FACTORS INFLUENCING PERFORMANCE OF MICRO FINANCIAL INSTITUTIONS IN MAKUENI COUNTY, KENYA.

BY

MUSAU SARAH MUTINDA

A RESEARCH PROPOSAL SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION, KENYATTA UNIVERSITY

OCTOBER, 2011
DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

Signature ___________________________ Date __________
Musau Sarah Mutinda

This research project has been submitted for examination with our approval as university supervisors.

Signature ___________________________ Date __________
Muathe SMA (PhD)
Department of Business Administration,
School of Business,
Kenyatta University.

Signature ___________________________ Date __________
Mr. Nzulwa
Department of Business Administration,
School of Business,
Kenyatta University.

For and on behalf of Kenyatta University

Signature ___________________________ Date __________
Mr. S.K Bett
Chairman
Department of Business Administration,
School of Business,
Kenyatta University.
DEDICATION

This research project is dedicated to the Almighty God, my Lord and savior for giving me the grace, knowledge and wisdom to undertake this study.
ACKNOWLEDGEMENT

I greatly thank my supervisors Dr. Stephen Muathe and Mr. Nzulwa for guiding me in selecting the research problem and giving necessary correction and suggestion before writing the research project. I also thank my spouse James Musau and Children Carol, Erick and Lillian who provided spiritual support and encouragement. Finally my sincere thanks to all those who were directly or indirectly involved in this research project. Thank you very much and God bless you all.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Content</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>i</td>
</tr>
<tr>
<td>Declaration</td>
<td>ii</td>
</tr>
<tr>
<td>Dedication</td>
<td>iii</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>iv</td>
</tr>
<tr>
<td>List of figures</td>
<td>ix</td>
</tr>
<tr>
<td>List of tables</td>
<td>x</td>
</tr>
<tr>
<td>Definition of terms</td>
<td>xii</td>
</tr>
<tr>
<td>List of acronyms and abbreviations</td>
<td>xiii</td>
</tr>
<tr>
<td>Abstract</td>
<td>xiv</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION .............................................. 1

1.1 Background of the study ....................................... 1

1.2 Statement of the problem ...................................... 2

1.3 Objectives of the Study ....................................... 3

1.3.1 General objective ........................................ 3

1.3.2 Specific objectives ........................................ 3

1.4 Research Questions ........................................... 3

1.5 Significance of the Study ................................... 4

1.6 Scope of the Study ............................................ 4

1.7 Limitations of the Study .................................... 4
CHAPTER FOUR: RESEARCH FINDINGS ......................................................... 20

4.1 Introduction ............................................................................. 20

4.2 Response rate ........................................................................ 20

4.3 Marketing and performance of MFIs ........................................ 21

4.3.1 Challenges /problems they face when marketing the products ........................................................................... 23

4.4 Information technology as a factor affecting performance ...... 24

4.5 Information technology used in taking feed back to the office .... 26

4.6 Level of education and staff training ....................................... 27

4.6.1 Duration of serving in the current organizations ................. 28

4.6.2 Training and in-service .......................................................... 29

4.7 Organizational culture and its effects on performance of MFIs .. 31

4.7.1 Choice to work with the MFIs ............................................. 32

4.7.2 Treatment received from managers and field officers ......... 32

4.7.3 Membership of customers in other MFIs ............................. 34

4.8 Competition with other micro finance institutions ................. 36

4.8.1 Product differentiation by MFIs ........................................ 37

4.8.2 Effect of increased competition on performance in micro finance industry ........................................... 37

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 41

5.1 Introduction ............................................................................. 41

5.2 Summary .................................................................................. 41

5.3 Conclusions ............................................................................. 42

5.4 Recommendations .................................................................. 42

5.4.1 Recommendations for further studies ................................. 43
REFERENCES .................................................................................................................. 44
APPENDIX I: QUESTIONNAIRE FOR THE MANAGERS .............................................. 47
APPENDIX II: FIELD OFFICERS QUESTIONNAIRE ................................................... 54
APPENDIX III: QUESTIONNAIRE FOR CUSTOMERS .................................................... 58
LIST OF FIGURES

Figure 2.1: Schematic diagram ................................................................. 16

Figure 4.1: Views of customers on products ........................................... 23

Figure 4.2: Opportunity to provide feedback .......................................... 34

Figure 4.3: Scree - plot ........................................................................... 40
LIST OF TABLES

Table 3.1: Cronbach alpha computation .......................................................... 19

Table 4.1: Response Rate .................................................................................. 20

Table 4.2: Effects of marketing on performance of MFIs ................................... 21

Table 4.3: Methods used in marketing of products and services ....................... 21

Table 4.4: Managers and field officers views about the products ...................... 22

Table 4.5: Challenges faced when marketing products ..................................... 24

Table 4.6: The actual problems faced when marketing products ...................... 24

Table 4.7: Effect of IT on performance of MFIs ................................................. 25

Table 4.8: Level of IT used .................................................................................. 26

Table 4.9: IT used by MFIs ................................................................................. 26

Table 4.10: Methods used for feedback ............................................................. 27

Table 4.11: Level of education .......................................................................... 28

Table 4.12: Duration of service ......................................................................... 28

Table 4.13: Staff training by MFIs ................................................................... 29

Table 4.14: Number of courses received ........................................................... 30

Table 4.15: Frequency of training .................................................................... 30

Table 4.16: Reasons why managers are committed .......................................... 31
Table 4.17: Reasons for working with the MFIs................................. 32
Table 4.18: Treatment by managers and field officers............................... 33
Table 4.19: Rating of customers belonging to other MFIs............................ 35
Table 4.20: Frequency of customers in other MFIs.................................... 35
Table 4.21: Intentions to leave MFIs.......................................................... 36
Table 4.22: Competition and performance of MFIs..................................... 36
Table 4.23: Methods of product differentiation by MFIs............................... 37
Table 4.24: Effect of competition on performance of MFIs........................... 38
Table 4.25: Rating of factors that influences the performance of MFIs................. 39
DEFINITION OF TERMS

Microfinance institution – Is an organization that provides financial services to low income individuals or to those who do not have access to typical banking services.

Competiveness – This is the relative standing of one company against other companies.

Effectiveness – The ability to determine appropriate objectives, “doing the right thing.”

Efficiency – the ability to minimize the use of resources in achieving organizational objectives. “doing things right.”

Grass-root – Refers to a level of operation where the beneficiaries are directly involved in appraisal, decision making, planning, implementation and management of development projects.

Innovation – The translation of a new idea into a new company, new product, new service, new process or new method of production.

Management – The process of planning, organizing, leading and controlling the work of organizational members and of using the available organizational resources to reach stated organizational goals.

Organizational performance – The measure of how efficient and effective an organization is, how well it achieves appropriate objectives.

Strategic management - The management process that involves an organization engaging in strategic planning and then acting on those plans.

Strategy – The broad program for defining and achieving an organization’s objectives. i.e. organization’s response to its environment over time.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>Information Communication and Technology</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KWFT</td>
<td>Kenya Women Finance trust</td>
</tr>
<tr>
<td>MFIs</td>
<td>Micro Financial Institutions</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Governmental Organizations</td>
</tr>
<tr>
<td>SAPs</td>
<td>Structural Adjustment Programmes</td>
</tr>
<tr>
<td>SHG</td>
<td>Self Help Group</td>
</tr>
<tr>
<td>SMEP</td>
<td>Small and Micro Enterprise Programme</td>
</tr>
<tr>
<td>SMES</td>
<td>Small Medium Sized Enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>UNCDF</td>
<td>The United Nations Capital Development Fund</td>
</tr>
</tbody>
</table>
ABSTRACT

The micro-financial institutions in Kenya are operating in a competitive environment than before and the importance of strategic management cannot be overlooked. This is because it determines how an organization react to competition and other business environmental challenges. The way a microfinance institution reacts strategically to these challenges will determine its survival and even its performance. Therefore, the researcher sought to investigate factors influencing performance of micro-financial institutions in Makueni County. The study employed descriptive survey design and used five micro financial institutions in Makueni County for data collection. The target population was 280 respondents while the sample size was 170 respondents. Questionnaires were used to collect data. Pilot study was carried out to check reliability and validity of instruments. Data was analysed by use of Statistical Package for Social Sciences (SPSS) computer software program, and was presented by use of charts and tables. Factor analysis was used to find the goodness of the data and to help reduce a large number of variables to a meaningful, interpretable and manageable set of factors. The findings indicated that marketing of products and services, information technology, staff training, organizational culture and competition affected the performance of micro financial institutions. Various recommendations were made that MfIs should become more aggressive by diversifying the marketing methods and strategies other than using Self Help Groups (SHG). Again, the government and non governmental organization should establish more MfIs to accommodate all the people who do not earn regular income and the government with other ICT providers should make ICT skills and services available in rural areas and at affordable costs to enable customers reach their MfIs.
CHAPTER ONE
INTRODUCTION

1.1 Background of the study

The banking industry is a vital part of any country’s financial system because it provides a major source of financial intermediation and plays a major part in a country’s payment system (Mayaka, 2009). Evaluating banks overall performance and monitoring their financial condition of which assessment of efficiency is a key part, is important to depositors, owners, potential investors, managers and regulators. If micro-financial institutions become more efficient, we might expect improved profitability, greater amount of funds intermediated, better price and quality service for consumers, greater safety and better returns to shareholders (Rest, 1997). A micro-financial efficiency can be regarded as socially beneficial because it minimizes the cost of financial intermediation i.e. reducing wastage of resources due to the transfer of funds from savers to producers (Rest, 1997).

However, due to numerous economic problems, the third world countries including Kenya was forced to accept harsh conditions from the two Bretton woods institutions, the IMF and the World Bank. These conditions were established in the Structural Adjustment Programmes (SAPS) that were launched in 1979 and were imposed after the 1982 debt crisis (Gelinas, 1998). The economic reforms forced third word countries to adjust their economic and commercial structures, as well as the social structure to global market requirements. These economic reforms posed and continue to present various challenges to economies, for example, many people lost their jobs and became poor as a result of measures taken to downsize public administration and privatize public enterprises with liberalization, this meant that, due to inflow of good services, increased competition from imports meant that local industries that were not competitive closed down and workers were laid off.

Although economic growth achieved through this transformation was expected to create new job opportunities to compensate for the present loss in wealth and stability in the short term growth has not been steep enough to enable those unable to extricate themselves from poverty to survive (UNCDF, 1997). Thus, the 1980’s witnessed a spectacular proliferation of non conventional
financial institutions geared to offering credit service and to some extend, saving, to those who had always, been excluded as ignored by mainstream banking institutions. These included the low wage earners, women and the poor (Gelinas, 1998). These are the Microfinance Institutions. Microfinance refers to the provision of financial service to the low income clients, including self employed (Ledgerwood, 1999). The term also refers to the provision of credit, saving and other financial service to the very poor and to small and medium sized enterprises (SMES) (Nyanjwa, 1999). Some MFIs provide non – financial services such as business training, marketing and technical assistance. Microfinance usually involves provision of small loans. However access to repeat and larger loans is based on repayment performance. Most MFIs use collateral substitute such as peer group lending guarantees (solidarity group) or compulsory savings (Mayaka, 2009). There is normally closer personal contact between the field offices and customers and loans are mostly short term (Nyanjwa, 1999).

Microfinance clients are typically self – employed, low income entrepreneurs in both rural and urban areas. Majority run SMEs employing a small number of employees. Since 1980’s the field of microfinance has grown tremendously in Kenya. This could be due to various reasons such as the potential of reaching the poor, as the government seriously work on to the issue of poverty alleviation, the potential the MFI have in strengthening and expanding existing formal financial system (Ledgerwood, 1999).

1.2 Statement of the problem

The growth of Kenyan economy since independence has been accompanied by expansion and diversification of the financial systems (Mayaka, 2009). This growth has been seen in the numbers as well as the range of financial intermediation. The changing banking environment has caused major restructuring in the industry. These changes came about as a response to decline in profits that started being observed in the early 1990’s (Kyalo, 2002). Financial institution in Kenya is now operating in a more competitive environment than before the government introduced liberalization of the economy. There has been an increase in financial service providers like Micro-financial institution, SACCOS etc. Since the changing environment in which micro-financial institutions in Kenya are operating has become more competitive, the financial institutions have to position themselves strategically to remain on course as well as to
achieve their vision and mission. The need to modernize equipment, train and develop human resource continuously, improve management styles, and create efficient and low cost innovative services are some of the key factors to influence the performance of the micro-financial institutions given to the dynamic nature of business environmental factors and competition. The micro financial institutions made a tremendous impact both in the rural and urban areas in an effort to eradicate poverty through empowering lower income earners financially. Thus the study sought to find out the factors that have influenced the performance and success of the micro financial institutions in the County.

1.3 Objectives of the Study

1.3.1 General objective

The researcher aimed at investigating the factors that influences the performance of micro-financial institutions in Kenya.

1.3.2 Specific objectives

The study set out to meet the following objectives:

i. To find out how marketing of products and services affects the performance of MFIS in Kenya.

ii. To explore how the level of information technology affects the performance of MFIS.

iii. To determine whether staff training affect the performance of MFIS in Kenya.

iv. To establish how organizational culture affect performance of MFIS in Kenya.

v. To investigate how competition affects performance of MFIS in Kenya.

1.4. Research Questions

The following research questions guided the study:

i. How does marketing of products and services affect performance of MFIS in Kenya?

ii. In what ways does the level of information technology affects the performance of MFIS in Kenya?
To what extent does staff training affect the performance of MFIS in Kenya?

What is the contribution of organizational culture towards performance of MFIS in Kenya?

How does competition affect performance of MFIS in Kenya?

1.5 Significance of the Study

The study may be of benefit to the following groups of people:

The individual micro financial institutions selected in understanding the factors that impact performance. Other micro-financial institutions in coming up with policies which will enable them compete favourably. The government of Kenya in coming up with institutions which help reduce poverty through lending loans to small savers. Other researchers may use this study as a point of reference for future studies.

1.6 Scope of the Study

The scope of this study was the micro-financial institutions. Reference was on 5 MFIs in Makueni County. The study considered managers, field officers and customers of the MFIs. This aimed at getting the strategies planned from the top management consisting of management level who are the policy makers the managers filled in the questionnaire. Strategy implementation consisted of low cadre who were field officers and also filled in the questionnaires to assess the factors influencing the performance of MFIs. Information from the managers showed that, there are five micro financial institutions operating in the county. 30 officers in the management level, 30 field officers and 110 customers were sampled. This gave a sample size of 170 respondents.

1.7 Limitations of the Study

The study was conducted in Makueni County which encompassed the five MFIs in the county and dealt with 30 managers and 30 field officers and some 110 customers. This was costly to the researcher in distributing the questionnaires. The research was also carried out during working hours so the researcher was busy with official duties.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter presents review of literature on theoretical framework, general performance of micro financial institutions (MFIs), empirical review and gaps to be filled by the study.

2.2 Theoretical Review
The study was based on Grameen Bank model. This model has been adapted extensively to suit the Kenyan environment. The model was founded by Dr. Muhammad Yunus (Yunus, 1976). The model was designed and developed in Bangladesh with a view to deliver financial services to the poor, who have no access to formal banking services. Key feature of Grameen Bank model as applied in Kenya are (i) Group lending approach where clients organize themselves into groups for the purpose of attaining economies of scale from the small sized transactions and they institute group guarantee mechanism. (ii) Character based appraisal where credit appraisal is based on character assessment, rather than traditional collateral (ownership of land or other assets) and viability of projects to be financed. (iii) Focus is on micro enterprise where the model has a special focus on financing very small businesses and the poor. A number of NGOs have also promoted Self Help Groups (SHG) which are registered under the ministry of culture and social services. These groups have been formed with the objective of developing intergroup associations and linkages with banks (Yunus, 1976).

One key feature to Grameens success is the use of lending circles for credit dispersal. Each circle contains five borrowers with one member acting as the group leader. Each group has a mandatory requirement to meet once a week. At these weekly meetings, loan repayments and savings are collected and various issues or topics of concern are discussed. A Grameen staff member is also present at these weekly meeting to ensure repayments are on time and complete. Loan dispersal occurs in a cycle. The two poorest members of the group receive loans first, a few weeks later; two more members also receive loans. The group leader gets his/her loan last. The advantage of organizing in small lending groups is that it allows easy flow of information to members. It is also an effective way to monitor group and individuals to prevent the misuse of
loans, for example spending on non-business uses (Bornstern, 1996:2). Grameen Bank model have focus principle that is discipline unity, courage and hard work.

2.3 General performance of MFIs

In order to be able to evaluate an organization performance, there is need for the organization to have specific performance indicator. By calculating Performance indicators, it becomes possible to determine institutional effectiveness and efficiency. Performance indicators collect and restate financial data so as to provide useful information about the financial performance of an MFI. This is because, effective financial management requires periodic analysis of financial performance (Ledger wood, 1999) However, there are no standard set of ratios or standard range of performance of the microfinance industry; but there are efforts to establish a set of worldwide microfinance performance standards (Saltsman, 1998).

According to the World Bank, performance indicators that may be used include sustainability, outreach, profitability, financial performance, interest on deposit, term and conditions on loans and general institutional characteristics. According to (Tendler, 1989), number of loans issued, amount saved, number of savings, account held and loan repayment rate can be used as performance indicators since they are easily quantifiable. Grammen Bank used the following to evaluate performance, loans repayment, type of income generating activities financed by banks as well as the relationship between the actual and desired target groups (Pal, 1985). According to NGO microfinance standards 1998, the following can be used to evaluate performance; outreach, repayment rate, portfolio at risk, operating cost ratio, current ratio, operational self sufficiency and equity to asset ratio.

In Kenya, various MFIs use different performance indicators to evaluate their own performance. No particular studies have been done on performance of MFIs. Usually, institutions carry out their own evaluation report or evaluation of the projects that they support.
2.4 Empirical review

2.4.1 Marketing of products and performance of MFIS

The American marketing Association has defined marketing as the performance of business activities that direct the flow of goods and services from the producer to seller to the consumer or user. (Kotler, 2000) on the other hand defines marketing as the satisfaction of human needs and wants through exchange process. (Stanton, 1989) goes further by saying that, marketing companies is a system of business activities designed to plan, price, promote and distribute satisfying products and service to present and future potential consumer segments.

All the above authors here mentioned marketing as involving business activities that are geared towards satisfying human wants for profit purpose. These leave out non-profit making organizations. (Kibera, 1998) defines marketing as the performance of those activities that attempt to satisfy a given individual or organization target group needs and want for the mutual benefit or benefits.

The marketing concept is the orientation that all marketing decision making should start by understanding the target consumer and then work backward to the organization. The marketer should first identify the needs and wants which consumers are trying to satisfy through marketing research, then identify a product that will satisfy those needs and wants at a profit. (Kotler, 2000) observes that marketing help to define the business mission as well as analyzing the environmental competitive and business situations. It therefore plays a major role in the organizations strategic planning process. The strategic marketing responses are based on the marketing mix elements of product price, distribution and promotion.

2.4.2 Information Technology and the performance of MFIS

Nesbitt (1984) theorized that, the future would be driven largely by information and that companies that will manage information well would obtain advantage. (Senge, 1990) in popularizing the theory of a learning organization concluded that, a company’s ability to gather, analyse and use information is a necessary requirement for business success in the information age. (Moore, 1991) and (Frank, 1995) also detected a shift in the nature of competition. In
industries with high technological content, technological standards become established and this gives the dominant firm a near monopoly. The same is true of networked industries in which interoperability requires compatibility between users.

The emergence of digital firms has changed the focus and emphasis of business strategy from competing head to head against other firms in the market, to exploring, identifying and occupying new market niches before competitors understand the customer value chain better and learning faster and more deeply than competitors (Laundon, 2005). Changes in the environment are faster than the way organizations change. The main reasons for organizational failures are an inability to adapt to rapidly changing environment and lack of resources particularly among young firms to sustain even short periods of troubled times (Freeman, 1983). Information systems can play an important role of acting as environmental scanning instruments alerting on the environmental changes that require an organizational response (Laundon, 2005).

Information Technology especially the use of networks can help a firm lower the cost of market participation, making it cheaper to contact external suppliers instead of using internal sources. IT can also change the hierarchy of decision making in an organization by the lowering the costs of information acquisition and the distribution of information (Maalone, 1997). IT can bring information to senior managers directly from operating units thereby eliminating the need for middle managers and clerical support workers. Information systems originally intended to be strategic frequently become tools for survival required by every firm to stay in business (Eardley, 1997).

Successful firms have aligned IT to the organizations business plan, firm’s business processes and senior management strategic plans. If these are outdated, there is need to change the organization and information technology to achieve an optimal fit (Laundon, 2005).

Gilbert (1995) notes that, strategically successful organizations obtain market feedback continuously and rapidly, they adapt immediately to the feedback ahead of rivals.

They exploit the potential of strategic as well as competitive and operating information systems. Some of the IT variables that can influence a firm’s response to competition include; usage of
modern systems, extend of interconnectivity of distribution channel, as well as the efficiency of the telecommunication system.

2.4.3 Staff Training and the performance of MFIS

Training is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction and development and planned experience (Armstrong, 2001). The fundamental aim of training is to help an organization achieve its purpose by adding value to its key resource - the people it employs. Many organizational seem to view employee training a more optional than essential. A viewpoint that can be costly both short term profits and long-term progress.

Training and development are the heart of any organization growth. They are valuable tools because they are seen as an investment to the organization helping it to improve its profitability, reduce its costs, increase the commitment and motivation of its people and realize their potential (Bacol, 1999). Recognition of the importance of training in recent years has been heavily influenced by intensification of competition and also relative success of some economies in the world (Achoch, 1995).

In many organizations, training budgets are solely a function of whether the organization is enjoying an economic upswing or enduring a down turn. In good times, organizations tend to spend money on training that is not significant to the organization, and in bad times, the pendulum swings to the other extreme and training is eliminated altogether. In any economic environment, the training expense should be determined by the targeted result, not other budget related factors.

Lack of training expertise is common in many businesses, which typically have no training department, and in large organizations where the training department to design and deliver planned training. In organizations that lack training expertise, it is common to find subject matter experts who have no knowledge of instructional design left to their own abilities to establish and carry out training for new workers which may also mean that, trainers, human resource professionals, organizational leaders, managers and supervisors have not understood the value of training and role it plays in improving performance of employees at workplaces.
Today's business environment can be characterized as changing. The accelerated pace of advances in technology, increasing foreign competition, widespread and growing unemployment creating serious adjustment problems, and diminishing resource supplies have affected the way business is conducted. This complex and unstable environment is a way of life, which will continue far into the future (Cole, 1997). Quality performance requires that, employees be capable, have clearly defined job roles, know what is expected of them, have the tools to do the job, have the knowledge and skills to perform, and receive regular feedback on performance (Cole, 1997).

2.4.4 Organizational culture and the performance of MFIS

Organizational culture can be defined as the way we do things around here. It comprises values and beliefs that may be deep-rooted and hard to change. It is also evident in attitudes and behaviours, which may also be resistant to change (Linda, 1998). (Mullins, 2005) defines culture as the collection of traditions, values, beliefs and attitudes that constitute a pervasive context for everything we do and think in an organization. According to (Varey, 2001), culture and communication cannot be separated. He argues that for people to communicate and cooperate they must share some assumption about the world they are in and some common standards by which they judge our own and each other actions.

Cartwright (1999) sees culture as a system of managing authority. When accepted by employees, cultural value increases the power and authority of management in three ways, they identify themselves with the organization, they internalize the organizations values and they are motivated to achieve the organizations objectives. Culture is reinforced through the system of rites and rituals, patterns of communicating the informal organization expected patterns of behavior and perceptions of the psychological contract. Every organization will have its own unique culture and different people will be comfortable working in certain organization if their attributes and personalities are consistent with the culture of that organization.

Culture of an organization develops over time in response to a complex set of factors which influence the development of organizational culture. These are history of organizations primary function and technology, organizational goals and objectives, organizational size, organizational
location, organizational management and staffing and organizational environment. To be effective, an organization must respond to external environmental influences. If the environment is dynamic the organizational structure and culture should be sensitive and readily adaptable to changes. Given the pervasive nature of culture it will significantly affect organizational processes such as decision making, design of structure, group behavior, work organization, motivation and job satisfaction and management control. (Harison, 1972) maintain that organizations culture influences behavior of all individuals and groups in the organization. Culture impacts most aspects of an organizational life such as how decision are made who makes them how rewards are distributed, who is promoted and how the organization responses to its environment. (Naylor, 2004) point out that in the holistic system, any change will affect the culture and the culture will affect or contain the change. It is widespread these days that organizational change is just about changing the structure but often requires changing the culture too.

Culture is clearly an important ingredient to effective organizational performance. (Waterman, 1982) drew the attention to the importance of the culture in their study of 62 American companies with outstanding successful performance that without exception the dominance and coherence of culture proved to be an essential quality of excellent companies and more it was directed to the market place, the less there was need for policy manuals, organizational charts and detailed procedures and rules. (Cha, 2002) suggested that every company has a good or bad culture. However, there is more to good culture than happy staff. To aid long term performance, there is need to develop a suitable culture that is strategically relevant, strong inorder that people care for what is important and have an intrinsic ability to adapt to changing circumstances.

To develop, manage and change culture, Chatman and Cha proposed the use of the following managerial tools, recruitment and selection, social tools, training and reward system.

2.4.5 Competition and performance of MFIS

Organizations of late operate in a very dynamic environment. Consequently, businesses have been forced to change their strategies regularly to be able to match their resources with the environment. (Thompson, 1993) states that organizations depend on the environment for their
survival and therefore, it is necessary for them to scan the environment in an effort to identify changing trends and conditions that could eventually affect the industry and adapt to them.

Johnson (1999) argue that, organizations operate within environments which are turbulent and rapidly changing. Therefore, their relationship is seen as mutual and it is important that, effective strategies be in place to facilitate the relationship. They continue to say that, most important environmental factors that influence and determine the success of competitive strategies adapted by an organization are found within the competitive environment, which constitute the industry within which an organization operates.

Due to the fact that, environment is constantly changing, it is imperative that an organization has to constantly adapt its activities to reflect to the new environmental requirements. Yesterday cannot be used to predict tomorrow. Companies which would like to survive must adapt and adapt to change (Porter, 1980). Strategic management according to (Ansoff, 1990) is a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises. (Prahalad, 1989) states that an organization has a foundation for sustained competitive advantage when it possesses skills or resources that provide superior value to customers and that are difficult to imitate. In a turbulent environment, the more enduring advantage is the ability to anticipate involving customer needs and to generate value creating capabilities based on that knowledge. Unless there is advantage over competitors that is not easily duplicated or connected, long term profitability is likely to be elusive.

Many companies in the 1990’s have acknowledged the critical importance of being customer oriented. Customers pay attention to after sale service, knowledge and responsiveness of employers (Kotler, 1997). (Aarker, 1989) observe that long term success involves creating, managing and exploiting assets and skills that competition find difficult to match or counter. This involves a three step process (a) identifying relevant skills and assets by observing successful and unsuccessful firm, key customers motivations, large value added items and mobility barriers (b) selecting those skills and assets that will provide an advantage over competition, will be relevant to the market, and will be feasible sustainable and appropriate for
the future and (c) Develop and maintain those assets and skills and neutralize those of competitors. Aarker continues to state that there are three basic ways to compete, namely on the basis of delivery, quality or price. (Prahalad, 1989) say that, the restructuring and re-engineering while both are legitimate and important tasks they have more to do with sharing up today business than with building tomorrows industries.

Any company which is a bystander on the road to the future will watch its structure values and skills become progressively less attained to industry realities such a discrepancy between the paces of company change gives rise to the need for organization transformation. A company organizational transformation typically includes downsizing overhead reduction employee empowerment and process redesign and portfolio rationalization (Mayaka, 2009). (Bennet, 1983) emphasizes the importance of improving a company image and points out that the first step in doing this is finding out where you are currently. He says that that, this can be done by determining the target audience especially the employees.

A competitive action is defined as a specific and visible initiative taken by a company such as the introduction of a new product or a price reduction in order to improve or defend its competitive position.

A number of studies have been done in Kenya on strategic responses by various business firms to increased competition. (Kombo, 1997) note that, in the motor vehicle industry, firms made substantial adjustments in introducing new technologies of product development, differentiated their product, segmented and targeted their customers more and improved customer services in order to adapt to changes in the environment. He continued to say that, for firms to be effective and hence successful, they should adapt appropriately to the change that occurs in their respective environment. (Ansoff, 1990) noted that, strategic responses involve changes in the firm’s strategic behaviour to ensure success in the transforming future environment.

Robinson (1997) defines strategic responses as the set of decision and actions that result in the formation and implementation of plans designed to achieve a firm objectives. It is thus a reaction to what is happening in the environment of organizational operational responses is
concerned with the setting broad policies and plans for using their resources of firm to best support its long term competitive strategy. Thus operational responses can be viewed as part of a planning process that coordinate with those of the larger organization (Porter, 1998).

Managerial decisions with respect to operational planning and control are narrow and short term by comparison with the strategic issues that are broad with a typically long term frame depending on the specific industry (Johnson, 1999). The study is therefore focused on management decisions at the strategic level which influence the company’s long range effectiveness in terms of how it can address its customer needs and response to increased competition. (Ansoff, 1990), states that, increased competition has created fundamental shift in economic environment. No organizations wish to stay aloof if it fails to come up with proper strategic responses. Terminologies such as retrenchment, mergers and cost control have of late become routine for survival means. (Aosa, 1992) states that industries are responding to customers demands by becoming more innovative in their ways of approaching the changed environment. They use strategies such as improved customer service, credit facility, post paid cards and provision of convenience goods and services.

Competitive pressure are forcing corporation to adopt new flexible strategies and structures, many of these are familiar such as acquisition and divestitures that are aimed at more focused combination of business activities, reduction in management staff and increased use of performance based rewards (Kancer,1989). The concept of organizational structuring or reorganization is all about changing the organization to equivalent of self administered surgery with no insurance, no anesthetic and no assurance of long term health (Augustine 1997). There is need to adapt to new strategies that match the challenges from the environment. Re-engineering, downsizing, self management and outsourcing are some of the dominant strategies that have been used for restructuring in the 1990’s (Robinson, 2000).

Burnes (1998) argue that, the concern in real time response is to minimize the sum to total losses and restore profitability to ensure organizational success in a turbulent and surprising environment. He also observed that the unstable and unpredictable conditions organizations have
to operate today means that, the ability to think strategically and manage strategic change successfully is key competitive strengths for a sustainable competitive advantage.

Real time strategic issue responses are necessary to facilitate the firm preparedness impeding issue, which may have profound impact on the firm. (Ansoff, 1990) asserts that, the management system used by a firm is a determining component of the firm’s responsiveness to environmental changes. The way that management perceives the environment diagnosis their impact on the firm, decides that to do and implements the decisions. He also observes that the work place has been fundamentally transforming such that the sharp distinction between management and work is no longer visible. The unquestioned authority of the manager has been replaced with negotiations.

2.5 Summary of literature review and the gaps to be filled by the study
According to (Carnevale, 2002), the complex and competitive nature of today’s corporate world, has created a craving for increased use of a diverse workforce, technology, global competitiveness, multi skilled positions, and pay for performance, thus, increased need for firms to restructure and be at the competitive edge. Micro-financial institutions are now facing various challenges resulting from global competition, restructuring and down sizing as an effort to reduce costs, and improve performance. The study by looking into the factors influencing the performance of micro-financial institutions hoped that, other MFIS will embark on substantive research addressing other factors influencing their success and the emerging issues in management.

2.6 Conceptual Framework
The study is based on the assumption that, the independent variables affect the dependent variable. The independent variables have been extensively discussed in the literature review.
The factors to influence the performance of MFIs are marketing of the products and services offered, information technology applied in disseminating the products and the services, staff training, organizational culture, then competition. These will create a competitive advantage for MFIs hence their success and good performance.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the procedures that were used in the study. The methodology was divided into the following; the research design, target population of the study, research instruments validity and reliability of the instrument, data collection, analysis and presentation.

3.2 Research Design

The study explored the factors influencing the performance of MFIs in Makueni County in Kenya. Descriptive survey was used because it enables an in-depth study of relevant variables to be made in order to establish existing conditions in Micro financial Institutions. Survey method attempts to collect data from a population in order to determine the current status of a population with respect to one or more variables (Mugenda, 2003). Also, it aims at obtaining information which can be analyzed and comparison made (Bell, 1993) hence its choice for this study.

3.3 Target population

Target population is a portion or subset of a larger group (Arlene, 2010). The size of the population was 280 respondents. The categories of target population was 30 managers, 30 field officers and 220 customers from the MFIs. The managers were chosen in order to give out the strategies and policies planned, the field officers were selected because they are involved in policy implementation and customers were to determine whether the policies made determine the performance of the MFIs in the county.

3.4 Sampling design

Sampling is taking many portions of target population of universe as a representative of that population (Kerlinger, 1986). Therefore the current study used both probability and non-probability techniques to get the samples required. A census of all the micro financial institutions in the county was taken. There are five micro financial institutions and all of them were used.
Census of all managers in the five MFIs was taken. There were six managers in each MFI therefore a total of 30 managers was used. Each MFIs has six field officers who normally implement the policies. A census of the field officers consisted of 30 respondents from the five MFIs. For the customers it was reported that at least 220 customers visit the micro-finance institutions daily. (Kasomo, 2006) indicates that 10% of the accessible population is enough for descriptive survey study. 10% of this gave a sample of 22 customers from each MFI. Therefore the total number of the respondents was 170. Simple random sampling was used for the customers in the various micro financial institutions. Therefore the researcher used six managers from each micro-financial institution, six field officers and 22 customers for each micro financial institution.

3.5 Research Instruments

To achieve the objectives of this study, the researcher used questionnaire for all participants. Questionnaires were considered ideal for this study because it is a quantitative research which will used a survey design whereby the use of questionnaires is quite popular (Kotheri, 2008). Questionnaires were found to be suitable because the respondents were assumed to be literate, hence capable of responding to research questions. It is also preferred because it is capable of gathering a large amount of data from many subjects with less cost (Krathwol, 1993).

3.5.1 Validity and Reliability of Instruments

Validity is a judgment of the appropriateness of a measure for specific inferences or decisions that results from the scores generated from a measure (Macmillan, 2000). To improve validity, expert judgment was ensured through constant consultation with the supervisor to find out whether the instruments measured what they were intended to measure.

Reliability is the extent to which scores are free from error. Errors may be caused by ambiguity of the questions, and unfamiliarity with the type of questions asked or guessing incorrectly on most items (Macmillan, 2000). Cronbach alpha was used where reliability of 0.7 was acceptable. The table 3.0 below shows the computations.
Table 3.1 Cronbach alpha computation

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Squared Multiple Correlation</th>
<th>Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAR00001</td>
<td>107.3973</td>
<td>228.6317</td>
<td>.589</td>
<td>.5170</td>
<td>.7486</td>
</tr>
<tr>
<td>VAR00002</td>
<td>111.1096</td>
<td>233.3767</td>
<td>.6165</td>
<td>.4869</td>
<td>.7496</td>
</tr>
<tr>
<td>VAR00003</td>
<td>109.7808</td>
<td>246.8680</td>
<td>.6165</td>
<td>.4869</td>
<td>.7496</td>
</tr>
<tr>
<td>VAR00004</td>
<td>95.7397</td>
<td>196.1396</td>
<td>.4486</td>
<td>.2841</td>
<td>.7793</td>
</tr>
<tr>
<td>VAR00005</td>
<td>113.8493</td>
<td>251.2964</td>
<td>.4056</td>
<td>.2330</td>
<td>.7708</td>
</tr>
<tr>
<td>VAR00006</td>
<td>108.6164</td>
<td>222.9619</td>
<td>.3186</td>
<td>.2121</td>
<td>.7907</td>
</tr>
<tr>
<td>VAR00007</td>
<td>109.7808</td>
<td>239.8402</td>
<td>.4369</td>
<td>.2446</td>
<td>.7650</td>
</tr>
<tr>
<td>VAR00008</td>
<td>104.9863</td>
<td>224.5970</td>
<td>.5131</td>
<td>.4385</td>
<td>.7544</td>
</tr>
<tr>
<td>VAR00009</td>
<td>104.0411</td>
<td>220.4566</td>
<td>.4859</td>
<td>.4832</td>
<td>.7578</td>
</tr>
<tr>
<td>VAR00010</td>
<td>110.6301</td>
<td>233.3752</td>
<td>.6269</td>
<td>.5238</td>
<td>.7491</td>
</tr>
</tbody>
</table>

Reliability Coefficients 10 items

Alpha = .7813

Source: Field data, 2011

3.5.2 Data Collection Procedure

After the Instruments were corrected the main study was then conducted. Before the data collection, the researcher made appointments with the managers' inorder to make plans on the date when the questionnaires will be administered. On the actual day of data collection the researcher met the respondents who were managers and field officers explained to them the purpose of the study, what was expected of the questionnaires and assured them confidentiality. The researcher then issued them with the questionnaires. After filling in the questionnaires, they were collected by the researcher who in turn thanked them.

3.6 Data Analysis

According to (Krathwol, 1993) the commonly used methods for data analysis for survey study are frequency, calculating the percentage and tabulating them appropriately. The scores of different research questions in each questionnaire were tallied and computed into frequencies and percentages. The analysis was done using Statistical Package for the Social Sciences (SPSS). Spreadsheet was used to come up with appropriate charts and tables for data presentation while total scores was used to rank the responses. Factor Analysis was used to describe variability among observed variables and unobserved variables called factors.
CHAPTER FOUR
RESEARCH FINDINGS

4.1 Introduction

This chapter presents data analysis and discussions of the finding of this study. The study examined the factors influencing the performance of micro financial institutions in Makueni County. The findings were categorized under five major sub-topics. These were as per the objectives. These were marketing of products and services, information technology, staff training, culture of the organization and competition.

The responses to the questions were presented by use of tables of frequencies, percentages and graphs and pie charts which were then discussed on basis of research problem and the literature review.

4.2 Response rate

Out of the 170 questionnaires issued 170 were filled and returned representing an overall response rate of 100% thus supported the researcher’s credibility to achieve a representative sample and objectivity. The researcher achieved this response rate by issuing more that the required 170 questionnaires to cater for any discrepancies. The following table illustrates the response rate.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Distributed</th>
<th>Returned</th>
<th>Response rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>30</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Field officers</td>
<td>30</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Customers</td>
<td>110</td>
<td>110</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011
4.3 Marketing and performance of MFIs

The first objective was to find out how marketing of products and services affects the performance of MFIs in Kenya. Data was obtained from the managers, field officers and the MFIs customers. The researcher looked at this issue since the role of marketing is to satisfy the needs and wants of a society. This is according to (Kotler, 2000) who says that marketing is the satisfaction of human wants through exchange process.

Table 4.2: Effects of marketing on performance of MFIs

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>Moderately</td>
<td>22</td>
<td>73.3</td>
</tr>
<tr>
<td>Low</td>
<td>7</td>
<td>23.3</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

The results of this study indicate that according to the managers, marketing of the products affects performance of the institution. When asked to rate the extent to which marketing leads to performance of MFIs, 3.3% rated high, 73.3% rated moderately while 23.3% rated low. This shows that marketing of products and services affected the performance of the MFIs in Makueni County.

Further, on marketing of products the researcher wanted to find out the methods which the marketers used and to whom they marketed to.

Table 4.3: Methods used in marketing of products and services

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHG</td>
<td>30</td>
<td>100</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Brochures</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Advertising</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011
Data obtained from the managers indicates that all the organizations organize meetings SHG in specific centers to market their products. In relation to the group of people that they market their products/services to, all the managers reported that they market their products to both members and non-members. Data obtained from the field officers depicts that all the organizations organize meetings SHG in specific centers to market their products. In relation to the group of people that they market their products/services to, all the field officers reported that they market their products to both members and non-members. Since the methods used in marketing seemed to favour the marketing of products and services, the researcher wanted to know how the managers, field officers and customers view the products from the MFIs.

Table 4.4: Managers and field officers views about the products

<table>
<thead>
<tr>
<th>Rating</th>
<th>Managers</th>
<th>Frequency</th>
<th>Percent</th>
<th>Field officers</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most Favorable</td>
<td></td>
<td>6</td>
<td>20</td>
<td>18</td>
<td></td>
<td>60</td>
</tr>
<tr>
<td>Favourable</td>
<td></td>
<td>21</td>
<td>70</td>
<td>8</td>
<td></td>
<td>26.7</td>
</tr>
<tr>
<td>Least favourable</td>
<td></td>
<td>3</td>
<td>10</td>
<td>4</td>
<td></td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>30</td>
<td>100</td>
<td>30</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

Ratings obtained from the managers on how the members view their products revealed that 10% rated the members view as least favorable, 70% rated favorable while 20% rated most favorable. Ratings obtained on how the field officers view their products revealed that 13.3% rated the members view as least favorable, 26.7% rated favorable while 60% rated most valuable. This implies that the members view the products as favourable. This implies that the members view the products as favourable. According to (Kotler, 2000), marketing should be customer focused and seeks to satisfy market needs through well designed products and service offer. This implies that the products of MFIs are customer focused hence attracted most of their customers.
Data was also collected from the customers on their views on the MFI products. When asked if they like the products, it was noted that 97% reported that they like the products while only 3% indicated that they did not like the products.

### 4.3.1 Challenges /problems they face when marketing the products

The researcher wanted to establish whether the marketers face challenges or problems when marketing their products and services. This is because business environment is dynamic (Kotler, 2000).

#### Table 4.5: Challenges faced when marketing products

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25</td>
<td>83.3</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to the responses obtained from the managers 83.3% of the managers reported that they face challenges while marketing while 16.7% stated that they do not face challenges/problems when marketing the products. From the literature review, (Kotler, 2000)
postulates that marketing activities are carried out in environmental turbulent which affects the state of needs and wants. This in turn determines the type of needs and wants of the various market segments thus various challenges were faced by the marketers in executing their marketing activities.

Table 4.6: The actual problems faced when marketing products

<table>
<thead>
<tr>
<th>Rating</th>
<th>Managers Frequency</th>
<th>Percent</th>
<th>Field officers Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition</td>
<td>15</td>
<td>60</td>
<td>15</td>
<td>50.0</td>
</tr>
<tr>
<td>Ignorance</td>
<td>6</td>
<td>24</td>
<td>7</td>
<td>23.3</td>
</tr>
<tr>
<td>Illiteracy</td>
<td>4</td>
<td>16</td>
<td>7</td>
<td>23.3</td>
</tr>
<tr>
<td>Distance</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100.0</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

Table 4.5 displays the challenges faced by the managers during marketing; fifteen (60%) of the managers reported that they face competition, 24% indicated ignorance while 16% reported illiteracy.

The field officers were also asked to list the challenges/problems they face when marketing the products. Table 4.5 displays the responses; Half (50%) of the field officers reported that they face competition, 5.2 indicated distance, another 23.3% said they are challenged by ignorance of the customers while 23.3% reported illiteracy. Thus the findings indicated that marketing affected the performance of MFIs positively in Makueni County.

4.4 Information technology as a factor affecting performance

The second objective was to establish how the level of information technology affects the performance of MFIS. Literature review showed that, an organization’s ability to gather, analyse and use information was a necessary requirement for business success in the information age (Senge, 1999).
When asked to state if information technology was a factor affecting performance of the institutions, all the managers reported that information technology was a factor affecting performance of the institutions. The managers were also asked to list the areas that technology had helped in improving performance. The responses were as follows;

**Table 4.7: Effect of IT on performance of MFIs**

<table>
<thead>
<tr>
<th>Area</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low operating cost</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Improving efficient in service delivery</td>
<td>22</td>
<td>73</td>
</tr>
<tr>
<td>Making operation faster</td>
<td>24</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

All the managers reported that information technology leads to low operating cost, 73% indicated improved efficient in service delivery while 80% said information technology makes operation faster.

From the above data, information technology especially the use of networks can help a firm lower the cost of market participation, making it cheaper to conduct external suppliers instead of using internal sources (Maalone, 1997).

The researcher raised a question on the frequency in which IT is being adopted and in relation to adoption of the modern information technology, all the managers reported that the organization was increasing the adoption of modern information technology. This was due to emergence of digital firm that has changed the focus and emphasis of business strategy from competing head to head against other firms in the market to exploring, identifying and occupying new market niches before competitors understanding the customer value chain better and faster and more deeply than competitors (Laundon, 2005). The researcher wanted to know the level of information technology used by the MFIs in Makueni County.
Table 4.8: Level of IT used

<table>
<thead>
<tr>
<th>Management information systems</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Database management system</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Management information and database management</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

The results indicate that 40% of the institutions use management information systems, 20% use database management system while the other 40% use both management information and database management systems. Since the MFIs in Makueni County has adopted modern information technology this have contributed to their good performance and it means that they have aligned their IT to their business plans, business processes and strategic plans.

4.5 Information technology used in taking feedback to the office

The researcher wanted to find the information technology used by the field officers and customers to take information back to the offices.

Table 4.9: IT used by MFIs

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field officer</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Mail</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>Mobile</td>
<td>23</td>
<td>76.7</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

When asked to state the information technology used in taking feedback to the office, 19% reported that they use the field officers while 3.3% reported that they use mails. It was noted that 76.7% of the field officers use mobile phones in taking feedback to the office.
The researcher further wanted to investigate how field officers and customers transmit any information to the offices. This was important because according to (Gilbert, 1995), strategically successful organizations obtain market feedback continuously and rapidly and they adapt immediately to the feedback ahead of their rivals. They exploit the potential of strategic as well as competitive and operating information systems. The respondents thus were asked to state the information technology used in taking feedback to the offices.

<table>
<thead>
<tr>
<th>Table 4.10: Methods used for feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Methods used for feedback</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td><strong>Making telephone calls</strong></td>
</tr>
<tr>
<td><strong>Through field officers</strong></td>
</tr>
<tr>
<td><strong>Visit office</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Source: Field data, 2011</td>
</tr>
</tbody>
</table>

Data obtained from the customers revealed that majority (94%) of the members reach the organization through the field officers. The other 4% reported that they reach the organization by making telephone calls. It was also noted that only 2% of the customers reported that sometimes they reach the organization by making a visit to the offices when need arises.

4.6 Level of education and staff training

The third objective was to determine whether staff training affected the performance of MFIs. This was important because the researcher felt that no organization can function without trained people (Kyalo, 2002). Data was gathered on the level of education.
### Table 4.11: Level of education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Managers</th>
<th></th>
<th>Field officers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>University level</td>
<td>28</td>
<td>93</td>
<td>6</td>
<td>20.0</td>
</tr>
<tr>
<td>Diploma level</td>
<td>2</td>
<td>7</td>
<td>24</td>
<td>80.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
<td>100.0</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

In relation to the managers’ level of education, it was observed that 93% of the managers had attained university level of education while the other 7% had attained the diploma level of education. The results also revealed that all the managers had the role of management in their institutions. In relation to the field officers level of education, it was observed that 20% of the field officers had attained university level of education while the other 80% had attained the diploma level of education. Since most of the employees in the MFIs had attained some training then it was clear that training affected the performance of MFIs. The training enabled the employees to adapt to the changes that occur in the organizations. This concurred with (Bell, 1993) who said that skills and knowledge need to be updated to enable employees adapt to the dynamic business changes.

### 4.6.1 Duration of serving in the current organizations

The researcher wanted to find out the period in which the employees had served the organizations.

### Table 4.12: Duration of service

<table>
<thead>
<tr>
<th></th>
<th>Managers</th>
<th></th>
<th>Field officers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>0-5 years</td>
<td>26</td>
<td>86.7</td>
<td>29</td>
<td>96.7</td>
</tr>
<tr>
<td>6-10 years.</td>
<td>4</td>
<td>13.3</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
<td>100.0</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2011
Data obtained on the years of service indicates that 87% of the managers had been in service for duration of between 0-5 years. Only 13% of the managers had been serving for duration of between 6-10 years.

Data obtained on the duration the field officers had been serving in the current organizations indicates that majority (96.7%) of the field officers had been working for a duration of between 0-5 years while 3.3% had been in their current organization for a duration of between 6-10 years.

4.6.2 Training and in-service

It was important to establish whether the employees had received any training from the MFIs since they were employed and also whether the customers got any training concerning the products and services they received.

Table 4.13: Staff training by MFIs

<table>
<thead>
<tr>
<th></th>
<th>Managers</th>
<th></th>
<th>Field officers</th>
<th></th>
<th>Customers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent 1</td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent 1</td>
</tr>
<tr>
<td>Yes</td>
<td>27</td>
<td>90.0</td>
<td>28</td>
<td>93.3</td>
<td>107</td>
<td>97.3</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>10.0</td>
<td>2</td>
<td>6.7</td>
<td>3</td>
<td>2.7</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td>30</td>
<td>100.0</td>
<td>110</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

The results indicate that majority (90%) of the managers had been trained since employment. Only 10 % reported that they had not been trained since they were employed. For the field officers, the results indicate that majority of the field officers had been trained in marketing. Only 6.7% reported that they had not been trained in marketing. The field officers were also asked to state if they had been taken for in-service training. It was noted that 93% of the officers had been taken for in-service training. The remaining 7% reported that they had not been taken for in-service training. Responses from the customers indicate that 97% of the customers said yes while the remaining 3% indicated that the organization does not train its members.

A question was put across to the 27 managers and 28 field managers who had been trained to elicit responses on the number of courses they had attended.
Table 4.14: Number of courses received

<table>
<thead>
<tr>
<th>Number of courses</th>
<th>Managers</th>
<th></th>
<th>Field officers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>One</td>
<td>11</td>
<td>41</td>
<td>19</td>
<td>67.9</td>
</tr>
<tr>
<td>Two</td>
<td>7</td>
<td>26</td>
<td>7</td>
<td>25</td>
</tr>
<tr>
<td>More than three</td>
<td>9</td>
<td>33</td>
<td>2</td>
<td>7.1</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>100.0</td>
<td>28</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

The responses from the managers indicate that 41 % reported once, 26% reported twice while 33 % reported they had gone for training more than three times. When asked if the training received had affected delivery of service to members it was noted that all the managers indicated that the training received had affected delivery of service to members. On the other hand, the field managers responses indicate that 67.9% reported once, 25% reported twice while 7.1% reported they had gone for in-service more than three times.

A question was put across to the 107 customer who reported that they had been trained to gather responses on the frequency of the training.

Table 4.15: Frequency of training

<table>
<thead>
<tr>
<th>Frequency of the training</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly/monthly</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Yearly</td>
<td>100</td>
<td>93</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

The responses indicate that 7% reported that they are trained Weekly/monthly while the majority (93%) reported that they are trained yearly. Training was a key factor in ensuring that employees
have the necessary knowledge, skills and attitude to undertake the jobs that they held and it enabled the organization to meet its future needs (Robinson, 1997).

4.7 Organizational culture and its effects on performance of MFIls

The fourth objective was to find out whether organizational culture affected the performance of MFIls. This is because organizational culture is the way people do things which comprises values and beliefs and it is what makes the managers more focused, more productive, and more committed to quality and to customers thus the researcher raised a question on the same.

Table 4.16: Reasons why managers are committed

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Managers</th>
<th>Field officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Frequency</td>
</tr>
<tr>
<td>Culture of the organization</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Discipline</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td>Fear</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>Percent</td>
</tr>
<tr>
<td>Culture of the organization</td>
<td>73</td>
<td>50</td>
</tr>
<tr>
<td>Discipline</td>
<td>100</td>
<td>90</td>
</tr>
<tr>
<td>Fear</td>
<td>7</td>
<td>43</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

Table 4.16 depicts the reasons that make the managers more focused, more productive and more committed to quality and to customers. Twenty two (73%) managers reported culture of the organization while only 2(7%) indicated fear. All the managers said they are more focused, more productive and more committed to quality and to customers because of discipline. Literature reviewed that culture is a collection of traditions, values, beliefs and attitudes that constitute a pervasive context for everything people do and think in an organization (Mullins, 2005). Since 73% of the managers said that organizational culture made them more focused, productive and more committed to quality, and to customers then it was evident that, culture played a key role in the positive performance of the MFIls in Makueni County.

Data obtained from the field officers on commitment to quality and the customers, 50% of the field officers said it's was the Culture of the organization, 90% reported discipline while 43% indicated fear.
4.7.1 Choice to work with the MFIs

Organizations with good culture and happy staff have proved to be excellent in performance. This is according to (Waterman, 1982) who did a study with 62 American companies with outstanding successful performance. Good culture makes employees wish to continue working in the organizations they are in.

Table 4.17: Reasons for working with the MFIs

<table>
<thead>
<tr>
<th>Reason</th>
<th>Managers</th>
<th></th>
<th>Field officers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Good remuneration</td>
<td>9</td>
<td>3</td>
<td>19</td>
<td>63</td>
</tr>
<tr>
<td>Positive motivation</td>
<td>9</td>
<td>3</td>
<td>16</td>
<td>53</td>
</tr>
<tr>
<td>Good working environment</td>
<td>20</td>
<td>66.7</td>
<td>13</td>
<td>43</td>
</tr>
<tr>
<td>Good employer welfare</td>
<td>5</td>
<td>16.7</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

Table 4.17 depicts the reasons why the managers choose to work with their organization. 9(3%) reported good remuneration, 9(3%) reported positive motivation, 20(66.7%) said good working environment while 5(16.7%) indicated that they choose to work with their employer because of good employer welfare. When asked if the employees are committed to the organization success, 96.7% said yes while only 3.3% reported that the employees are committed to the organization success.

Table 4.17 also displays the reasons why the field officers choose to work with their organization. 19(63%) reported good remuneration, 16 (53%) reported positive motivation while 13 (43%) said good working environment. It was noted that all the field officers indicated that they choose to work with their employer because of good employer welfare.

4.7.2 Treatment received from managers and field officers

Where organizational culture is good, customers are received well and they feel part of the organization thus the researcher wanted to find out how managers treat other managers below them and the field officers.
Table 4.18: Treatment by managers and field officers

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Managers</th>
<th></th>
<th>Field officers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Highly</td>
<td>8</td>
<td>26.7%</td>
<td>8</td>
<td>26.7%</td>
</tr>
<tr>
<td>Moderately</td>
<td>21</td>
<td>70%</td>
<td>20</td>
<td>66.7%</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>3.3%</td>
<td>2</td>
<td>6.7%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100%</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

Ratings obtained on the treatment received from managers indicate that 3.3 % rated low, 70 % rated moderate while 26.7% rated highly the extent to which they are treated with respect by managers above them.

Ratings obtained from the field officer indicate that 6.7% rated low the respect by managers, 66.7% rated moderate while 26.7% rated highly the extend to which they are treated with respect by managers above them. The researcher also established whether there was an opportunity to provide feedback to higher offices.

Ratings were also obtained on the extent to which managers have the opportunity to provide upward information and feedback.
It was noted that 7% rated low, 60% rated moderately while 33% rated highly.

In relation to the stated institution values, all the managers indicated that the staff are living up to the stated values in the different institutions. It was also noted that all the managers had the intention to continue working with their current institution.

From the managers responses it is evident that culture of the organization affects its performance.

Trends observed indicate that 98% of the members enjoy being members of the organizations. However it was noted that 2% of the members do not enjoy being members of the organizations. This shows that the culture of MFIs in Makueni County is good and this makes customers satisfied and they enjoy being members of the MFIs, thus it concurs with (Waterman, 1982) who says that culture is an important ingredient to effective organizational performance.

4.7.3 Membership of customers in other MFIs

The researcher wanted to find out whether customers belonged to other MFIs other than the one they had registered in.
Table 4.19: Rating of customers belonging to other MFIs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td>No</td>
<td>76</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

Responses obtained indicate that 31% of the sampled population are members of other MFI. Majority of the customers reported that they are not members of other MFI and this represented 69% of the sampled customer population.

Table 4.20: Frequency of customers in other MFIs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faulu Kenya</td>
<td>7</td>
</tr>
<tr>
<td>K-rep</td>
<td>14</td>
</tr>
<tr>
<td>Equity</td>
<td>3</td>
</tr>
<tr>
<td>Inuka</td>
<td>1</td>
</tr>
<tr>
<td>KWFT</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

A question was also put across to the 33 customers who reported that they were members of other MFI. The results indicate that 7 were in Faulu Kenya, 14 were in K-rep, 3 were in equity, 1 was in Inuka while 8 were in KWFT.

4.7.4 Intention of leaving the MFI one belongs

It was important to establish whether customers were satisfied with the MFI they belonged. Responses were as follows:
Finally the customers were also asked to state if they had any intentions of leaving their current institution to join any other micro finance. It was noted that majority (95.5%) of the customers did not have any intentions of leaving their current institution to join any other micro finance. Only 4.5% reported that they were intending to leave their current institution to join any other micro finance. This indicated that customers were satisfied with the organization in which they belonged.

4.8 Competition with other micro finance institutions

The last objective was to establish how competition affects performance of MFIs in Kenya.

Table 4.22: Competition and performance of MFIs

<table>
<thead>
<tr>
<th></th>
<th>Managers</th>
<th></th>
<th>Field officers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Faulu Kenya</td>
<td>11</td>
<td>36.7%</td>
<td>7</td>
<td>23.3%</td>
</tr>
<tr>
<td>K-rep</td>
<td>8</td>
<td>26.6%</td>
<td>17</td>
<td>56.7%</td>
</tr>
<tr>
<td>KWFT</td>
<td>7</td>
<td>23.3%</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Inuka</td>
<td>4</td>
<td>13.3%</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0%</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

The researcher came up with this objective because of the environment in which many businesses operate. Many businesses have been forced to change their strategies to be able to match the resources they have with environment (Thompson, 1993). When asked if there was any competition with other micro finance institutions, all the managers reported that they did face competition from other micro finance institutions. Table 4.23 displays the MFI that pose the greatest risk. It was noted that 36.7% the managers reported that Faulu Kenya pose the greatest
risk to their institution. Another 26.6% indicated that K-rep, 23.3% said KWFT while 23.3% listed Inuka.

On the other hand, all the field officers reported that they did face competition from other micro finance institutions. Table 4.23 indicates that 56.7% of the field officers reported that K-rep was the MFI that poses the greatest risk, 23.3% reported Faulu Kenya, 1% indicated KWFT while the other 1% reported that INUKA also poses a risk to their institution.

4.8.1 Product differentiation by MFIs

For the MFIs to compete favourably, they need to position and relate to the environment in a way that will assure its continued success and make it secure from environmental surprises (Prahalad, 1989). Thus the MFIs need to differentiate their products and services.

Table 4.23: Methods of product differentiation by MFIs

<table>
<thead>
<tr>
<th>MFI</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership</td>
<td>7</td>
<td>23.3</td>
</tr>
<tr>
<td>Product/service differentiation</td>
<td>17</td>
<td>56.7</td>
</tr>
<tr>
<td>Cost leadership and product/service differentiation</td>
<td>6</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

When asked to state how the MFIS differentiated themselves, 23.3% reported that they specialize in cost leadership while 20% indicated product/service differentiation. More than half the managers (56.7%) reported that the MFIS differentiated themselves by specializing in cost leadership and product/service differentiation. Differentiation enables institutions to compete favourably and this is why the five MFIs have survived in Makueni County.

4.8.2 Effect of increased competition on performance in micro finance industry

Increased competition have positive effects which help the MFIs position themselves strategically although there is a negative effect on the number of clients.
Table 4.24: Effect of competition on performance of MFIs

<table>
<thead>
<tr>
<th>Effect</th>
<th>Managers Frequency</th>
<th>Managers Percent</th>
<th>Field officers Frequency</th>
<th>Field officers Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in number of clients</td>
<td>27</td>
<td>90</td>
<td>21</td>
<td>70</td>
</tr>
<tr>
<td>Improved efficiency</td>
<td>24</td>
<td>80</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>More financial inclusion</td>
<td>6</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High profitability</td>
<td>11</td>
<td>36.7</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2011

Data collected from the managers on the impact of increased competition on performance in micro finance industry indicates that 90% of the managers reported that it leads to reduction in number of clients, 80% indicated that competition leads to improved efficiency while 36.7 % said increased competition leads to high profitability. It however emerged that sometimes increased competition on performance in micro finance industry can lead to More financial inclusion (20%).

On the other hand, responses from the field officers indicates that 70% of the field officers reported that it leads to reduction in number of clients. All the thirty field officers reported that competition leads to improved efficiency and high profitability.

4.6 Factor analysis

Factor analysis was used to find latent variables or factors among observed variables. The study had five variable and factor analysis was used to reduce the number of variables by grouping the variables with similar characteristics together.

Table 4.25: Rating of factors that influences the performance of MFIs

<table>
<thead>
<tr>
<th>Factor</th>
<th>Initial Eigen values</th>
<th>% of Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td>3.685</td>
<td>73.694</td>
</tr>
<tr>
<td>IT</td>
<td>.521</td>
<td>10.421</td>
</tr>
<tr>
<td>Staff training</td>
<td>.359</td>
<td>7.185</td>
</tr>
<tr>
<td>Organization culture</td>
<td>.248</td>
<td>4.952</td>
</tr>
<tr>
<td>Competition</td>
<td>.187</td>
<td>3.748</td>
</tr>
</tbody>
</table>

Source: Field data, 2011
Table 4.25 shows all the factors extractable from the analysis along with their Eigen values, the percent of variance attributable to each factor. The results indicate that the marketing factor accounts for 73.694% of the total variance in the rating of factors, which reflect the factors that influences the performance of MFI in Kenya. The level of information technology accounts for 10.421% of the total variance in the rating of factors, which influences the performance of MFI in Kenya. The third factor that was staff training accounts for 7.185% of the factors that influences the performance of MFI in Kenya. All the remaining factors are not significant. The results of this analysis reveal that there is a pattern of association in the rating of factors that influences the performance of MFI in Kenya.

The scree plot is a graph of the Eigen values against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curve starts to flatten.

Scree plot for the Eigen value against the factor number

![Scree Plot](image)

Figure 4.3: Scree - plot
Source: Field data, 2011

The graph was studied to identify any marked break of the slope in the Eigen value. As shown in the same figure, there is a clearly identified break in the slope after Factor 2. This implies that the
cut-off occurs at factor 2. Note also that factor 3 and 4 have an Eigen value of less than 1, so only the factor of marketing has been retained. From the scree plot, it is clear that marketing of products and services rate highest with the Eigen value of 3.685. Since marketing is the main role for an organization in ensuring that they maintain their customers, then it means that the MFIs have undertaken intensive marketing strategies to ensure continued growth and development of the organizations. This means that organizational culture and competition does not affect the performance of MFIs to a great extent compared to marketing and information technology.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter represents the summary of the findings of the study and various implications of these findings. It also gives conclusions and recommendations that can probably be adopted to further improve the performance of micro financial institutions in the County. It also gives suggestions of further research.

5.2 Summary
The study set out to explore the factors influencing the performance of micro financial institutions in Makueni County. It was guided by the following objectives:

To find out how marketing of products and services affects the performance of MFIS in Kenya, to establish how the level of information technology affects the performance of MFIS, to determine whether staff training affect the performance of MFIS in Kenya, to establish how organizational culture affect performance of MFIS in Kenya and to establish how competition affects performance of MFIS in Kenya.

The study employed descriptive survey design and its sample consisted of 30 managers, 30 field officers and 110 customers. The total respondents were 170. This sample was selected from the five MFIS in the County. Customers were chosen using simple random sampling while managers and field officers were determined by use of convenient sampling technique. Before the actual data collection, pilot study was carried out to check the reliability and validity of the instruments. Data was then analysed using SPSS. It was presented by use of tables of frequencies, percentages, pie charts and graphs. Information obtained was discussed descriptively and use of factor analysis. The findings show that marketing of products and services is a factor affecting performance of MFIS. This is evidenced by the majority of respondents who indicated that, all the organizations organized self help groups which are used by managers to market their products both to members and non-members. However, the marketers face challenges of
competition by other MFIS, some potential customers are ignorant about the products/services offered while a few are illiterate.

The findings on whether information technology affect performance of MFIS indicated that, IT is a factor affecting the performance of MFIS. The respondents shared that, IT leads to low operating costs, there was improved service delivery and it makes operations faster. Most of the MFIS had adopted the use of modern technology where majority used management information systems, few used database management system while others combined both.

Findings on the level of education and whether staff training affects performance of MFI showed that, the managers and field officers had attained diploma and degree level of education. Majority of them had received training by the organization since employment. This training had affected delivery of service by a great extend.

The study also revealed that, organizational culture to some extend affects performance of MFIS. Discipline of the employees, good working environment and good employers welfare contribute positively to good organizational culture. This was depicted by the perception of how customers and other officials are treated by those in higher levels than them. They are treated well and are given opportunity to deliver upward information and feedback.

All the MFIS faced completion from other MFIS operating in the county. Findings on competition indicated that K-rep and Faulu Kenya posed the greatest competition.

5.3 Conclusions

Considering the findings of this study it was concluded that, marketing of products/services, staff training, organizational culture and competition affects positively the performance of MFIS. Out of those factors, marketing of products and services and information technology proved to have a great influence on the performance of MFIs.

5.4 Recommendations

Based on the findings of this study, marketing rated high in impacting performance of MFIs. This has led to reduction of poverty in both rural and urban areas since MFIs offer products and
services to low income earners. The study therefore recommends that, MFI should become more aggressive by diversifying the marketing methods and strategies other than using Self Help Groups (SHG). Again, the government and non governmental organization should establish more MFIs to accommodate all the people who do not earn regular income.

The study also found out that, IT has highly contributed to good performance of MFIs. The researcher recommends that the government with other ICT providers should make ICT skills and services available in rural areas and at affordable costs to enable customers reach their MFIs.

Since competition do not highly affect performance of MFIs, the researcher recommends that the MFIs continue improving their products and services to make them more attractive and to increase the number of customers.

5.4.1 Recommendations for further studies

The study was carried out in Makueni County in Eastern Province of Kenya. It is recommended a similar study to be carried out in other parts of Kenya in order to develop a comprehensive understanding of the factors affecting the performance of MFIs. The researcher also recommends further study on variables in each factor and how each variable affect the factor in impacting the performance of MFIs.
REFERENCES


Ledgerwood, J. (1999), Sustainable Banking with the Poor, Microfinance Handbook, International Banking, Reconstruction and Development, Washington, USA.


APPENDIX 1: QUESTIONNAIRE FOR THE MANAGERS

Introduction

I am a postgraduate student at Kenyatta University undertaking Masters in Business Administration (Strategic Management) degree course. The information collected through this questionnaire shall be used for the purpose of writing a research report. I am carrying a research on "factors influencing the performance of micro-financial institutions in Makueni County".

All the information obtained through this questionnaire will be treated with utmost confidentiality and will be used for study purposes only.

Your cooperation will be highly appreciated.

Where necessary tick (✓) appropriately in the space provided. You can put as many ticks as applicable. In cases where indications of others are given, please, provide information in the space provided.

SECTION 1

Background Information

1. Name of institution

2. Year of establishment

3. Number of branches in Makueni County 47
SECTION 2

4. (i) Do marketing of your products and services affect performance of MFIs?

Yes □ No □

(ii) If the answer in (i) above is Yes, to what extent do marketing lead to performance of MFIs?

Highly □ Moderately □ Low □

(iii) Which of the following methods do you use when marketing your products and services?

(Tick any which is appropriate)

Advertising □ Brochures □ Meeting SHG in specified centres □
Marketing websites □
Others specify ____________________________

(iv) Which group of people do you market your products/services to?

Tick where appropriate.

Members only □
Non members □
Employees □
Any other group (specify) ____________________________
(v) How do members of your MFIs view your products/service in empowering them financially?

Most favourable □
Favourable □
Fairly favourable □
Least favourable □

(vi) Do you face any problem/challenges when marketing your products/services?

Yes □  No □

If the answer above is Yes, which problems/challenges?

5. (i) Is information technology a factor affecting the performance of your MFIs?

Yes □  No □

(ii) If the answer in (i) above is Yes, show among the following areas how it has helped in improving performance of MFIs. Tick where appropriate.

Lowering operating cost □
Improving efficiency in service delivery □
Making operations faster □

Any other, (specify) __________________________

(iii) Is the MFIs increasing or decreasing the adoption of the modern information technology? Tick where appropriate.
(iv) Specify the information technology software you are using in enhancing your performance e.g. management information systems, database management system.

6. (i) What is your level of education?

- University
- Diploma
- Secondary
- Others (specify)

(ii) Which is your role in the MFIs?

- Management
- Technical staff
- Support staff
- Field officer

(iii) Years of service in the organization.

- 0 – 5
- 6 – 10
- 11 – 15
- Above 16

Do you have any training? Yes □ No □

(iv) Have you attended any training course since you were employed by the MFIs?

- Yes □ No □
(vi) If the answer above is Yes, how many courses have you attended?

One  [ ]  Two  [ ]  Above three  [ ]

(vi) Have the training you have received affected the delivery of service to members?

Yes  [ ]  No  [ ]

7. (i) Which of the following do you think makes you more focused, more productive and more committed to quality and to customers? (Tick the most appropriate).

Culture of the organization  [ ]

Discipline  [ ]

Fear  [ ]

Any other (specify) _____________________________________________

(ii) Are the employees committed to the organizational success?

Yes  [ ]  No  [ ]

(iii) Why did you choose to work with this organization rather than other MFIS?

Good remuneration  [ ]

Positive motivation  [ ]

Good working environment  [ ]

Good employee welfare  [ ]

Others (specify) _____________________________________________
(iv) To what extent are you treated with respect by the managers above you?

Highly □
Moderately □
Low □

(v) To what extent do you feel you have the opportunity to provide upward information or feedback?

Highly □
Moderately □
Low □

(vii) Is the staff living up to the MFIs stated values?

Yes □ No □

(viii) Do you have the intention to continue working with the MFIs?

Yes □ No □

(ix) Does the culture of this organization (MFIs) affects its performance?

Yes □ No □

(x) If the answer above is Yes, to what extent does it affect?

Highly □
Moderately □
Low □
8. (i) Do your organization face any competition from other micro-financial institutions?

Yes ☐  No ☐

(ii) If the answer above is yes, which MFIs pose the greatest threat?

Faulu Kenya ☐
K-rep ☐
Family bank ☐
Inuka ☐
KWFT ☐
Any other (specify) ________________

(iii) How do the MFIs mentioned above differentiate themselves? Tick where appropriate.

Cost leadership ☐
Product/service differentiation ☐

(iv) How do increased competition in micro-finance industry affect performance of MFIs? (Tick the most appropriate).

Reduced number of clients ☐
Improved efficiency ☐
High profitability ☐
More financial inclusion ☐

(v) Do the competitive environment favour the performance of MFIs?

Yes ☐  No ☐
Introduction

I am a postgraduate student at Kenyatta University undertaking Masters in Business Administration (Strategic Management) degree course. The information collected through this questionnaire shall be used for the purpose of writing a research report. I am carrying a research on “factors influencing the performance of micro-financial institutions in Makueni County”.

All the information obtained through this questionnaire will be treated with utmost confidentiality and will be used for study purposes only.

Your cooperation will be highly appreciated.

Where necessary tick (✓) appropriately in the space provided. You can put as many ticks as applicable. In cases where indications of others are given, please, provide information in the space provided.

SECTION 1

Background information

1. Name of the organization

2. Year of establishment

SECTION 2

3. (i) Which of the following methods do you use when marketing your products? (tick where appropriate)
   - Advertising □
   - Brochures □
   - Meeting SHG in specific centre □

ii. Which group of people do you market your products/services to? (tick where appropriate)
iii. How do members of your MFIs view your products/services?

- Most valuable
- Favorable
- Fairly favorable
- Least favorable

iv. Which challenge/problem do you face when marketing your products?

4. Do you use any information technology in taking feedback to the office? If the answer above is YES which one?

5. i. What is the level of education?

- University
- Diploma
- Secondary
- Other (specify)

ii. How long have you served in this MFIs in years?

- 0-5 yrs
- 6-10 yrs
- 11-15 yrs
- above 16
iii. Are you trained in marketing?

Yes ☐ No ☐

iv. Have this MFls taken you for any in service training?

Yes ☐ No ☐

v. If the answer above is yes, how many times

Once ☐ Twice ☐ Above three ☐

vi. Which of the following makes you more committed to quality and to customers. (tick where appropriate)

Culture of the organization ☐

Discipline ☐

Fear ☐

Any other (specify) ___________________________

vi. Why do you choose to work with this MFls

- Good remuneration ☐
- Positive motivation ☐
- Good working environment ☐
- Good employer welfare ☐
- Others (specify) ___________________________

vii. To what extend are you treated with respect by the managers above you?

Highly ☐
7. Is there any competition with other micro financial institutions?

Yes [ ]
No [ ]

If the answer above is yes, which MFIs pose the greatest threat?

Faulu Kenya [ ]
K-rep [ ]
KWFT [ ]
Inuka [ ]
SMEP [ ]

Any other (specify) ____________________________

8. How do the competitions in microfinance industry affect performance of your MFIs?

(Tick the most appropriate)

Reduced number of clients [ ]
Improved efficiency [ ]
High profitability [ ]
APPENDIX III: QUESTIONNAIRE FOR CUSTOMERS

Introduction

I am a postgraduate student at Kenyatta University undertaking Masters in Business Administration (Strategic Management) degree course. The information collected through this questionnaire shall be used for the purpose of writing a research report. I am carrying a research on “factors influencing the performance of micro-financial institutions in Makueni County”.

All the information obtained through this questionnaire will be treated with utmost confidentiality and will be used for study purposes only.

Your cooperation will be highly appreciated.

Where necessary tick (√) appropriately in the space provided. You can put as many ticks as applicable. In cases where indications of others are given, please, provide information in the space provided.

1. How often do the MFI's officials meet you?

   Weekly ☐       Monthly ☐       When it is necessary ☐

2. Do you like the products / services of MFI's?

   Yes ☐          No ☐

3. How do your group / members need reach the organization? (tick where appropriate)

   Making telephone calls ☐
   Through the field offices ☐
   Through emails ☐

   Any other (specify) ____________________________________________

4. Does the MFI's offer seminars or training to its members?
Yes □  No □

If the answer is yes, how often?

Weekly Monthly □

Yearly □

Any other specify □

5. Do enjoy being a member of the MFIs?

Yes □  No □

If the answer above is yes which of the following makes you enjoy / like?

i. Good culture □

ii. Discipline of the worker □

iii. Good service □

iv. Others □

6. Do the workers of your MFI respect you as their customer?

Yes □  No □

7. Are you a member of any other MFI?

Yes □  No □

If yes, which one?

Faulu Kenya □

K-rep □
8 Do you have any intention to leave MFI and join any other microfinance?

Yes □ No □