

ABSTRACT

Social enterprises are characterized by an emphasis on social innovation through entrepreneurial solutions. This concept has been emerging in the private, public and non-profit sectors over the last few years but mainly in the developed countries. Currently, the non-profit sector is facing intensifying demands for improved effectiveness and sustainability in light of diminishing funding from traditional sources and increased competition for these scarce resources. At the same time, the increasing concentration of wealth in the private sector is promoting calls for increased corporate social responsibility and more pro-active responses to complex social problems, while governments at all levels are grappling with multiple demands on public demands.

The specific objectives of this study were to investigate the effect of micro finance on the growth of social enterprises which have acted as financial providers. Also the study was focus on examining the effect of legal and regulatory framework and too the effect of business development services on the growth of social enterprises. Finally the study was aimed at coming up with recommendations for improving the performance of social enterprises.

The research applied a case study method which proved to be convenient to the researcher due to limited time and resources. This was a descriptive research as it was concerned with describing the characteristics of particular individual or group which is the social enterprises.

It was found out that high cost of credit and loans is the major problem facing access to funds with a 26% score, followed by lack of access to equity with a 16% score, high collateral requirements with a score of 15%, lack of access to venture capital and inadequate information with a score of 11% each. However the respondents seemed to be neutral about high tax on

income and banks not interested in social enterprises although they were still identified as problems. The above findings are consistent with what Bland (2003) found out that finding the most appropriate sources of finance to achieve social goals is the greatest challenge facing social enterprises. In this regard Westall (2007) recommends that banks and the community development finance institutions should work together and finance social enterprises where appropriate.

The respondents felt that the social policies that have been put in place do not specifically pertain the social enterprise sector but are mostly directed to the youth and women organizations. Since most of the social policies formulated are not directed specifically to the social enterprise sector the impact is not felt to a significant extent. This conforms to the study by Thandika (2002) who found that most of the African countries have abandoned the issues of social policy formulation for a narrow strategy of economic growth.

Recommendations made involved the government getting involved with the affairs of the social enterprise sector by providing a suitable environment for them to operate whether the legal or economical. The micro finance institutions also have a crucial part to play in the growth of the social enterprises as access to finance was one of the factor that affected the growth of this sector significantly.