

7.4 What challenges micro-finance enterprises face in the implementation of capital budgeting.

It has been deduced from the study that micro-finance enterprises face many challenges in the implementation of capital budgeting techniques. One of them is knowledge sharing. Some micro-finance enterprises are modern in nature and thus have the financial might to counter any turbulence that may come their way. They have the expertise and know how to navigate through emergent organizational

trends. Some capital budgeting techniques, although efficient, do require experts to assist in their implementation (as per the study). Not all micro-finance enterprises have access to such know-how and skilled labor thus the need and challenge of knowledge sharing arises. As per the study, many micro-finance enterprises operating in rural Mombasa are not exposed to emergent finance techniques like capital budgeting techniques. The findings also showed that there were some positive correlations between some of the variables.

Correlations

	Microfinance_growth	Capitalbudgeting_decisions	Payback_period	Internalrateof_returns	Netpresent_value
GMF	1	0.948	0.896	0.823	0.22
NPV	0.948	1	0.92	0.81	0.173
IRR	0.896	0.92	1	0.835	0.151
PBP	0.823	0.81	0.835	1	0.067
CBD	0.22	0.173	0.151	0.067	1

Key: NPV-Net Present values, IRR-Internal rate of returns, PBP-Payback period, CBD-Capital budgeting decisions, GMF-Growth of micro-finance enterprises. There is a weak positive coefficient of correlation of 0.220 between growth of micro-finance enterprises (dependent variable) and net present value (independent variable) indicating that net present value has minimal effect on the growth of micro-finance enterprises in Mombasa County. There is a strong positive correlation of 0.823 between growth of micro-finance enterprises(dependent variable) and internal rate of returns(independent variable) indicating that internal rate of returns has a strong influence on the growth of micro-

finance enterprises in Mombasa County. There is a strong positive correlation of 0.823 between growth of micro-finance enterprises (dependent variable) and payback period (independent variable) indicating that payback period has a strong influence on the growth of micro-finance enterprises in Mombasa County. There is a strong positive correlation of 0.948 between growth of micro-finance enterprises (dependent variable) and capital budgeting decisions (independent variable) indicating that capital budgeting decisions has a strong influence on the growth of micro-finance enterprises in Mombasa County.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.955 ^a	0.913	0.899	0.22983	0.913	65.294	4	25	0

a. Predictors: (Constant), Capitalbudgeting_decisions, Netpresent_value, Internalrateof_returns, Payback_period

From the table above, 91.3% of the relationship between the growth of micro-finance in Mombasa County is explained by the independent variables namely; net present value,

payback period, internal rate of returns and capital budgeting decision. The remaining 8.7% is the relationship by other variables.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.796	4	3.449	65.294	.000 ^b
	Residual	1.321	25	0.053		
	Total	15.117	29			

a. Dependent Variable: Microfinance_growth

b. Predictors: (Constant), Capitalbudgeting_decisions, Netpresent_value, Internalrateof_returns, Payback_period

The test of ANOVA was also carried out (Table 4.20) to test whether capital budgeting techniques influence the growth of Mombasa County micro-finance enterprises. When the test was run at 0.05 significance level, the p value was 0.000. If p value (0.000) is less than α (0.05) then the result is significant inferring capital budgeting techniques do affect the growth of Mombasa micro-finance enterprises..

acquainted with capital budgeting techniques so as to shield the organization from financial turbulence. The government should strive to ensure that micro-finance enterprise managers are properly trained on emergent financial trends like capital budgeting. This would make the micro-finance enterprises to thrive thus positively influence the economy (mostly the informal sector).

8. Recommendations

Financial managers and finance clerks of micro-finance enterprises in Mombasa County must be well versed and

Some simple capital budgeting techniques like payback period should be taught at even technical colleges. This would help give rise to a financially enlightened citizenry. This would even promote prudence in their financial

endeavourer. Eventually, it will have “trickledown” effect to how even micro-finance enterprises from the rural side of Mombasa are run.

Micro-finance enterprises should strive to ensure that they have a reference bureau whereby all the information on defaulting clients can be shared. This would eventually help these micro-finance enterprises better estimate their members payback period, internal rates of returns and their net present values.

9. Future Scope of the Study

The current study was based on a limited sample taken from Mombasa County. Therefore the results could not be generalized to other parts of Kenya especially in the analytical terms. Further research done on a bigger scale with a large sample size could shed light on how capital budgeting techniques effects the growth of micro-finance enterprises in Kenya, analytically.

The current study did not consider the reasons of motivation to use capital budgeting techniques by the micro-finance enterprises from Mombasa County.

There is also another field which is neglected in our study. It is the gap of micro-finance enterprises. Actually, to what extent the micro-finance enterprise are capable of delivering services to the people. Further research could be conducted in this area and for finding reasons for the gap between demand and supply in terms of micro-finance services.

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