhancing Capital Formation among rural part of Kenya. Hence, there is need to strengthen the Capital Formation through relevant trainings and guided group management, the model and its unique aspects be promoted throughout the County so as to increase reach to as many small-scale entrepreneurs as possible. The groups should be properly legislated and educated on all legal procedures that are involved in running and management of groups. Finally, to enhance Capital Formation, small-scale entrepreneurs in Kenya must continually be encouraged to maintain membership in saving groups.

Key words: Group dynamics, Membership, Village Savings and Lending Associations, Capital Formation, Savings, MFIs, Small-scale Entrepreneurs.

INTRODUCTION

Capital Formation is defined as the net disposable capital buildup within a given period in a specific economic context which could be a country, region or even at household

level. It refers to increases in capital items, such as equipment, land, and other household items (Ugwuegbe & Chinyere, 2013). Generally, if formation of capital within such a context is high, the more that economy can grow. To increase capital, there is need to encourage savings and reserves at the grassroots level in accordance with laid down policies.

According to the World Bank (2016), assessing net savings helps measure Capital Formation. If the household savings rate is increasing, it basically means that households can access more money to invest in purchasing assets. Increasing household productivity is prerequisite to accumulation of capital within an economy which in turn leads to Capital Formation. The capacity of a household to produce is primarily determined by availability of Capital, which then influences economic growth. Lack or deficiency of it, has been seen to be the greatest limitation to economic growth (Ugwuegbe & Chinyere, 2013).

To conceptualize Capital Formation, numerous scholars have cited a strong connection between it and investments which in turn affects growth in various sectors. A study published by the Reserve Bank of India noted that the waning impact of Capital Formation continued to be a strong limitation and impediment of growth in India (Ramesh et al., 2008). Elsewhere, in a study report presented to FAO in 2010, Bisalia (2010) underscored the conceptual and empirical concepts of Capital Formation in relation to agriculture growth and poverty. He reported that Capital Formation is a necessary condition for growth in developing countries. In this context, development economists have cited investment as a major cog in the economic growth process and have outlined Capital Formation as a key ingredient of such investments. For instance, Johnston (1969) singles out capital accumulation as the main enhancer of development, and terms fundamental transformation of economies as an indiscriminate process of Capital Formation. It has been recognized as an important factor that determines growth in any given economy. In view of the cited research, Capital Formation has been measured in relation to its effect on investments and economic growth. Scholars have concluded that if the rate of Capital Formation is high, then growth in various sectors of the economy in turn increases.

For this study, the researcher sought to find whether small entrepreneurs in Makueni County benefited from Village Savings and Lending Associations in terms of accumulating capital. The researcher looked at how the individual participants utilized the Village Savings and Lending Associations to build savings which in turn were availed for investments. Eberechukwu (2013) finds that the Capital Formation and growth in an economy are inter-dependent. In various economies in Africa, it has been found that increase in formation of capital facilitates production of capital goods. Capital

accumulation has been seen as a conduit for poor nations to raise their rates of growth in the long term (Ajose et al., 2018). Generally, scholars agree that the purpose of development is to create capital to a scale that increases productivity in the various sectors of an economy. This is however possible in situations where there is a rapid rate of Capital Formation (Emmanuel et al., 2014).

In a study conducted to establish the impact of Capital Formation in the Nigerian economy, it was found that analyzing the rate of economic growth could not be finalized without analyzing the contribution of Capital Formation to the growth. Researchers recognized Capital Formation as an important factor that determined the growth of Nigerian economy as accumulated capital was utilized for acquisition of productive assets necessary for economic growth (Ugwuegbe & Chinyere, 2013).

Statement of the Problem

Globally, financial intermediaries within an economy are key players in the Capital Formation process. They provide platforms for people to save and borrow which energizes economic activities. Among the key intermediaries that have become a major conduit for savings accumulation are the Micro-Finance Institutions (MFIs). According to Bloom (2001), MFIs have proven to be a major promoter of savings and investment leading to alleviation of poverty. However, these institutions have been found to be mostly successful in urban areas where investment opportunities abound and economic environments are more dynamic (Ezra et al., 2007), which has brought limited access to financial services for rural households thereby depriving the poor vital channels and platforms for Capital Formation.

While mainstream banking institutions and MFIs are numerous in the country, they have kept off rural areas because of poor infrastructure and unpredictable business environments within the mainly poorly developed agricultural rural economies (Ezra et al., 2007). The Village Savings and Lending Associations model, which is friendlier in these rural contexts, has as a result set in as an alternative to these mainstream banking and micro-finance institutions.

In Makueni County, many rural small-scale entrepreneurs having been deprived of vital financial services have resulted into forming Village Savings and Lending Associations to provide themselves with platforms for savings and lending. The model has been seen as a solution in such areas where few or no financial institutions are operating and where Capital Formation is almost impossible (Henry, 2016). While this model has been touted as substantially redeeming the rural households by offering them a simple platform for savings and accessible cheap loans to build their capital assets, there was need to

scientifically interrogate it to establish whether indeed the model is facilitated Capital Formation among the members. This is what this study sought to find out.

REVIEW OF LITERATURE

The search for alternative models that can provide services which MFIs normally provide has been accelerated by the inability of the MFIs themselves to extend services to the expansive undeveloped rural areas in the developing world. The Village Savings and Lending Associations model, which is more decentralized, user owned and managed has been seen to bridge this gap. Numerous scholars and researchers have endeavored to conduct research on the model and its relevance in Capital Formation.

Theoretical Review

Institutional Theory

In his essay published by the State University of New York, Eichner (1975), describes history as a process where human beings develop social institutions as tools to accord themselves control and options over forces of nature. He argued in the essay that formation of institutions is what appeared to give the original settlers of United States of America advantage over other societies. He further argued that the desire for cooperative forms of production was also embedded in the institutional dimension of the society. In the context of this study, Village Savings and Lending Associations as societal institutions appear to give advantage to their members over non-members. The cooperative aspect of the groups offers members a sound platform where they easily pool their meager resources and then utilize them later as capital to make small-scale investments. The use of the term 'capital' in business came into being in the Middle Ages. It was used then in reference to the principal amount of money given as loan and on which interest was generated (Baldwin, 1987). Institutions that offer these loans are always the beneficiaries of the interest generated and this is the exact scenario with Village Savings and Lending Associations except that the beneficiary in the latter is the individual group member and not the group per sie'.

Institutions are the primary collective resources that form any society. Institutions operating as resources play a major role in enhancing the socioeconomic conditions of the members (Benedique, 2009). Village Savings and Lending Associations in this context are viewed as rural institutions that strengthen Capital Formation among the many unbanked rural households. Overtime, the definition for capital has however changed to include all assets considered as productive therefore bearing returns to those who utilize them.

Game Theory

The proponents of the game theory were mathematicians John von Neumann and John Nash, as well as economist Oskar Morgenstern. The theory explains how situations can be conceived to satisfy needs among competing players. It involves strategizing to make optimal decisions that can stabilize organizations and enable them to meet fulfil their responsibilities. For an MFI to satisfactorily reach its target customers, then it must be able to weather challenges sustainably in the long term. While the goals of extending services to the poorest and alleviating the conditions are valid, their sustainable existence is a major factor in dealing with their operations. Sustainability according to Morduch (2002) has implications both within and without. Implications within regards deposits and savings, performance, motivation of workers, etc. while without refers to availability of funds for loan to interested customers.

The situation for Village Savings and Lending Associations is not different, although the funds involved are not externally sourced but locally accumulated overtime by participating group members. Financial stability of these groups is ensured by the fact that the groups are self-selective in formation and membership and therefore members being likeminded can put checks and balances among themselves. Sustainability in micro finance terms is defined as an ability to cover operational and financial costs while in the Village Savings and Lending Associations, financial sustainability is defined as a capacity that allows group members to receive services continually and sustainably. With proper member training, the groups can operate autonomously for as long as the members desire (Guy, 2010).

A study conducted on stability of Village Savings and Lending Associations in Tanzania in 2016 appeared to authenticate this theory. In the study, the nature of transparency in Village Savings and Lending Associations, created satisfaction among members and this resulted to stability (Henry, 2016).

Empirical Review

Effect of Group Dynamics on Capital Formation

Village Savings and Lending Associations are formed as informal platforms for pooling reserves and then providing credit facilities and do not benefit from outside funding and supervision (Beyene, 2018; Conner et al., 2016) since they are self - regulated. In addition, the coming together of members in Village Savings and Lending Associations is usually through self-selection and voluntary agreement to develop a group constitution and purchasing shares to make savings (Allen, 2013; Mkoma, 2014). This naturally enhances

mutual respect among members since the members are familiar to one another and often comes from the same locality. The agreed amounts that each member can contribute are usually not high and therefore members do not struggle to save through the running cycle. In fact, members can encourage one another to save more, take loans and eventually repay.

To ensure groups run smoothly, training and advice is regularly given to members on key issues which include teamwork, investments and loan terms and conditions. Training for to educate members and field visits to successful members businesses are done with support from partners (Jean et al., 2016). Monthly member follow-up meetings and trainings are conducted which also helps to build teamwork which makes guarantorship easy. Members contribute monthly or weekly to the group savings and this is managed through rules and procedures. Contributed fund is kept safe, and the entire fund is shared out after an agreed interval. The groups ensure transparency and accountability which in turn enhances trust within the groups which is essential for the sustainability. The fact that all activities and processes are local ensures that the cost of running the groups is maintained at the lowest.

Effect of Uniqueness of Village Savings and Lending Associations on Capital Formation

In a study on saving groups in Colombia, Luz confirmed that members contribute small and regular savings by purchasing shares usually ranging from one (1) to five (5) in each sitting. The value per share is determined by members depending on their capability. Savings are held together in a pool that is later used to avail small and short-term loans to participants for utilization at household level mainly for consumption, investments in IGAs and handling emergencies (Luz, 2014). Village Savings and Lending Associations agree and adopt a schedule where members meet regularly. All group operations are done during these meetings in front of the membership which enhances transparency (Marwanga et al., 2015). All purchase of shares takes place in these meetings, records are noted in each member's passbook and members are encouraged not to skip savings. The regularity of savings helps the groups to accumulate capital enough to lend members quickly. The Village Savings and Lending Associations cycle is time-bound and ends after a period determined by members at the tail end of the cycle, when all pooled savings and interest generated are distributed to members proportionately. Those wishing to end their membership are allowed to exit while new members now can get a chance to be admitted. The value of the share can also be changed at this point (IRC, 2012) which gives a sense of safety and flexibility.

Effect of Legislation to Village Savings and Lending Associations Stability and Capital Formation

Village Savings and Lending Associations are legal entities normally registered mostly as self- help groups and therefore they operate within existing local laws. Each group is required to develop its governing constitution together with rules and procedures that direct their day-to-day activities. This is important as it gives the groups authenticity and a sense of security to members thereby enhancing stability. Because money matters require a high degree of trust, the legal frameworks provide the groups with fall back mechanisms to mitigate legal issues that may arise.

In Ghana, Malawi, and Uganda, IPA in conjunction with CARE conducted a study to evaluate the impact of registered Village Savings and Lending Associations on rural households. Overall, the promotion of groups led to an improvement in financial inclusion (Dean et al., 2017). As a result of stability, Village Savings and Lending Associations were able to facilitate changes that had a far-reaching added-value effect about micro-enterprise development indicating a possible increase in capital accumulation (Louise, 2014).

Effect of Duration of Membership in Village Savings and Lending Associations on Capital Formation

The most important aspects that are emphasized in Village Savings and Lending Associations are saving, accumulating capital and providing affordable credit facilities to group members (Kesanta et al., 2015). Ksoll et al., (2015) indicated a positive effect of Village Savings and Lending Associations on households in relation to the type and size of housing, expenditure, number, and type of meals consumed per day in Tanzania. This effect was attributed to the increase in savings and credit obtained through membership in Village Savings and Lending Associations. This was especially seen on individuals who had prolonged and consistent memberships to groups. Similarly, a study conducted in Zimbabwe established that participating in group savings and acquiring loans from the groups contributed to increased levels of productive and household assets among most members. This also led to increase in number of income generating activities per household (Kwarteng et al., 2019).

STUDY HYPOTHESIS

1. $H0_1$: Group dynamics have no significant effect on Capital Formation.

2. $H0_2$: Unique aspects of Village Savings and Lending Associations have no significant effect on Capital Formation.

3. H0$_3$: Group legislation has no significant effect on Capital Formation.

4. H0$_4$: Duration of membership has no significant effect on Capital Formation.

RESEARCH METHODOLOGY

Descriptive research design identifies and describes relationships as they stand (Fowler, 2014) and according to Kothari (2004), it is a scientific method that involves collecting data to explain status of the study subjects. This research study was carried out through cross sectional research design to help find out the nature of existing situation, current conditions and in analyzing such situations and conditions (Muathe, 2010; Muathe et al., 2013; Creswell, 2013). The targeted population was 4,595 registered groups with a total population of 91,900 individuals involved in saving groups in Makueni (Makueni County group mapping report, 2017). To ensure representativeness, a representative sample was obtained using proportionate stratified and random sampling design. Respondents were randomly picked from the sub-counties and interviews conducted. Number of members sampled from each cluster is as shown in Table 2. The overall sample size was computed using the Cochran formula (Cochran, 1977) (1).

$$n = \frac{Z_{\frac{\alpha}{2}}^2 p(1-p)}{e^2} \qquad (1)$$

Where:

n is sample size

Z is Z-score for a standardized normal distribution

α is probability of committing a type 1 error (set at 0.05 at priori)

p is the estimated proportion of an attribute that is present in the population, and p(1-p) is the estimate of variance

e is level of precision (set at 0.05 at priori, for a 95% confidence level)

Therefore: $\qquad n = \frac{1.96 \: X \: 1.196 \: X \: 0.5 \: X \: 0.5}{0.05^2} = 384$

To yield this sample, we proportionally allocated each sub-county a sample size according to its total number of members (population) using the formula (2)

$$n_i = \frac{n * N_i}{N} \qquad (2)$$

Where:

n_i is the sample for each respective sub-county, i=1,2,…,6 in Makueni County

N_i is the total number of members (population) for each respective sub-county, i=1,2,…,6 in Makueni County

N is the overall number of members (total population)

A questionnaire that was administered to each respondent by trained interviewers was used to collect data. The instrument was chosen because it gives actionable data that is easy to process and analyse (Young, 2016). To ensure face, construct and content validity, the instrument was subjected to a thorough assessment to ensure that it captured and represented the construct idea of the study, it is relevance to the content being measured and also to ensure it measured the indicators as expected. To establish and ensure reliability of the research instrument for this study, opinions from experts in Village Savings and Lending Associations was sought. Guidance was also be sought from the study supervisor and other lecturers in the school of business. All input was then captured in the instrument before data collection. For this study, the commonly used internal consistency measure called Cronbach's Alpha (α) which can be estimated using data analysis software was used. Taber (2018) described alpha values of 0.64-0.85 as adequate, therefore for this study alpha of >0.7 was acceptable.

Data was collected electronically using Open Data Kit (ODK) running on Android Tablets. Data collection tools were programmed into ODK and factored in all skip logics and consistency and validity checks. All possible response options were programmed and where applicable included an option for specifying other categories if the response was not among the preprogrammed list. Data was collected by the researcher and trained Research Assistants, whose training involved overview of the study, study design, understanding the data collection tools and how to use ODK for electronic data capture. Data was submitted to an online server in real time and downloaded for monitoring daily and data quality checks including Research Assistants' performance conducted daily and feedback provided to the data collection teams. Data were inspected for obvious errors using pre-developed scripts and any issues found was then resolved with the relevant Research Assistant within the shortest time possible. Data quality was assured at different levels. The first level was programming the skip logics and ensuring consistency and validity checks are factored in during programming. The second level was monitoring research assistants to make sure they do not make obvious errors and if any, it is corrected as early as possible. The third level was data cleaning after all data had been submitted. This included running data cleaning scripts to flag out any errors that may have been missed during programming and during data collection. Multiple linear regression analysis was also conducted to test the effect of the independent variables to the dependent variable where STATA was used. The following is the expression of the analytical model that was applied (3):

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 + X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \qquad (3)$$

Where:

β_1 is a set of coefficients for each of the independent variables 1,2, 3, …, 4

X_1 is Village Savings and Lending Associations group dynamics

X_2 is Village Savings and Lending Associations attractive aspects

X_3 is effect of legislation on Village Savings and Lending Associations Capital Formation

X_4 is duration of membership

Y is Capital Formation (Dependent Variable)

ε is an error term

FINDINGS AND DISCUSSION

From the regression results the model fit had an adjusted R square = 0.68 (Table 2) which shows that group dynamics, attractive aspects of Village Savings and Lending Associations, legislation and duration of membership accounted for 68% of the variation in Capital Formation.

TABLE 1. ANOVA RESULTS ON THE MODEL FIT

Source	Sum of Squares	Degree of Freedom	Mean Square	F	p-value
Model	91.71	4	22.93	25.64	<0.001
Residual	220.01	246	0.89		
Total	311.72	250	1.25		

Source: Survey data (2021).

The results of the ANOVA (Table 1) of the model fitted to test the effect of group dynamics, Village Savings and Lending Associations attractive aspects, legislation, and duration of membership effect on Capital Formation in Makueni County show that model fit was a good fit of the data (F-statistics =25.64, p-value <0.001).

TABLE 2. MULTIPLE LINEAR REGRESSION MODEL ON THE EFFECT OF THE INDEPENDENT VARIABLES ON CAPITAL ACCUMULATION

	Coef.	Std Error	95% CI		p-value
Group Dynamics	1.23	0.17	0.89	1.57	<0.001
Unique aspects	0.51	0.12	0.27	0.75	<0.001
Legislation	0.24	0.12	0.01	0.47	0.040
Duration of Membership	0.12	0.05	0.02	0.22	0.020
Intercept	-2.84	0.51	-3.84	-1.85	<0.001

Notes: Model fit p value< 0.001; Adj R²=0.68: *means the coefficient is significant at 0.05 significance level

Source: Survey data (2021).

Results in Table 2 showed that the coefficient of group dynamics was β=1.23, p<0.001. This result was significant at 5% significance level. Further, the results showed that for a one unit increase in group dynamics, Capital Formation increases by 1.23 units. From this finding, there was sufficient evidence to reject the null hypothesis and conclude that group dynamics have significant effect on Capital Formation in Kenya.

The study finding emphasized the role of group dynamics on Village Savings and Lending Associations and its effect on Capital Formation among small-scale entrepreneurs in Kenya and confirmed that indeed Village Savings and Lending Associations are formed as informal platforms in rural areas that help small-scale entrepreneurs pool reserves together (Beyene, 2018). This finding further agreed with Allen (2013) and Mkoma (2014) as stated in the empirical review of this study who expressed the importance of various aspects of group dynamics and their positive role in helping members to meet their goals of accumulating savings.

Results in Table 2 further showed that the coefficient of unique aspects of Village Savings and Lending Associations was β=0.51, p<0.001. This result was significant at 5% significance level. Further, the results showed that for a one unit increase in the unique Village Savings and Lending Associations aspects, Capital Formation increases by 0.57 units. From this finding, there was sufficient evidence to reject the null hypothesis and conclude that unique aspects of Village Savings and Lending Associations have significant effect on Capital Formation in Kenya.

This finding emphasized the role the unique characteristics of Village Savings and Lending Associations play in attracting small-scale entrepreneurs to form the groups and save small amounts of monies regularly thereby building Capital. As stated by Luz (2014), the savings are held together in a pool and later used to avail small and short-term loans to participants for utilization at household level mainly for consumption, investments in income generating activities and handling emergencies. The finding further confirmed the statements by IRC (2012) that Village Savings and Lending Associations are time bound saving groups which operate in cycles and that this aspect gives a sense of safety and flexibility to members since at the end of specific cycles, members can adjust their groups as desired or even exit.

Further, results in Table 2 showed that the coefficient of legislation was β=0.24, p<0.040. This result was significant at 5% significance level. Further, the results showed that for a one unit increase in the legislation, Capital Formation increases by 0.24 units. From this finding, there was sufficient evidence to reject the null hypothesis and conclude that

legislation has significant effect on Capital Formation in Kenya. This study finding confirmed that legislation brought stability to the groups which facilitated changes that had a far-reaching added-value effect about micro-enterprise development indicating a possible increase in capital accumulation among members as stated by Louise (2014).

Finally, results in Table 2 showed that the coefficient of Duration of membership was β=0.12, p<0.020. This result was significant at 5% significance level. Further, the results showed that for a one unit increase in the duration of membership, Capital Formation increases by 0.12 units. From this finding, there was sufficient evidence to reject the null hypothesis and conclude that duration of membership has significant effect on Capital Formation in Kenya. This finding agreed with Ksoll et al., (2015) who indicated a positive effect of Village Savings and Lending Associations on households in relation to the type and size of housing, expenditure, number and type of meals consumed per day in Tanzania and that this effect was attributed to the increase in savings and credit obtained through membership in Village Savings and Lending Associations especially seen on individuals who had prolonged and consistent memberships to groups.

CONCLUSION AND POLICY RECOMMENDATION

Capital Formation and its importance in economic development cannot be overlooked especially in rural areas where income sources are few. The results of this study confirmed that Village Saving and Lending Associations have a positive effect on Capital Formation in Kenya. From these findings, it is concluded that Village Saving and Lending Associations forms a key roadmap for Small-scale Entrepreneurs capitation. All the Village Saving and Lending Associations components studied indicated a positive significant effect on Capital Formation among the target group. Evidence gathered in the study revealed that for every 1 unit increase of Group Dynamics, Capital Formation increased by 1.23 units. For every 1 unit increase in Village Saving and Lending Associations attractive aspects, there was an increase of Capital Formation by 0.57 units. For every 1 unit increase in Village Saving and Lending Associations legislation, there was an increase of Capital Formation by 0.24 units. Furthermore, the results revealed that for every 1 unit increase in duration of membership, there was an increase of Capital Formation by 0.12 units. These findings underline the important role that Village Saving, and Lending Associations play in capitation of small-scale entrepreneurs in Kenya.

In view of the foregoing findings, the researcher recommends that in relation to the finding that Group Dynamics have a positive effect on Capital Formation, County Coordinator of Social Development (CCSD) who heads the Department of Social Development (DSD) at the Counties, take cognizance of this finding to be guided on what areas to enhance support to strengthen the groups through relevant trainings and guided

group management. In view of the finding that Village Saving and Lending Associations have unique characteristics that enhance Capital Formation among small-scale entrepreneurs in Kenya, the model and its unique aspects should be promoted without dilution throughout the country to increase reach to as many small-scale entrepreneurs as possible. The Department of Social Development must take lead in these supported by local administrative officers within the Counties. Further, in view of the finding that Legislation enhances group stability which leads to Capital Formation among small-scale entrepreneurs in Kenya, this researcher recommends that the Depart of Social Development at the Counties ensure that all groups are properly legislated and educated on all legal procedures that are involved in running and management of the groups. Finally, in view of the finding that Duration of Membership in Village Saving and Lending Associations enhances Capital Formation, small-scale entrepreneurs in Kenya must continually be encouraged to maintain membership in saving groups and consistently participate in saving. The Department of Trade and Enterprise development at the Counties must take lead in this. Development partners operating within the Counties who promote the Village Saving and Lending Associations methodology must offer similar support to group members and work closely with relevant government departments to synchronize support services to groups.

Policy Implications

In view of the foregoing findings and the recommendations thereof resulting from this research, it is imperative that relevant government departments take necessary policy decisions to promote Village Savings and Lending Associations. The department of Social Development must take deliberate steps to facilitate and make easy they the process of Village Savings and Lending Associations registration. It is important that the department enlist enough manpower to handle required training and requisite support to make the groups more stable. This implies that government must set apart adequate budget to facilitate these requirements. Additionally, the government must ensure that the micro-enterprise climate is improved to enable small-scale entrepreneurs to run their businesses easily and profitably. This implies that the government department of Trade must put more emphasis on development of policies that enhance business environment for small businesses so that capital generated through Village Savings and Lending Associations can be invested in viable enterprises.

Limitations and Future Research

During the study, a section of respondents was skeptical and not willing to divulge information as requested by the enumerators. This was however mitigated by assuring

the respondent that data collected was for academic purposes only and that all information will be held in utmost secrecy. Respondents were also informed that their response was voluntary and so only those willing were interviewed. Low literacy level of the targeted entrepreneurs was as well a major challenge during data collection. Majority of the respondents were mostly fluent in their local language. This challenge however overcome by ensuring that the enumerators understood and could communicate using the local language. In some cases, the researcher sought support from interpreters. The current study lacks a longitudinal aspect related to the data collected since the data was collected at only one point in time, which limits the possibility of drawing causal effect (Muathe, 2010). Finally, all the individuals sampled are located in Makueni County; this makes it difficult to generalize the results the other counties in due to their unique typological characteristics. Hence future research should consider sampling more counties and use longitudinal design which is a better design in drawing causal relationship.

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