Microfinance and Business Development Service Linkages: Synergies for Micro and Small Enterprise Development in Kenya

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Declaration

This thesis is composed of my original work, and contains no material previously published or written by another person except where due reference has been made in the text. The content of my thesis is the result of work I have carried out since the commencement of my research higher degree candidature and does not include a substantial part of work that has been submitted to qualify for the award of any other degree or diploma in any university or other tertiary institution.

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Abstract

Microfinance, the delivery of microcredit to low income people, is a popular development approach among governments in both the developing and developed world. The approach encourages mainly the poor to pursue self-employment by creating micro and small enterprises. Most microfinance institutions, the main providers of microcredit in developing countries, are seemingly taking a minimalist approach in their operations. Against this background it is feared that provision of business development services (BDS) to owner managers of micro and small enterprises is likely to be reduced or neglected. Previous attempts to evaluate the association of microfinance practices with the performance of poor people's micro and small enterprises have resulted in mixed results with little theoretical underpinning.

Within the context of the current poverty reduction discourse, this study investigates the association of microcredit and concurrent provision of business development services with micro and small enterprise performance in a developing country. The key question investigated is whether, given access to microcredit, there is a difference in owner-managers' self-assessed performance of their micro and small enterprises contingent on receipt of business development services.

This thesis employs two relational conceptions, Pierre Bourdieu's (1977) critical theory on practice and neoinstitutionalism (see Scott, 2008), to isolate and situate the contending logics in the field of microfinance within the anti-poverty discourse. In so doing the thesis provides insights on the existence and nature of forces behind practice variations in the field of microfinance, notwithstanding the claim of poverty alleviation as being the underlying mission. Further, the thesis uses a Q-Squared approach to analyse the views of stakeholders. Stakeholders include micro and small enterprise owner-managers as users of either or both business development services and microcredit.

With regard to the primary hypothesis - whether there is a difference in owner-managers' self-assessed performance of their enterprises contingent on their use of both business development services and microcredit - the findings are in the affirmative. Compared to their counterparts who use either or neither business development services

or microcredit, perceptions of micro and small enterprise owner-managers in receipt of both business development services and microcredit with respect to the performance of their enterprises are generally higher. The findings indicate that, in general, micro and small enterprise owner-managers in receipt of business development services report skill development as the main benefit accruing. Additionally, for owner-managers of micro and small enterprises who report satisfaction with the delivery of business development services, most record higher scores on self-rated performance of their enterprises. Further micro and small enterprise owner-managers raise concerns that current microcredit terms are not only stringent, but also constrain the operations of their businesses. However in general most micro and small enterprise owner-managers in receipt of microcredit perceive that this access improves the performance of their enterprises.

In terms of the theoretical frameworks underpinning this thesis, these results mean that from a Bourdieusian perspective, MSEs belonging to owner managers who concurrently have access to both economic and cultural capital appear to enjoy a synergistic benefit compared to MSEs belonging to owner managers with access to economic capital alone. Further, it appears that combined provision of cultural and economic capital is likely to lead to better perceived MSE performance than supply of cultural capital on its own. However MSE owner managers with exclusive access to cultural capital (BDS) compared to their counterparts with exclusive access to economic capital (microcredit), are likely to report higher performance for their enterprises. From a Bourdieusian point of view, it could be argued that access to cultural capital (BDS) enables MSE owners to acquire the necessary management skills that can enhance their habitus and consequently enlighten their decision making.

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Acronyms

BDS	Business Development Service
DFID	Department for International Development
EMG	Emerging Markets Group
ILO	International Labour Organisation
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MFI	Microfinance Institution
MSE	Micro and Small Enterprise
NGO	Non-Governmental Organisation
SACCO	Savings and Credit Cooperative Society
SDC	Swiss agency for Development and Cooperation
SHG	Self Help Group
ROSCA	Rotating Savings and Credit Association
USAID	United Sates Agency for International Development

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