CREDIT UNION FINANCIAL SERVICES AND GROWTH OF TEACHERS’ OWNED SMALL AND MEDIUM ENTERPRISES IN KAKAMEGA COUNTY, KENYA

EMMANUEL OTIENO OKELLO

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE OPTION) OF KENYATTA UNIVERSITY

JULY, 2018
DECLARATION

This research project is my original work and has not been presented for a degree or any award in any other university. No part of this research should be reproduced without prior permission of the author and or Kenyatta University.

Sign………………………………………………………………………
Date……………………………………………………………………

EMMANUEL OTIENO OKELLO
D53/OL/28427/2013

This research project has been submitted for examination with my approval as university supervisor.

Sign……………………………………………………………………
Date……………………………………………………………………

DR. FREDRICK W.S. NDEDE.
DEPARTMENT OF ACCOUNTING AND FINANCE.
SCHOOL OF BUSINESS.
KENYATTA UNIVERSITY.
DEDICATION

I dedicate this study to my parents Mr. Jack and Mrs. Mary and wife Lencer for their unrelenting spiritual moral and financial support and as well as continuous education concern. I also thank my son Bryton Ivan for being undying source of joy and motivation with innocent love.
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OPERATIONAL DEFINITION OF TERMS

In this section, operational definitions are presented as used within the context of this study:

ATM Services: Is automated cash dispenser through use of IG (Invest and Grow) Sacco Limited Debit card in any co-operative bank ATM or any Visa point.

Back Office Service Activities (BOSA) loans: Are loans which are given to those who are contributing membership savings only at IG Sacco Society Limited e.g. Business loans and Development loans.

Business loans: Are set of loans such as Akiba loans, Biashara loans, Vijana loans, emergency loans given to an individual or group of people.

Closed-end credit: It is a form of credit scheme where by the SACCO member use the card to finance a specific purpose for a specific period of time.

Credit schemes: These are open-end credit scheme and closed end credit scheme given to members of the SACCO to boost and expand their businesses.

Credit Union Financial Services: These are Business loans, Credit schemes and Savings schemes and ATM services offered by Savings and Credit Co-operatives.

Credit Unions: These are Members-owned Savings and Credit Co-operative Societies offering financial services to members.

Entrepreneurship: The creation of value through creation of organization process of starting and or/growing a new profit making business.

Front Office Service Activities (FOSA) loans: Are loans which are available to clients who apart from contributing the normal membership savings, they also bank with IG (Invest and Grow) Sacco Limited.e.g. Biashara loans, Progressive loans, Vijana loans and Akiba loans.

Growth: Growth is the increase in terms of number of customers, profits, sales, diversity of products or services offered and number of personnel employed by the entity.

IG (Invest and Grow) Sacco Society Limited: This type of Sacco whose major members are in the teaching fraternity but not limited to teachers only.
Open-end credit: It is a form of credit scheme that enable SACCO member to repeatedly purchase items and payment to be made back on monthly, though paying the full amount due every month is not required. The most common form of revolving credit are credit cards which is mainly used do daily purchases.

Savings scheme: This include personal savings, Group Savings, Corporate Savings, Fixed deposit savings offered by IG (Invest and Grow) Sacco Society Limited to its members.

Small and medium enterprises: These are type of business enterprise consisting between 1 to 50 employees. They are always unique in terms of financial practices, trading relations and management.

Teacher-Based SACCO: Is a Cooperative financial institution whose membership is mostly composed of teachers employed by Teachers Service Commission (TSC).
ABBREVIATIONS AND ACRONYMS

AGM: Annual General Meeting.

ANOVA: Analysis of Variance.


BOSA: Back Office Service Activities.

CDP: County Development Profile.

FOSA: Front Office Service Activities.

IG: Invest and Grow.

ILO: International Labour Organization.

NGOs: Non-governmental Organizations.

SACCOs: Savings and Credit Co-operatives (SACCOs).

SASRA: Sacco Societies Regulatory Authority.

SMEs: Small and Medium Enterprises.

SPSS: Statistical Package of Social Sciences.
ABSTRACT

Small and Medium enterprises contribution to the Kenyan economy is widely acknowledged, they cut across all sectors of the economy and provide many employment opportunities and generate widespread economic benefits. SMEs face a mixture of success and failure with past statistics indicating that three out five fail to grow within the first few months of operation. The growth of teachers’ owned SMEs in Kakamega had been 11.5% for the past five years. None of the recent academic studies had looked at the effect of Credit Union financial services offered by IG SACCO Society limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County. This study sought to establish the effects of Credit Union financial services on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County. The main Sacco in which teachers in Kakamega County belongs to is IG Sacco Society Limited. Therefore the scope of the research project was limited to IG Sacco Society limited which most of its’ members are teachers. It is more of teacher-based Sacco since most of its membership is composed of teachers employed by Teachers Service Commission. IG Sacco Society Limited provides both BOSA and FOSA activities. The general objective of research project was to investigate the effect of Credit Union financial services offered by IG Sacco Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county. The specific objectives were to determine the extent to which savings schemes, business loans, credit schemes and ATM services offered by IG Sacco Society Limited influences growth of teachers’ owned SMEs. Conceptual framework was to guide the study by illustrating how the variables are interrelated. The study was limited to teachers’ owned SMEs in Kakamega Central sub-county only. The study design was descriptive with a target population consisting of 500 teachers’ owned SMEs. A sample size of 148 SMEs was determined through stratified random sampling technique by wards representing 29.6% of the target population. The primary quantitative data on the selected SMEs were collected using semi-structured questionnaires. The response rate was 110 SMEs representing 74.32%. The source of data included both primary and secondary sources. Data analysis was done using both descriptive and inferential statistics. Data was analyzed using frequency distribution, pie-charts and histograms and multiple regression analysis. Specifically, multiple linear regression analysis was used with the aid of statistical package for social sciences computer software package (SPSS) version 21.0. The study concluded from the results of regression analysis that only two predictor variables except Savings schemes and ATM services (p= 0.071 and p=0.791) respectively produced statistically significant results i.e. p<0.05 (Business loans (p= 0.000) and Credit schemes (p= 0.000). All the predictor variables are also positively related to the growth of teachers owned SMEs. For further practice, the study recommends the following: firstly, accessibility to credit schemes facilities can be enhance by SASRA collaborating with SACCOs to come up with friendly policies and procedures to prevent barriers that inhibit potential owners of SMEs from accessing credit schemes facilities from SACCOs. Secondly the study also recommends that the government to collaborate with SACCOs in working out on a policies that relaxes the complexities in acquisitions of business loans. This will ease the conditionality’s in loans acquisitions by SMEs.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Worldwide SMEs have been recognized as engines of growth and development (Udechukwu, 2003). SMEs play pivotal roles in creating dynamic, market oriented economic growth, employing the growing workforce in developing countries, alleviating poverty and promoting democratization (UNDP, 1999). It has been practically evident that a good number of countries have put considerable efforts to support them so as to create and tap their employment opportunities, income and productive capacity. Although the concept of SME was widely used globally, defining SMEs and their size criteria can be controversial as different countries use different definitions and guidelines for small businesses. Annual turnover, assets and number of people employed are the main criteria commonly used both in developing and developed countries. The World Bank defines small business in three categories, namely micro-scale (less than 50 employees), small-scale (50 employees) and medium scale (50-200 employees) (Hauser, 2005). The European Union defines SMEs as “firms with 10 to 250 employees, with less than Euro 50 million in turnover or less than Euro43 million in balance sheet total.

The most said quantitative criterion for defining an SME is the number of people employed by the business (United Nations, 2003). The second criterion deals with finance, that is, the assets either of the business, the turnover or income. The third criterion focuses on the independency of the SME from other like-minded business entity. It was very much critical to be aware of the “problem” of the various definitions for SMEs because of the various bodies, individuals and governments that define it somewhat differently. Along this work, the references to these type of
firms is done having into consideration the definition presented by the European Commission (Duarte, 2004).

In Africa, SMEs play important roles in the process of industrialization and economic growth. Apart from increasing per capita income and output, SMEs create employment opportunities, enhance regional economic balance through industrial dispersal and generally promote effective resources utilization considered critical to engineering economic growth (Tagoe, 2005). However, the seminal role played by SMEs notwithstanding their development is constrained by inadequate funding and poor management. The un-favorable macroeconomic environment has also been identified as one of the setbacks encouraging financial institutions to be risk-averse in funding small and medium scale businesses (Ray, 2008). In Tanzania, SMEs play a significant role in job creation, poverty reduction and reducing inequality in the economy. The sector employs over 33% of the labor force (Kira, 2013).

Empirical studies done in Indonesia shows that, despite the fact that some SMEs have been declining or stagnant, some others have been successful and growing. The recent study aims to answer this main question. Based on survey done to 100 SMEs (Onugu, 2005), the study discloses that marketing, technology and capital access affect the business success in a positive way significantly, while legality does it in a negative direction altogether, independent variables explain 38.6% of the total variances. These findings suggest that to be successful SMEs, the owners of the SMEs should pay more attention to improve marketing strategy, to advance technology, and to get capital access.

Gray, Saunders and Goregaokar (2012) found the main sources of finance used by SMEs to fund their businesses were reinvesting profits (68%), Personal/ family savings (39%) and business loan (29%). This indicates the importance of saving in funding business growth at 39%.
Similarly, the importance of savings to SMEs is emphasized by Citi’s “susu” in Ghana where 200 to 800 members save between US dollars 40,000 and 800,000 per cycle with the accumulated savings being paid out to the members over a 100 week cycle for each week’s collection (Bass and Henderson 2014). Savings is viewed to be a critical factor in every SME. Mengistae et al., (2010) maintained that SACCO’s sector have relatively developed very well with a ratio of domestic credit to GDP at 78% in South Africa. Though concentrated, the banking sector is fairly competitive with a relatively high capital ratio of 8.3% and low and declining non-performing business loans.

Philip (1996), states that the most criteria used for finance check, known in the banking industry as the 4 C’s of credit, when reviewing your loan request. Cash flow or the money coming in and getting out if your business is the first consideration. Credit facilities are viewed to help various SMEs. SMEs owners are required to provide projected cash flow statements as well as historic financial reports if possible. Hannan and McDowell (2005) examine how firms react to rivals’ precedence in technology adoption process. The authors use data on the adoption of ATMs by a large sample of United States banking firms in 2004–2011. According to the study, rivals’ adoption of ATMs increases the conditional probability that the other firms will also adopt ATMs. ATMs provide ease to access funds to the card holders to make various types of payments e.g. utilities, cash withdrawals thus enhancing growth.

In Kenya, the classification of enterprises is primarily by the number of employees engaged by firms and their turnover. The Micro and Small Enterprises (MSE) Bill 2012 defines: Micro enterprises as any firm, trade, service, industry or a business activity, formal or informal that has
an annual turnover that does not exceed Kenya Shillings 500,000 and employing (or rather engaging) 1- 9 people. The total assets and financial investment or the registered capital of the enterprise does not exceed Ksh. 10 million in the manufacturing sector and does not exceed Ksh. 5 million the service and farming sector. According to research done by Onugu (2005) on the growth and development of SMEs indicates that SMEs’ growth and development depends mainly on accessibility to finance and credit schemes, savings schemes and business loans. Access to finance was inferred by examining whether firms have credit facilities and line of overdraft facilities. The result showed that the most SMEs do not have access to credit facilities and are constraint by huge payments made to income tax authority (Ayyagariet al., 2008)

1.1.1 Status of SACCO’s in Kenya.

The SACCO sub-sector is part of the larger cooperative movement in Kenya. There are two broad categories of co-operatives: Financial co-operatives (Savings & Credit Co-operative Societies- SACCO’s) and Non-financial co-operatives (includes farm produce and other commodities marketing co-operatives, housing, transport and investment co-operatives). In the recent past Savings and Credit Co-operatives (SACCOs) have witnessed faster growth than other co-operatives. The establishment of SACCO Societies Act 2008 places the licensing, supervision and regulation of deposit taking under the armpit of the SACCO Societies Regulatory Authority (SASRA, 2012). Through this new legal framework, prudential regulations have been introduced to guide SACCO’s growth and development (Barrales, 2012). The SACCO sub sector comprises both deposit taking and non-deposit taking SACCOs. Deposits taking SACCOs are licensed and regulated by SASRA while non-deposit taking SACCOs are supervised by the Commissioner for Co-operatives. SASRA licenses SACCOs that have been duly registered under the Cooperative Societies Act CAP 490 (SASRA, 2012).
Kenya’s vision 2030 for financial services is to create a successful and globally competitive financial sector capable of promoting high levels of saving and financing for Kenya’s investment needs (Adam, Collier and Ndungu, 2011). The country’s vision 2030 recognizes the role of SACCOs in mediating between borrowing and investment. The move to attain the vision 2030 has led to the government through the Act of parliament to establish a regulatory body to oversee the operations of all SACCOs that operate FOSA accounts.

However, access to financial services is a stumbling block which has led to low investment culture in Kenya. This is confirmed by the World Council of Credit Unions [WOCCU], 2008) that 38.3% of the Kenyans are still not included in financial services and use. The vision 2030 for financial services in Kenya can be fully achieved if SACCO members can transform their savings into viable investments available in the current market and also diversify. Hence, this study sought to determine the effects of Credit Union financial services’ offered by IG SACCO services limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.

1.1.2 Status of Teachers’ owned SMEs in Kenya.

The Kenya Private Sector Alliance (KEPSA) states that teachers SMEs in Kenya generate 18.4% of the Gross Domestic Product (GDP). This shows that MSEs are an undeniably important player in Kenya’s economy. The teachers owned SMEs comprises 28% of all businesses in the country, employs more than 10 thousand and accounts for 4.4% of the country’s GDP(GOK, 2010). The sector provides goods and services; promotes competition, innovation and an enterprise culture and provides opportunities for the development of appropriate technological and managerial competencies.
In Kenya, Rok (2013) noted that SME activities form a breeding ground for businesses and employees, and provide one of the most prolific sources of employment. It employs about 5.1 million people representing 74% of the total national employment and also contributes about 88% of the total job creation at any one time and contributes about 40% to GDP (Mwarari and Ngugi, 2013). These statistics demonstrate that SMEs in Kenya are an integral part of the economy, critical in spurring socioeconomic development. They contribute towards creating productive employment, wealth creation, improving GDP of the country, encouragement of entrepreneurship, and reduction in poverty level.

1.1.3 Status of Teachers’ owned SMEs in Kakamega County, Kenya.

In Kakamega County most teachers’ owned SME’s face difficulties in accessing credit facilities and business loans from financial institutions due to lack of collateral to obtain loans (Wekunda, 2016). This hinder growth and expansion of these SME’s leading to poor performance of teachers’ owned SME’s and Kakamega County in general. Thirty eight percent of SMEs are owned teachers receive their capital inform of loans from IG SACCO Society Limited (Nganda, 2013). SME’s are source of employment to many people in Kakamega County; they form the basis of growth and development of the county economy and therefore it was the basis of having chosed Kakamega County as area of focus. Kihimbo et. al., (2012) observes that 8.3% of SMEs in Kakamega Central Sub-county used business loans as their initial capital to finance up to 10% of their new business ventures. The teachers owned SMEs in Kakamega County comprises 32% of all business in the County (Odinga, 2012). The teachers’ owned SMEs in Kakamega had grown up to 11.5% in the year 2012 from 10.2% in 2007 in terms of growth (Odinga, 2012). None of the recent academic studies have looked at the
effect of Credit Union financial services offered by IG SACCO Society limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.

1.1.4 Financial Services by SACCOs and SMEs in Kenya.

SMEs face more financing obstacles large firms and this is to be related to their financial position (Ferrando, 2012). According to Mensah (2004), there are many who believe that the single most important factor constraining the growth of the SME sector is the lack of finance. In view of the continuing problems with finance, and the persistent financing gap, national governments, county government and development partners have launched many interventions. This has enhanced the flow of financing to SMEs over and above what is available from existing private sector financial institutions.

SACCOs on the other hand, have become increasingly involved in providing financial services to SMEs focused on poverty reduction and the economic survival of the poorest of the poor. Delivery of micro-credit to operators of SMEs in developing countries is being viewed as a strategic means of assisting the so-called “working poor” (ILO1973, cited in the journal of microfinance, 2002). SACCOs are able to advance loans at interest rates lower than those charged by other financial providers like banks to SMEs. The core objective of SACCOs is to ensure members empowerment through mobilization of savings and disbursement of credit to their business (Koech, Oyugi and Memba, 2015).

The SMEs sector has continued to play an important role in the economy of this country. The sector’s contribution to the gross domestic product (GDP) increased from 13.8% in 1993 to about 20% in 2007. The SME or informal sector provided 78% of total employment and contributed over 57% of the new jobs created in 2005/2006 according to the economic survey of
2007. In Kenya, there are about 2.2 million micro, small and medium enterprises [Strategic Business Advisers (Africa) Limited. SME banking sector report 2007] of which 88% are non-registered. The Economic Survey of 2012 estimated that the contribution to the GDP by this sector currently stands at over 25%. The sector therefore plays a key role in employment creation, income generation and is the bed rock for industrializing the country in the near future.

1.1.5 Growth of SMEs in Kenya

SMEs have for a long time experienced high mortality rates owing to a variety of reasons. Many of them die even before they can gain enough stamina to compete with favorably. A 1993 GEMINI (3) survey estimated that there were approximately 910,000 SMEs (those employing less than 50 employees) in Kenya employing about 2 million individuals or 16% of the labor force. The survey further found that only 38% of these SMEs had grown since being started and that 47% of them were single person operations. It also found that one third of the 325,000 SMEs started in 1993 had failed or closed, as well as 90,000 failures or closures of enterprises started in the previous years (ILO, 2014). There is general consensus, therefore, that SMEs have not performed very well as far as their actual growth vis-à-vis expected growth is concerned (Mwirigi, 2015). The growth of Kenya Micro and small enterprises (MSEs) into Small business enterprises (SMEs) continues to employ more each year at an average rate of about two percent. However, the policy that would be seen as incentive to help grow MSEs (informal) to SMEs (formal) and then big companies is slowing coming (Muiruri, 2015).
1.2 Statement of the problem

Globally, SMEs play a significant role in economic development both in developed and developing economies. In developed and developing economies, SMEs contribute on average 60% of formal employment (Oguta et al., 2014). In the United Kingdom (UK) access to finance for small and medium enterprises (SMEs) is key to the recovery and long term growth of the UK economy (Armstrong, 2013). Regionally, according to International Monetary Fund Regional Economic Outlook for Sub-Saharan Africa, 2015 small and medium-sized enterprises (SMEs) create around 80% of the region’s employment. In Kenya, the Economic Survey of 2012 estimated that SMEs contributes to over 25% GDP. The sector therefore plays a key role in employment creation, income generation and is the bedrock for industrializing the country in the near future. Teachers’ owned SMEs in Kenya are also known for creating employment, poverty reduction, drivers of wealth creation and supplementing productivity in the economy (Nganda, 2013).

Despite the importance of SMEs, the rate of their failure in developing countries as well as developed countries is alarming. Thirty three percent (33%) to forty one percent (41%) of new SMEs globally fail within the first five years of their business operation due to lack of finances (Thaimuta, 2014). The mortality rate of SMEs in Africa remains very high; it is posited that five out of seven new SMEs fail within the first year of operation (Adcorp, 2014). In Kenya, according to a survey released by the Kenya National Bureau of Statistics (KNBS, 2016), approximately 400,000 SMEs did not get to celebrate their second anniversary in the last five years raising concern over sustainability of this critical sector, 46 per cent of the SMEs surveyed died in their first year of establishment. Despite the importance of teachers’ owned SMEs in Kenya, it is noted that the failure rate is high. The failures to growth of SMEs have been
attributed to limited access to business loans, lack of access to credit schemes, inadequate ATM services, limited access savings schemes offered by SACCOs (Kenya National Bureau of Statistics, 2007). Republic of Kenya (2010) showed that three out of five SMEs fail within their first three years of operation in Kenya. Nganda (2013) revealed that SMEs in Kakamega Central Sub-county had grown up to 10.5%, 12.8%, 4.2%, 15.5% and 8.4% in terms of profit margin, number of customers, market share, owners capital and sales turnover.

Recent academic studies on strategic responses adopted by IG Sacco Society Limited to changes in political environment towards provision of financial services (Wekunda, 2016) and determinants of growth of SMEs in Kakamega Central Sub-county, Kenya (Nganda, 2013) overlooked at the effect of such Credit Union financial services on growth of teachers’ owned SMEs in Kakamega Central Sub-county, Kakamega County. Moreover, there is neither studies reviewed examined growth of teachers’ owned SMEs in Kakamega Central Sub-county, Kakamega County nor empirical evidence available to vindicate the contribution of IG Sacco Society Limited financial services towards growth of teachers’ owned SMEs in Kakamega Central Sub-county, Kakamega County. It is for this basis that the study sought to fill the existing knowledge gap to investigate effect of Credit Union financial services’ offered by IG SACCO Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.

1.3 Objectives of the study

The study was directed by general objective and the specific objectives.
1.3.1 General objective

The general objective of the research was to investigate the effect of Credit Union financial services offered by IG Sacco Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.

1.3.2 Specific objectives

a. To determine the effect of savings schemes offered by IG Sacco Society Limited influences growth of teachers’ owned Small and Medium Enterprises in Kakamega Central sub-county, Kakamega County.

b. To establish the effect of business loans offered by IG Sacco Society Limited affect growth of teachers’ owned Small and Medium Enterprises in Kakamega Central sub-county, Kakamega County.

c. To establish the effect of credit schemes offered by IG Sacco Society Limited affect growth of teachers’ owned Small and Medium Enterprises in Kakamega Central sub-county, Kakamega County.

d. To establish how ATM services offered by IG Sacco Society Limited Sacco affect growth of teachers’ owned Small and Medium Enterprises in Kakamega Central sub-county, Kakamega County.

1.3 Research questions

a) How does savings schemes services offered by IG Sacco Society Limited affect growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County?
b) How does business loans services offered by IG Sacco Society Limited affect growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County?

c) How does credit schemes services offered by IG Sacco Society Limited affect growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County?

d) How does ATM services offered by IG Sacco Society Limited affect growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County?

1.4 Significance of the study

The study would be important to the management of IG SACCO Society Limited in finding modalities of improving services offered to teachers’ owned SMEs and other like-minded individuals in Kakamega Central Sub-county. The management of IG SACCO Society Limited will be able to strengthen policy considerations in this sector of SMEs. It was very important that the findings herein would be very much useful as a basis of management of any SMEs in general anywhere in the country. The study will add values to teachers and other business individuals who will be able to use this study as a point of reference to develop topical issues of proper management of SMEs. The research project aimed at providing a very critical data and information that will be useful for prudent planning and management of SMEs. The research project findings can make a great contribution to the world of academia as researchers in the area of SACCOs and SMEs growth. The findings can act as a point of reference on which related studies can be done.

1.5 Scope of the study

IG SACCO Society Limited serves the entire Kakamega County. However the study was limited to teachers’ owned SMEs in Kakamega Central Sub-county only this is because of geographical
The dispersion of Kakamega county which covers an area of 3050.3 Km² (Kakamega CDP, 2013). The study was undertaken between January 2017 and March 2018 among the 148 randomly selected members of IG SACCO Society Limited, representing both urban and rural set ups. Both primary and secondary data was collected during the study period and conclusions to this study done.

1.6 Limitations and delimitations of the study.

The major limitation was that the study area was slightly hilly and muddy during rainy season in some parts of Kakamega Central sub-county. The researcher was able to overcome this by making prior appointments with the intended respondents.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literature that is relevant to the study. The areas covered by the chapter include: Theoretical literature review; Empirical literature review; Summary of Literature review and Conceptual framework.

2.2 Theoretical Review

According to Kombo and Tromp (2006) defines theoretical framework as collection of interrelated ideas based on theories. The study was guided by several theories including: Finance-growth theory, Growth theory and Entrepreneurship theory. These theories provide a foundation of how growth of SMEs are affected by services offered by SACCOs' which was relevant to this study.

2.2.1 Finance-Growth Theory

Finance-Growth theory on the finance growth nexus states that developed financial systems ease external financing constraints facing firms, which illuminates one mechanism through which financial development influences economic growth through ‘supply leading’ or ‘demand-following’ effect. The theory also perceive the lack of access to finance as a critical factor responsible for persistent income inequality as well as slower growth. Therefore, access to safe, easy and affordable source of finance is recognized as a pre-condition for accelerating business growth (Throatet al., 2006). The theory was relevant to the study because it outlines access to business loans and credit schemes as a critical component towards growth of every SME. This
theory address the second and third independent variables i.e. Business loans and Credit Schemes.

2.2.2 Growth theory

Deterministic approach on growth theory has evolved, which focuses on identifying a set of internal and external variables that can explain the growth of SMEs. This involves by identifying some characteristics, strategies, services and practices that are significantly related to growth, as in Smallbone, Leig and North, (1995), Becchetti and Trovato (2002), Davidsson and Kofsten (2003), and Barringer, Jones and Neubaum (2005). Although, the deterministic approach enriched understanding of SMEs growth patterns, “it has only been able to provide partial explanations of small business growth rates, leaving considerable unexplained variation”(Dobbs and Hamilton, 2006). The theory is relevant to the study because it outlines indicators of growth as both internal and external variables. This theory address dependent variable on growth of teachers’ owned SMEs.

2.2.3 Entrepreneurship theory

In economics, entrepreneurship theory has been modeled as an occupational choice between self-employment and wage-employment (see Lucas 1978, Evans and Jovanovic 1989, Murphy et al.1991). Hence someone will become an entrepreneur if profits and the non-pecuniary benefits from self-employment exceed wage income plus additional benefits from being in wage employment. Entrepreneurship is thus often synonymous with self-employment. Because self-employment is often not by choice but by necessity, a distinction if often made in between necessity and opportunity entrepreneurs – as in for instance the Global Entrepreneurship Monitor (Reynolds et al. 2005).
Entrepreneurship is the dynamic process of creating incremental wealth by individuals. The individuals who create wealth do assume the major risks in terms of equity, time and/or career commitment or provided value for same product or service. Entrepreneurship is the process of creating something new with value by devoting the necessary time effort, assuming the accompanying financial and social risks and receiving the resulting reward and personal satisfaction and independence (Hisrich et al 2007). This theory guided the study to sought better understanding of teachers as entrepreneurs’ of SMEs being supported by IG Sacco Society Limited in terms of growth in profitability, market share and capital base.

2.3 Empirical literature review

This section reviews studies previously done on effect of financial services on growth of SMEs. According to Zikmund et al (2010), empirical literature review is a directed search of published work which includes books and periodicals. It is a comprehensive survey of previous inquiries related to the research questions defined.

2.3.1 Growth of Teachers’ Owned SMEs

Delmar, Davidson and Gartner (2003) found that various indicators are used to measure growth and there does not seem to be any general measurement. The general objective of the research was to investigate the effect of Credit Union financial services offered by IG Sacco Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County. Measuring sales growth and relative employment growth during a specific time period is the most common indicators used. Indicators such as assets, market share, profits and output are also commonly used, however not as commonly as sales and employment. However, growth of
an enterprise will be indicated by many indicators such as increase in profit margin, increase in sales turnover, increase in number of customers served and increase in market share

Wekunda, (2016) posit SMEs as a pivotal contribution to economic growth. Growth of every SMEs is an indication of assessing success of an entrepreneur. The Global Entrepreneurship Monitor (GEM) Reports (2001-2010) noted that South Africa SMEs also have tremendous growth as a result of services they get from SACCOs. SMEs in Kenya have difficulties in growth due to lack of finance. They hardly grow beyond start-up stage. Others go out of business at a very early stage (Bronwyn, 1995).

The study undertaken by Hallberg (2010), and Mead & Liedholm (1998) reveals that access to finance is an important component to development of SME. SMEs can also access finance through relying on their retained earnings from enterprise to finance their investments. Finance is therefore a pivotal in every business cycle. The study intend to fill existing gap in getting the level of the indicators of growth of teachers Owned SMEs’ in Kakamega Central sub-county, Kakamega County.

2.3.2 Effect of savings schemes on growth of teachers’ Owned SMEs.

Armeddriz and Morduch (2005) in their study, identify reasons why saving schemes are important for SMEs and why most SMEs do not save. The objective of the study was to determine the effect of savings schemes on growth of teachers’ Owned SMEs in Kakamega Central sub-county, Kakamega County They postulated that savings have recently been recognized as important for low-income earners generally. One reason for being neglected is the assumption of "too poor to save", meaning that at subsistence level there is little room left to save for business. However, they mention, provision of savings may act in the same way as
credit; to build up collateral, smooth consumption, finance large investments and self-insure against shocks.

Gray, Saunders and Goregaokar (2012) found the main sources of finance used by SMEs to fund their businesses were reinvesting profits (68%), Personal/family savings (39%) and bank loan (29%). This indicates the importance of saving in funding business growth at 39%. Similarly the Important of savings to SMEs is emphasized by Citi’s “susu” in Ghana where 200 to 800 members save between US dollars 40,000 and 800,000 per cycle with the accumulated savings being paid out to the members over a 100 week cycle for each week’s collection (Bass and Henderson 2014.). Savings is viewed to be a critical factor in every SMEs.

Kimuyu and Omiti (2000) noted that formal segment of Kenya's financial sector is dominated by a few commercial banks some of which have roots in the colonial period and were historically oriented towards meeting the financial needs of external trade and large-scale commerce. These do not therefore have track record of lending to small enterprise businesses. On recognition of the shortfall, the government of Kenya backed initiatives such as the Small Enterprises Finance Company, the Kenya Industrial Estates and other alternatives to formal banks to fill the financing gap. Moreover, these government backed schemes and development finance initiatives performed unsatisfactorily and in retrospect may have distorted the evolution of financial markets in the country. It is that SACCOs provide safe custody of the SMEs revenues. This has led to a reduction in thefts and loses of the SMEs. The SMEs also gain by earning interest from the savings.

Kimuyu and Omiti (2000) calculates success in terms of growth when SMEs has gain interest from their savings. Such interests earned are reinvested in the business. On recognition of the
shortfall in financial services, nationally the government of Kenya backed initiatives such as Small Enterprises Finance Company, the Kenya Industrial Estates (KIE) and other alternatives to formal banks to fill the financing gaps. However, these governments backed based schemes and financing initiatives have in turn performed unsatisfactorily and in retrospect may have distorted the evolution of financial markets in the country. The Sacco’s provides safe custody of money of the SMEs. This in turn led to a reduction in thefts and loses of to SMEs. The study intended to fill existing gap in getting the most favorable type of savings scheme that enhances growth of teachers’ Owned SMEs’ in Kakamega Central sub-county, Kakamega County.

2.3.3 Effect of business loans on growth of teachers’ Owned SMEs.

Berger and Udell (2011) maintained that external debt providers require information relating to the borrower’s default risk in order to allocate business loans. The objective of the study was to determine the effect of business loans on growth of teachers’ Owned SMEs in Kakamega Central sub-county, Kakamega County. However, information in the market for small firms’ credit may be imperfect and asymmetric with entrepreneurs being typically better informed about their chances of success or failure than out-siders. This information gap arises because small firms are recognized as being more informationally opaque than large firms (due to insufficient track and/or financial records) and the collection of private information relating to the firm and entrepreneur is costly (Ang, 2010). In this context, equilibrium business loan rationing may arise where the finance provider is unable to verify the ex-ante financial risk of the firm (Stiglitz and Weiss, 2009) or, for example, whether the entrepreneur will sustain an optimal level of effort after receiving finance (Watson, 2008).
Mengistae et al., (2010) maintained that SACCO’s sector have relatively developed very well with a ratio of domestic credit to GDP at 78% in South Africa. Though concentrated, the banking sector is fairly competitive with a relatively high capital ratio of 8.3% and low and declining nonperforming business loans. Therefore, for the formal sector, access to finance might not be as much of a policy concern as it is for the less formal sector of the economy as reflected in only 14% of firms in the 2008 South African. Enterprise survey citing access to financing as a major obstacle. The survey provides more nuanced results which reflect that registered microenterprises are less likely to have access to business loan

In Kenya, Ongore, (2011) holistically reveals that SACCOs are part of the financial system. SACCOs receive savings from members in form of shares or deposits and from this created pool; they serve the credit needs of members through personal loans. Nabintu,(2013) maintains that business loans plays a critical role in the life of every SMEs that is prudently being managed. The principle underlying lending by SACCOs in Kenya is that not every member will request for a loan at the same time and for those who had acquired business loans, their SMEs had a growth. The study intended to fill existing gap in getting favorable types, terms and conditions of business loans that enhances growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.

2.3.4 Effect of credit schemes on growth of teachers’ Owned SMEs.

Nganda (2013) retained that lack of access to finance is one of the major challenges facing SMEs worldwide. The objective of the study was to determine the effect of credit schemes on growth of teachers’ Owned SMEs in Kakamega Central sub-county, Kakamega County. European countries SMEs tend to seek finance for relatively small amounts. The costs involved in the credit assessment and monitoring of a loan or investment make it
disproportionately more expensive to provide funds to an SME (Falkena et al., 2004). In most OECD countries, however, banks perceive SME finance as an attractive line of business and have developed effective monitoring mechanisms as a result (OECD, 2010).

Survey done by South Africa Institute of Development (2004) in South Africa, notes that more than 1,200 SACCO’s operating have extended credit services to about 8 million people out of whom 10% are teachers. The borrowers consist of both self-employed and employed and involved in income generating activities on daily basis. In addition, SMEs have created employment income for about 80,000 people, 20% of whom are teachers. Beck, Demirguc-Kunt (2006), the empirical evidence of credit rationing is provided by recent literature which shows that SMEs not only report higher financing obstacles than large firms, but the effect of these financing constraints is stronger for SMEs than for large firms. Similarly, according to surveys in the EU-15 Member States, between 18% and 35% of SMEs were refused when they applied for credit”(European Commission, 2006).

Philip (1996), states that the most criteria used for finance check, known in the banking industry as the 4 C’s of credit, when reviewing your loan request. Cash flow or the money coming in and getting out if your business is the first consideration. Provide projected cash flow statements as well as historic financial reports if possible. Capital is the second factor. This is money invested in the business. The standard amount that banks usually require is 30% of the total projected startup costs. Collateral that is a property that can be used to secure loan that could be seized by the lender if the borrower defaults or fails to repay the debt.

Philip (1996), also states that among the personal assets you could use as collateral are inventory, life Insurance policies, real estate and stocks and bonds. Credit worthiness history, both business and personal. As in personal credit history lenders like to see four or five years of credit
experience before considering your business for a commercial loan. Character or what are your personal financial investments or past and present lenders relationships. Moreover, a time they request for references from other professionals such as lawyers or accountants with whom you have worked in the past (OECD, 2015).

Mwabobia (2012) provides that loans from Sacco’s tend to be limited in amount, have no grace period, are short term in design and carry very high interest rates. Credit constraints operate in a variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit facilities for small enterprises forces them to rely on high cost short term finance (Obwocha, 2005). There are various other financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. The study intended to fill existing gap in getting favorable terms of credit schemes that enhances growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.

2.3.5 Effect of ATM Services on growth of teachers’ Owned SMEs.

Mandell (2011) discusses ATM adoption in the United States of America as the automated cash dispenser through which user accessed funds conveniently. The objective of the study was to determine the effect of ATM services on growth of teachers’ Owned SMEs in Kakamega Central sub-county, Kakamega County. According to Mandell, only 10% of all national banks had adopted even one ATM after a period of eight years. Mandell states that a bank’s adoption of innovation depends e.g. on its size, branching status and competitive position. According to Mandell, adoption of new technology was related more closely to competition than to cost savings.
Hannan and McDowell (2005) examine how firms react to rivals’ precedence in technology adoption process. The authors use data on the adoption of ATMs by a large sample of US banking firms in 2004–2011. According to the study, rivals’ adoption of ATMs increases the conditional probability that the other firms will also adopt ATMs. Some studies of the Indonesian SME sector have relevant findings on the need for use of ATM services. The survey found that 19 percent of small-medium firms rated use of ATM as a “principal problem” and another 16 percent rated it as a secondary problem (Rafinaldy, 2004).

ATM machines in Kenya are VISA branded (FSD Kenya, 2007). This means that, if you have a VISA card in Kenya, you can withdraw your money at any of ATMs in Kenya, regardless of having a different bank. However, withdrawing and depositing money at the ATM in Kenya is not the only thing that you can do with your VISA card but an ATM holder can enjoy a wide range of benefits such as Paying utility bills, purchase of goods, deposit cash directly through VISA card. The study intended to fill existing gap in getting how use of ATM has enhance growth of teachers’ Owned SMEs’ in Kakamega Central sub-county, Kakamega County.

2.4 Summary of Literature Review

Literature review looked at theoretical and empirical literature in order to cover all relevant information regarding the influence of SACCOs’ on SMEs and determine the existing gaps. The general literature attempts to look at the effect of Credit Union financial services offered by IG SACCO have on teachers owned SME’s, that is, Savings schemes, Business loans, Credit schemes and ATM services. The theories used to explain the study are the Finance-Growth theory, Growth theory and Entrepreneurship theory. These theories helped in better
understanding of the Credit Union financial services’ on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County. Several studies have been reviewed which studied various financial services offered by SACCOs such as (Hallberg, 2010; Gray, Saunders & Goregaokar 2012; Berger and Udell 2011; Ongore, 2011; Nganda, 2013; Nabintu, 2013; Mwabobia 2012; Hannan and McDowell 2005; Mandell, 2011). There are reviews on the indicators for measuring growth of teachers owned SMEs. There is neither studies reviewed examined growth of teachers’ owned SMEs in Kakamega Central Sub-county nor empirical evidence available to vindicate the contribution of IG SACCO Society Limited financial services towards growth of teachers’ owned SMEs in Kakamega Central Sub-county, Kakamega County. Therefore, it remains unknown the extent to which Credit Unions financial services’ offered by IG Sacco Society Limited have succeeded in enhancing growth of teachers’ owned SMEs in Kakamega Central Sub-county, Kakamega County. It is for this basis that the study sought to fill the existing knowledge gap to investigate effect of Credit Union financial services offered by IG Sacco Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.
2.5 Conceptual Framework

Growth of teachers’ owned SMEs in Kakamega Central sub-county depends on certain factors as set out into two categories as dependent and independent variables. Independent variables include: access to business loans, access to savings schemes, access to credit schemes and ATM services. The relationship of the variables is displayed in the figure 2.1 below:

**Independent variables**

- **Savings Schemes**
  - Rate of Interest earned.
  - Savings rate.
  - Safe custody of money.
  - Minimum saving requirement

- **Business loans**
  - Loan repayment period.
  - Monthly interest rate
  - Number of loan applications.
  - Loan evaluation.

- **Credit schemes**
  - Rate of Interest charged.
  - Terms of payments.
  - Repayment period.

- **ATM services**
  - Number of cash withdrawal.
  - Number of Deposits.

**Dependent Variable**

- **Growth**
  - Profit margin.
  - Number of customers.
  - Market share.
  - Sales turnover.
  - Owner’s Capital.

*Figure 2.1 Conceptual Framework*

*Source: Author, 2017*
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the research methodology. Included are: Research design, Target population, Sampling Technique, Sample size and sample determination, Data collection instruments, Data collection procedures, Validity and Reliability, Data analysis and Ethical considerations.

3.2 Research design

Research design refers to the way a study was planned and conducted, the procedures and techniques employed to answer the research problem or question (Saunders 2003). It constitutes all the arrangements of conditions for data collection and analysis of data so as to systematically solve the research problem (Kothari, 2004). The research design explains the pattern the research intends to follow. The study adopted a descriptive research design approach, where effects of Credit Unions financial services’ offered by IG SACCO Society Limited to growth of teachers’ owned SMEs was described as phenomenon in the real-life context. According to Gay (1993) descriptive survey is that type of research design which seeks to ascertain respondents experience or perspective on the specified subject matter in a predetermined structure manner.

Descriptive survey tries to collect information from a representative group upon which inferences are drawn about the behaviors’ of the entire target population. Its main aim is to find reasons why a particular activity is happening (Zikmund, Babin, Carr & Griffin, 2010). This design was employed because the study was based on a fact finding enquiry. Therefore required description of the state of affairs of the current situation after which the results was generalizable to whole target population (Kihimbo et al., 2012; Siekei et al., 2013).
3.3 Target population

The target population consisted of all the teachers’ owned SMEs operating within Kakamega Central sub-county. From the records of IG Sacco Society Limited (IG Sacco Society Limited AGM manual of June 2016), there are 500 registered business operators who are teachers owned SMEs in Kakamega Central sub-county from which a sample was drawn. Kakamega Central sub-county area was chosen as it has one of the most promising entrepreneurs in Kakamega County. This is as shown in table 3.1.

Table 3.1 Distribution of Target Population

<table>
<thead>
<tr>
<th>Name of Ward</th>
<th>Target Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Sheywe</td>
<td>250</td>
</tr>
<tr>
<td>2.Mahiakalo</td>
<td>130</td>
</tr>
<tr>
<td>3.Shirere</td>
<td>120</td>
</tr>
<tr>
<td>TOTAL</td>
<td>500</td>
</tr>
</tbody>
</table>

Source; IG Sacco Society Limited AGM manual, 2016

3.4 Sampling technique

The study applied stratified sampling technique where 29.6% of the population in each sampling frame was selected to participate in the study. For the exact individuals to participate in the study, the research adopted stratified sampling method based on simple random sampling technique to select respondents from where the sample was taken.

3.5 Sample size and sample determination

According to Mugenda and Mugenda (2003), a sample of 10-30% is good enough if well-chosen and the elements in the sample are more than 30. Mugenda and Mugenda (2003)
further explains a simplified formula for calculating sample size of a population that is less than 10,000 as below:

$$nf = \frac{n}{1 + n/N}$$

Where: \(nf\) = the desired sample size when the population is less than 10,000

\(n\) = the desired sample when the population is more than 10,000.

\(N\) = the estimate of the population size.

$$nf = \frac{210}{1+210/500} = 148$$

This gives a sample size of 148 respondents as indicated in the table 3.2 below. The sampling frame include: Sheywe, Mahiakalo and Shirere wards.

**Table 3.2 Sample Size for SMEs**

<table>
<thead>
<tr>
<th>Ward</th>
<th>Target population</th>
<th>Sample proportion</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sheywe</td>
<td>250</td>
<td>29.6%</td>
<td>74</td>
</tr>
<tr>
<td>2. Mahiakalo</td>
<td>130</td>
<td>29.6%</td>
<td>38</td>
</tr>
<tr>
<td>3. Shirere</td>
<td>120</td>
<td>29.6%</td>
<td>36</td>
</tr>
<tr>
<td>TOTAL</td>
<td>500</td>
<td>29.6%</td>
<td>148</td>
</tr>
</tbody>
</table>

**Source:** Researcher, 2017

**3.6 Data collection instruments**

The source of data included both primary and secondary sources. Primary sources of data was collected through use of both structured (closed ended) and unstructured (open ended) questionnaires (Kothari, 2007). Gall and Borg (1996) assert that, questionnaires are appropriate for studies since they collect information that is not directly observable as
they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. They further observe that questionnaires have the added advantage of being less costly and using less time as instruments of data collection. Secondary sources of data include: IG SACCO Society Limited strategic plan 2013-2017, SACCO’s annual reports, manuals and newsletters, inward communication like directives from the government and SACCO industry regulatory reports and journals.

3.7 Validity and reliability

Generally the validity of the instruments is very much critical in all forms of researchers. The acceptable level largely depends on professionalism, logical reasoning and experiencing of the researcher who should have clear understanding of various quality control techniques (Oso, 2005). Kaliapen and Hilman (2013) explain that validity is the extent to which a research instrument is able to measure what it is supposed to measure. The validity of the questionnaire was tested and enhanced by giving the questionnaire to two senior officials from the ministry of co-operative development and marketing and three SACCO managers who were able to assess the validity of the statements on the questionnaire. Their views and responses about the questionnaire were reviewed and were used to improve the study instruments where appropriate.

Reliability is a measure of the degree to which a research instrument yields consistent results of data after repeated trials-(Muganda 2003). The reliability of the questionnaire was tested using the Cronbach’s Alpha correlation coefficient with the aid of SPSS software. Ursla (2010) defines a pilot study as a small-scale trial, intended to assess the adequacy of research design and of instruments to be used for data collection. The reliability of the research was done using pilot testing.
3.8 Pilot Study

Saunders et al., (2009) noted that prior to administering a questionnaire to collect data it should be pilot tested to refine the questions to be addressed. The pilot testing assists to avoid problems of answering questions by respondents, recording data as well as establishing content validity. Just as Jagongo (2009) argued, the pilot test helps to reveal if the questions are clearly phrased and words understood by the respondents; the questions were logically arranged. A minimum of 10 items are allowed for piloting for studies with small population. Reliability is expressed in the form of correlation coefficient with values ranging from 0.00 representing low reliability to 1.00 representing perfect reliability. According to George and Mallery (2003) Cronbach Alpha value greater than 0.7 is regarded as satisfactory for reliability assessment.

3.9 Data collection procedures

The data was collected for a period of 15 working days. During that period only one set of a semi-structured questionnaires was administered to all respondents. The semi-structured questionnaires consisted of closed ended questions to enhance uniformity and to ensure maximum data was collected.

The research introductory letter was obtained from the sponsor, that is, Kenyatta University to enable me to collect data.

The semi-structured questionnaires were administered on a “drop and pick-later” method. The research assistant went through the questionnaire with the respondent and left it with him or her to fill. The respondent then later submitted the completed questionnaire to the research assistant at an agreed time. The entire semi-structured questionnaires used were analyzed. Self-administered questionnaires allow the participants to respond to the questions by themselves and at their own pace (Monsen& Horn, 2008).
3.10 Data analysis

According to Kombo and Tromp (2006) data analysis involves summarizing the key findings then explaining and interpreting the findings. Mugenda and Mugenda (2003) assert that data obtained from the field in raw form is difficult to interpret unless it is cleaned, coded and analyzed. Data for this study were both qualitative and quantitative. Qualitative data was analyzed using descriptive statistics and presented using percentages and frequency distribution. Bar charts was used to display nominal or ordinal data.

Quantitative data was analyzed using descriptive and the inferential statistics. The descriptives in this study included the percentages, pie charts, tabulations and frequencies counts while the inferential statistics involved the regression analysis. Inferential statistics were used to establish the relationship between the variables of the study and qualitatively by content analysis.

Growth of SMEs indicators are usually in form of ratios and are grouped as profitability, liquidity, financial strength and investment. For the purpose of this study, growth of teachers owned SMEs, which is the dependent variable, was measured by the levels of profits margin realized, owners capital, sales turnover, number of customers and market share. The study used the levels of profits accrued by the SMEs within the study times to measure the growth of SMEs. The independent variable operationalized the growth of teachers owned SMEs, which include: Savings schemes, Business loans, Credit schemes and ATM services. These were measured by the frequency, which the SME used these Credit Union Financial services in running their business operations.
Based on the objectives, the study applied the multiple regression analysis which helped in estimating the values (Cooper and Schindler, 2003) for dependent variable from the values of the independent variable as shown in the equation below:

\[ \text{Growth}(Y) = \beta_0 + \beta_1 \text{Savings\_schemes}(X_1) + \beta_2 \text{Business\_loans}(X_2) + \beta_3 \text{Credit\_schemes}(X_3) + \beta_4 \text{ATM\_services}(X_4) + \epsilon. \]

Multiple linear regression equation:

\[ Y = \beta_0 + \beta_1 (X_1) + \beta_2 (X_2) + \beta_3 (X_3) + \beta_4 (X_4) + \epsilon \]

Where;

- \text{Growth}(Y) representing profit margin, sales turnover, owners capital and market share.
- \( \beta_0 \) is the intercept coefficient for a randomly selected sample, \( \beta_1 \) measures change in \( Y \) with respect to \( X_1 \) (Savings schemes), holding other factors constant, \( \beta_2 \) measures the change in \( Y \) with respect to \( X_2 \) (Business loans) holding other factors constant and \( \beta_3 \) measures the change in \( Y \) with respect to \( X_3 \) (Credit schemes) holding other factors constant, and \( \beta_4 \) measures the change in \( Y \) for every unit change in \( X_4 \) (ATM services) holding other factors constant. The error term \( \epsilon \) captures random occurrences in the model that are not considered significant.

The F-ratio generated in the Analysis of variance (ANOVA) was used to test overall model statistical significance by indicating whether the R2 could have just occurred by chance alone or not, thus the p-value of the f-ratio should be <0.05 for the equation to be statistically significant. Statistical Package for Social Sciences (SPSS) versions 21.0 was used to aid in coding, entry and analysis of quantitative data obtained from the closed ended questions.
3.11 Ethical considerations

The researcher sought and secure informed consent from respondents before they participated in the research. This study adhered to appropriate research procedures and all sources of information were acknowledged. The most ethical factor that was highly considered was the privacy of the respondents’ responses that was treated with a lot of confidentiality and great assurance accorded to them. The researcher also distanced himself completely from the issues of plagiarism and it was critical to contain required standard of research.

3.12 Operationalization and measurement of variables

The key variables used in the study were operationalized as shown in table 3.3 below.

Table 3.3 Operationalization and measurement of variables

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Variable</th>
<th>Indicators</th>
<th>Measurement scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>To investigate the effect of Credit Union financial services offered by IG Sacco Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county, Kakamega County.</td>
<td>Dependent variable</td>
<td>•Profit margin •Number of customers. •Market share •Sales turnover. •Owner’s Capital.</td>
<td>Ordinal Ratio</td>
</tr>
<tr>
<td>To determine the effect of savings schemes offered by IG Sacco Society Limited influences growth of teachers’ owned Small and Medium Enterprises in Kakamega Central sub-county, Kakamega County.</td>
<td>Independent Savings schemes</td>
<td>• Rate of Interest earned. •Savings rate. •Safe custody of money. •Minimum saving requirement</td>
<td>Ordinal</td>
</tr>
<tr>
<td>To establish the effect of business loans offered by IG Sacco Society Limited affect growth of teachers’ owned Small and Medium Enterprises in Kakamega</td>
<td>Business loans</td>
<td>• Loan repayment period •Monthly interest rate</td>
<td>Ordinal</td>
</tr>
</tbody>
</table>
| Central sub-county, Kakamega County. | To establish the effect of credit schemes offered by IG Sacco Society Limited affect growth of teachers’ owned Small and Medium Enterprises in Kakamega Central sub-county, Kakamega County. | Credit schemes | • Number of loan applications.  
• Loan evaluation. | Ratio |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------------|-------|
| To establish how ATM services offered by IG Sacco Society Limited Sacco affect growth of teachers’ owned Small and Medium Enterprises in Kakamega Central sub-county, Kakamega County. | ATM services | • Rate of Interest charged  
• Terms of payments.  
• Repayment period. | Ordinal |
| | | • Number of cash withdrawal.  
• Number of Deposits. | Ordinal |
CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents research findings of the study that have been discussed under thematic sub-sections in line with the specific objectives of the study. The sub-themes include questionnaire response rate, demographic characteristics, savings schemes services, business loans, credit schemes services and ATM services on growth of teachers’ owned SMEs.

4.2 Response rate

A total of 148 questionnaires were distributed; 110 were correctly filled and returned. The results of the response rate are summarized in table 4.1.

Table 4.1 Distribution of response rate

<table>
<thead>
<tr>
<th>Response rate</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>110</td>
<td>74.32%</td>
</tr>
<tr>
<td>Unreturned</td>
<td>38</td>
<td>25.68%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>148</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The results in table 4.1 shows that 110 returned correctly filled questionnaires representing an overall response rate of 74.32% that was representative enough to answer the research objectives. This high return rate was obtained because the researcher with the help of the research assistants reminded the respondents prior to the agreed day of returning the questionnaires. Only 25.68% of the respondents’ did not return correctly filled questionnaires. According to Amin (2005) a return rate of 60% and above is adequate and acceptable to analyze and publish. Mugenda and Mugenda (2003) also asserted that a response rate of 50% or more is adequate. It implies that the results are valid and can be relied upon.
4.3 Reliability test results

Using SPSS version 21.0 the computed Cronbach alpha value for all the variables of this study was 0.762. As shown in Table 4.2 Cronbach alpha values for all the variables; Savings schemes, Business loans, Credit schemes and ATM services were greater than 0.7.

Table 4.2 Cronbach alpha values for all variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of items</th>
<th>Cronbach Alpha values</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings schemes</td>
<td>12</td>
<td>0.710</td>
<td>Reliable</td>
</tr>
<tr>
<td>Business loans</td>
<td>12</td>
<td>0.783</td>
<td>Reliable</td>
</tr>
<tr>
<td>Credit schemes</td>
<td>10</td>
<td>0.701</td>
<td>Reliable</td>
</tr>
<tr>
<td>ATM services</td>
<td>11</td>
<td>0.854</td>
<td>Reliable</td>
</tr>
<tr>
<td>Overall</td>
<td>45</td>
<td><strong>0.762</strong></td>
<td></td>
</tr>
</tbody>
</table>

In the table 4.2, the results were obtained using SPSS 21.0 software, the table had a summary idealized attribute score that was above the validated benchmark levels. All the questions met the Cronbach’s Alpha Coefficient of assessing the internal consistency of the instruments with alpha coefficients of above 0.7, which implied reliability, with the overall reliability of the instrument being 0.762 to which according to Bryman 2003, reliability benchmark alpha coefficients should be 0.8. From these findings it can be concluded that the constructs measured had the adequate reliability for the subsequent stages of analysis since all the Cronbach Alpha values were greater than 0.7. This implied that the findings of the study were reliable and valid.
4.4 Effect of saving schemes on growth of teachers owned SMEs

Savings of whatever nature is linked to growth of both individuals and institutions. The effect of savings schemes was analyzed on the basis of: level of education, type of business, age, gender and duration in operating the business. These results are presented in the following sub sections:

4.4.1 Distribution of respondents by the highest level of education

Level of education is a significant determinant of most innovation since it dictates the ability of a person to understand and assimilate business concepts, savings concepts and principles. The study determined the highest level of education for the respondents. The results are summarized in table 4.3.

Table 4.3 Distribution of respondents by level of education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>3</td>
<td>2.73%</td>
</tr>
<tr>
<td>Secondary</td>
<td>43</td>
<td>39.09%</td>
</tr>
<tr>
<td>Diploma</td>
<td>19</td>
<td>17.27%</td>
</tr>
<tr>
<td>Higher Diploma</td>
<td>11</td>
<td>10.00%</td>
</tr>
<tr>
<td>University</td>
<td>34</td>
<td>30.91%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>110</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The results indicated by table 4.3 show the respondents distribution in terms of their highest level of education. From the table, the study found out that the majority of respondents 43 (39.09%) were educated up to secondary level followed by those who were educated to university level 34 (30.91%), diploma level 19 (17.27%), 11 (10%) were educated up to higher diploma level and 3 (2.73%) were educated up to primary level. This is an indication of a well-educated work force are basically in urban areas. The findings of this study was consistent with previous study. Ndede (2015) found that well educated individuals are particularly in the urban in the urban set up.
4.4.2 Distribution of respondents by the type of business

Type of business is a significant determination of comparative advantage over the other in any given economy. Various types of business are associated with different benefits attached to them. The higher the number of benefits, the more attractive it is to the entrepreneurs’. The study also determined the type of business operated by the respondents. The results are summarized in table 4.4.

<table>
<thead>
<tr>
<th>Level of Business</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>95</td>
<td>86.36%</td>
</tr>
<tr>
<td>Partnership</td>
<td>11</td>
<td>10.00%</td>
</tr>
<tr>
<td>Limited Liability</td>
<td>4</td>
<td>3.64%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The findings in Table 4.4 show that majority 86.36% of the respondents were in sole proprietorship, 10% were in partnership and 3.64% were in limited liability type of business. The findings of this study was consistent with previous study. The findings of this study was consistent with previous study. Ochola (2013) found that entrepreneurs are mainly running sole proprietorships.

4.4.3 Distribution of respondents by age

Age factor is critical for successful development and continuous growth of a business in any given economy. The respondents were asked to indicate their ages. The results are summarized in table 4.5.
Table 4.5 Distribution of respondents by age

<table>
<thead>
<tr>
<th>Age (Years)</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 20 years</td>
<td>1</td>
<td>0.91%</td>
</tr>
<tr>
<td>Between 21 - 30 years</td>
<td>11</td>
<td>10.00%</td>
</tr>
<tr>
<td>Between 31 - 40 years</td>
<td>60</td>
<td>54.55%</td>
</tr>
<tr>
<td>Between 41 - 50 years</td>
<td>27</td>
<td>24.55%</td>
</tr>
<tr>
<td>Between 51 - 60 years</td>
<td>9</td>
<td>8.18%</td>
</tr>
<tr>
<td>Above 60 years</td>
<td>2</td>
<td>1.82%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The results in table 4.5 show distribution of respondents by age. This was important because attitude are known to change with age and it was necessary to determine whether there was any link between age and operation of SMEs owned by teachers. From the table, the study found out that the majority of SMEs owned by teachers in Kakamega Central sub-county in terms of their ages are those within the age brackets of between thirty one and forty years 60 (54.55%). This was followed by those within the age bracket of between forty one and fifty years 27 (24.55%), followed by those within the age bracket of between fifty one and sixty years 9 (8.18%). Those within the age bracket of between twenty one and thirty years were 11(10%), followed by those above sixty years 2 (1.82%) and last those below twenty years 1 (0.91%).

These results indicated that most of the teachers’ owned SMEs entrepreneurs were middle aged and the rest were almost distributed in normal curve. This results further indicates that most of the SMEs 60 (54.55%) are between age 31 and 40 years. This implies that they are still energetic and within the most productive age bracket. The findings of this study was consistent with previous study. Ndede (2015) found that entrepreneurs are mainly persons of average age of 34 years implying that MSE entrepreneurs are mainly persons below 40 years of age in terms of participation in business operation.
4.4.4 Gender of respondents

Gender is perceived to be a significant factor in the development and growth of any SMEs in a competitive market. Both male and females normally strives to own an enterprise either as the primary occupation or as secondary occupation to earn a living. The researcher sought to find out the gender of the target respondents involved in the study. The findings are in Figure 4.1.

Figure 4.1 Distribution of Respondents by Gender
Source: Researcher (2018)

The findings in Figure 4.1 show that majority of the respondents were male 83 (75.45%) as compared to 27 (24.55%) females. This is an indication that the researcher observed gender balance in the administration of questionnaires. It also implies that most of the respondents’ were male who run SMEs. The findings of this study was consistent with previous study. Wakaba (2013) males like venturing into SMEs business than females.

4.4.5 Distribution of respondents by duration in operating the business

Duration in the business operations is believed to be associated with experience in dealing with business challenges prudently. Experience in running a business is a critical pivotal in successes
of any business. The respondents were asked the period they have been in their current business. The responses are shown in figure 4.2.

![Bar chart showing distribution of respondents by duration in operating the business](image)

**Figure 4.2 Distribution of respondents by duration in operating the business**  
*Source: Researcher (2018)*

Figure 4.2 shows that majority 71.82% of the respondents have been in their current business for a period of between 3-5 years, 20.91% indicated between 6-10 years, 5.45% indicated between 0-2 years and 1.82% indicated more than 10 years. The findings imply that the respondents have been in their respective business for duration periods of three to five years therefore vast experience in dealing with challenges facing SMEs. The findings were consistent with the findings of previous study. Mwomo, (2004) found out that most businesses do well in their first three to five years of operations.

**4.4.6 Types of saving schemes**

Type of savings is a significant determination of comparative advantage over the other in any given economy. The more advantages associated to any given type of savings the more attractive
it is. The respondents were asked to state which type of saving scheme they belonged to. Table 4.6 presents the results of the types of savings.

**Table 4.6 Types of savings schemes**

<table>
<thead>
<tr>
<th>Types of Savings</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>43</td>
<td>39.09%</td>
</tr>
<tr>
<td>Group savings</td>
<td>65</td>
<td>59.09%</td>
</tr>
<tr>
<td>Corporate savings</td>
<td>2</td>
<td>1.82%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher (2018)*

Table 4.6 shows that that out of the 110 respondents who participated in the study, 65 (59.09%) said they were saving with group savings, 43 (39.09%) said they were saving with personal savings and finally 2 (1.82%) were using corporate savings. These findings show that majority of teachers’ owned SMEs 65 (59.09%) saved their money with group savings. The findings of this study was consistent with the findings of previous study. Kimuyu and Omiti, (2000) found that group lending is more attractive to SMEs as a means of saving business money.

4.4.7 Benefits from saving schemes

Various types of savings schemes are associated with different benefits attached to them. The higher the number of benefits, the more attractive it is to the entrepreneurs’. The respondents were asked to give benefits one gets after joining a saving scheme service. The responses are presented in table 4.7.

**Table 4.7 Benefits from savings schemes**

<table>
<thead>
<tr>
<th>Benefits from savings</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning interest</td>
<td>12</td>
<td>10.91%</td>
</tr>
<tr>
<td>Safe custody of money</td>
<td>10</td>
<td>9.09%</td>
</tr>
<tr>
<td>For both reasons</td>
<td>88</td>
<td>80.00%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher (2018)*
Table 4.7 shows that, out of the 110 respondents who participated in the study, 88 (80%) of respondents said they subscribed saving scheme services for both reasons. Twelve 12 (10.91%) said to earn interest and 10 (9.09%) said for safe custody only. It is clear from the results there was indication that most teachers owned SMEs 88 (80%) sought this saving scheme service for both security purposes and earning interest from their savings with the IG SACCO Society Limited. The findings were consistent with the findings of previous study. Armendariz and Morduch (2005) found that provision of savings may act in the same way as credit; to build up collateral, finance large investments, smooth consumption and for self-insure against shocks thus promoting growth of SMEs.

4.4.8 Motivators for seeking saving scheme services

The drivers of motivating factors depends on once choice in every business set up. The respondents were asked to give what motivates to seek saving scheme services from IG SACCO Society Limited. The findings are summarized in table 4.8.

<table>
<thead>
<tr>
<th>Motivators</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training/Seminars</td>
<td>67</td>
<td>60.91%</td>
</tr>
<tr>
<td>Personal idea</td>
<td>30</td>
<td>27.27%</td>
</tr>
<tr>
<td>Through friends</td>
<td>13</td>
<td>11.82%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

Table 4.8 shows that out of the 110 respondents who participated on the study 67 (60.91%) were motivated to seek saving scheme services by trainings and seminars held by IG SACCO Society Limited, 30 (27.27%) were motivated by personal idea and 13 (11.82%) were motivated by personal ideas. This shows that trainings held by IG SACCO Society Limited motivated most
teachers owned SMEs 67 (60.91%) to seek saving scheme services. This result showed that IG SACCO Society Limited should facilitate more training to motivate more SMEs to save and as a result influencing their growth positively. The findings of this study was consistent with the findings of Armendariz and Morduch (2005) that many entrepreneurs’ are attracted with seminars or trainings as they gain more knowledge of business.

4.4.9 Business growth after receiving saving scheme services from IG Sacco Society Limited

The extent to which saving scheme services offered by IG SACCO Society Limited was also cross tabulated with earning interest to investigate influence on growth of teachers’ owned SMEs in terms of average monthly profits and average number of customers served per week after receiving saving scheme services from IG SACCO Society Limited. Their responses were discussed in sub-sequence sections;

4.4.9.1 Business growth after receiving saving scheme services in relation to profit increase

The study sought to establish the extent saving scheme services has influenced the business in terms of profit margin, for that reason the findings of the profits earned were cross tabulated against custody of money and their results are presented in table 4.9.

<table>
<thead>
<tr>
<th>Increase in profit</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than Kshs.10,000</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Between Kshs.10,001 - 50,000</td>
<td>82</td>
<td>0</td>
</tr>
<tr>
<td>Between Kshs.50,001-100,000</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>More than Kshs.100,000</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>108</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 4.9 Business performance in relation to profit increase per month

Source: Researcher (2018)
The results from table 4.9 show that most SMEs 108 (98.18%) said they had an increase after saving their money and only 2 (1.82%) said they did not realize profit increase after saving their money. Five 5 (4.55%) had an increase of less than Kshs. 10,000, 82 (74.55%) had an increase between Kshs. 10,001 and Kshs.50,000, 18 (16.36%) had increase of between Kshs. 50,001 and Kshs.100,00, 3 (2.73%) had an increase of more than Kshs. 100,000. For those respondents who said there was no increase only 2 (1.82%) recognize increase in profit but less than Kshs.10,000. This finding was inconsistent with the findings of previous study. McCarthy and Perrault (1993) found that SACCOs provide safe custody for SMEs revenues which in-turn led to earning interests that have been re-invested to the business and contribute to the growth of the SMEs.

4.4.9.2 Business growth after receiving saving schemes in relation to customer served

The study sought to establish how interest earned had influenced the number of customers served, for that reason the findings of the number of customers served were cross tabulated with interest earned and their results are presented in table 4.10

Table 4.10 Business performance in relation to customers served per week

<table>
<thead>
<tr>
<th>Customers Served</th>
<th>Earning interest</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YES</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentages</td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 100</td>
<td>65</td>
<td>59.09%</td>
<td>6</td>
</tr>
<tr>
<td>Between 101 – 300</td>
<td>18</td>
<td>16.36%</td>
<td>0</td>
</tr>
<tr>
<td>Between 301- 600</td>
<td>11</td>
<td>10.00%</td>
<td>3</td>
</tr>
<tr>
<td>Between 601- 1000</td>
<td>5</td>
<td>4.55%</td>
<td>0</td>
</tr>
<tr>
<td>More than 1000</td>
<td>2</td>
<td>1.82%</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>101</td>
<td><strong>91.82%</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

These results in table 4.10 above shows that majority of the SMEs 101 (91.82%) said that they had an increase in the number of customers served per week while 9 (8.18%) said that they did
not have an increase in terms of customers served. 65 (59.09%) had an increase of less than 100 customers, 18 (16.36%) had an increase of between 101 and 300 customers, 11 (10%) had an increase of between 301 and 600 customers, 5 (4.55%) had an increase of between 601 and 1,000 customers and finally 2 (1.82%) had an increase of more than 1,000 customers. For respondents who said they did not have any increase 5 (5.45%) served less than 100 customers and 3 (2.73%) served between 301 and 600 customers. This suggest that after the SMEs had saved their money the interest they earned was taken back to the business and as a result increased business stock which in turn attracted more customers which as a result boosted business growth. The findings of this study is consistent with the findings of Armendariz and Morduch (2005) that increased interest earned are most probably reinvested in the business to enhance growth of enterprise.

4.4.10 Regression results for savings schemes

Regression analysis was applied to establish the strength and the magnitude of the relationship between savings schemes and growth of teachers’ owned SMEs at Kakamega Central sub-county. The scores to be regressed were computed through factor analysis (data reduction basis) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS) version 21.0.

4.4.10.1 Regression results of savings schemes and growth of teachers’ owned SME’s.

Table 4.11(a) showed the model summary results estimated to show the explained variations through $R^2$ change between savings schemes and growth of teachers owned SME’s.
Table 4.11(a) Model Summary of the variable relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.480(^a)</td>
<td>.231</td>
<td>.225</td>
<td>.59902</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Growth of teachers owned SME’s  
\(^b\) Predictors: (Constant), Savings schemes  
Source: Researcher (2018)

The regression analysis on table 4.11(a) showed that the adjusted coefficient of multiple determinant = 0.225 which implied that savings schemes explains 22.5% of the variation on growth of teachers owned SMEs’. The regression results also show that there is a positive influence of savings schemes on growth of teachers’ owned SME’s (r=0.480) thus concurs with Armendariz & Morduch (2005) findings that found a positive relationship between savings schemes and growth of teachers owned SME’s.

The study conducted an Analysis of Variance, in order to test the significance of the model. The findings were as shown in table 4.11(b). Table 4.11(b) showed the ANOVA results estimated to show the model fitness through F-ratio results between savings schemes and growth of teachers owned SME’s. Table 4.11(b) gives the regression results.

Table 4.11(b) ANOVA of the variable relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>14.088</td>
<td>1</td>
<td>14.088</td>
<td>39.260</td>
<td>.000(^b)</td>
</tr>
<tr>
<td></td>
<td>47.006</td>
<td>108</td>
<td>0.359</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>61.094</td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Growth of teachers owned SME’s  
\(^b\) Predictors: (Constant), Savings schemes  
Source: Researcher (2018)
The regression model is statistically significant at F (1, 108) = 39.260 and P value of 0.000, thus the proposed model fitted the data well. The ANOVA also gave a P-value of 0.000 which is below the threshold of 0.05 depicting the idealness of the data in drawing inferences and savings scheme services being significant.

Table 4.11(c) Coefficients of the variable relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.311</td>
<td>0.203</td>
<td>11.688</td>
<td>.000</td>
</tr>
<tr>
<td>1 Savings Schemes</td>
<td>0.343</td>
<td>0.055</td>
<td>6.266</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SMEs  
b. Predictors: (Constant), Savings schemes  

**Source: Researcher (2018)**

The regression results on table 4.11 (c) established that savings schemes is statistically significant at $\beta=0.343$; $t=6.266$; $p=0.000$ ($p<0.05$). The obtained regression equation further implied that there was a direct positive relationship between savings schemes and growth of teachers owned SME’s in Kakamega Central sub-county, Kakamega County.

Based on the results in table 4.11 (c), the equation for simple linear regression model was in the form of; $Y=2.311+0.343X_1 + \varepsilon$. Beta of 0.343 means that every 0.343 units of use of savings schemes, leads to a corresponding 1 unit in growth of teachers owned SME’s. This finding was consistent with the findings of previous study. Njoki and Bichanga (2014) found that savings schemes have positive relationship with growth of SMEs.
4.5 Influence of business loans on growth of teachers’ owned SMEs

Business loans of whatever type is linked to be fundamental to growth of both individuals and institutions. The interest rates linked to business loans are believed to be more attractive than other types of loans. The study was to establish influence of business loans offered by IG SACCO Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county. These results are presented in the following sub sections:

4.5.1 Number of SMEs that had received business loans from IG SACCO Society Limited

The respondents were asked to state whether they had received any business loan. The responses are presented in figure 4.3

![Figure 4.3 Number of SMEs that had received business loans](image)

Source: Researcher (2018)

The results in figure 4.3 indicated that majority 98 (98.18%) of the respondents had received business loans while the rest of 1 (1.82%) had not received business loans. This information was ideal for this study as enabled the study to identify teachers owned SMEs that had subscribed business loans and those that had not. These findings were in agreement with the findings of
previous study. Armendariz and Morduch (2005) identified reasons why business loans are important for SMEs because they are critical for low-income earners such that it influences their business growth positively.

4.5.2 Amount of business loans received by teachers’ owned SME

High amount of business loans are linked to better management and growth of any enterprise. Capital is therefore a fundamental factor in the life of an enterprise in every economy. The respondents were asked the amount of business loan they had received. The responses are presented in figure 4.4.

Figure 4.4 Amount of business loans received by teacher owned SMEs

Source: Researcher (2018)

These results in figure 4.4 shows that majority of the teachers’ owned SMEs 79 (71.82%) had received business loans above Kshs.80,000, 28 (25.45%) had received business loans between Kshs.20,001 and Kshs.40,001, 2 (1.82%) and finally others had received business loans of less than Kshs.20,000. This suggest that most business owners go for higher amounts to improve the
growth of their businesses. These findings were consistent with the findings of previous study. Armendariz and Morduch (2005) found that business entrepreneurs go for higher business loan amounts for their enterprises.

4.5.3 Types of business loans

Different types of business loans are believed to attract many entrepreneurs’ with business-oriented mind. Type of business loans is a significant determination of comparative advantage over the other in any given economy. The more advantages associated to any given type of business loan the more attractive it is. The respondents were asked the type of business loan they had received. The responses are presented in table 4.12.

Table 4.12 Types of business loans

<table>
<thead>
<tr>
<th>Type of Business loan</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akiba loan</td>
<td>1</td>
<td>0.91%</td>
</tr>
<tr>
<td>Biashara loan</td>
<td>104</td>
<td>94.55%</td>
</tr>
<tr>
<td>Vijana loan</td>
<td>2</td>
<td>1.82%</td>
</tr>
<tr>
<td>Emergency loan</td>
<td>3</td>
<td>2.73%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

Table 4.12 shows that that out of the 110 respondents who participated in the study, majority 104 (94.55%) said they received Biashara loan, 3 (2.73%) said they received emergency loan, 2 (1.82%) said they received Vijana loan and finally 1 (0.91%) received Akiba loan. These findings show that majority of teachers’ owned SMEs 104 (94.55%) received Biashara loan suggesting that most teachers’ acquire loans for the purpose of improving their businesses. The findings of the study were in agreement with previous study. Kimuyu and Omiti (2000) found that various types of business loans have impacted positively on growth of SMEs.
4.5.4 Initial business cash outlay for teachers’ owned SMEs

The direction and growth pattern of the enterprise in any viable economy depends on the amount of capital that a business hold. Capital is therefore a fundamental factor in the life of an enterprise in every economy. The respondents were asked the initial capital they used to start their business. The responses are presented in table 4.13.

Table 4.13 Initial Business cash outlay for teachers owned SMEs

<table>
<thead>
<tr>
<th>Initial cash outlay</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Kshs.1,000</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Between Kshs.1,001 - Kshs.5,000</td>
<td>1</td>
<td>0.91%</td>
</tr>
<tr>
<td>Between Kshs.5,001- Kshs.10,000</td>
<td>2</td>
<td>1.82%</td>
</tr>
<tr>
<td>Between Kshs.10,001- Kshs.20,000</td>
<td>11</td>
<td>10.00%</td>
</tr>
<tr>
<td>Between Kshs.20,001- Kshs.50,000</td>
<td>23</td>
<td>20.91%</td>
</tr>
<tr>
<td>Between Kshs.50,000- Kshs.100,000</td>
<td>63</td>
<td>57.27%</td>
</tr>
<tr>
<td>Kshs.100,001 and above</td>
<td>10</td>
<td>9.09%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>110</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The results in the table 4.13 show that, out of the 110 respondents who participated in the study, majority 57.27% (63) of the respondents started their business with initial capital between Kshs.50,000 and Kshs.100,000 followed by 20.91% (23) started their business with initial capital between Kshs.20,001. Eleven 10% (11) started their business with initial capital between Kshs.10,001 and Kshs.20,000, 9.09% (10) started their business with initial capital of Kshs.100,001 and above, 1.82% (2) started their business with initial capital between Kshs.5,001 and Kshs.10,000 and finally 0.91% (1) started their business with initial capital between Kshs.1,001 and Kshs.5,000. From these findings, the study found out that most business requires high initial cash outlay to start thereby requiring sourcing from SACCOs. These results were in agreement with previous study. Philip (1996) found that for a well-established business, the
owner must have high capital investment at the initial stages. High investment therefore contributes to boosting of business growth both in short term and in the long-run.

4.5.5 Regression results for business loans

Regression analysis was applied to establish the strength and the magnitude of the relationship between business loans and growth of teachers’ owned SMEs at Kakamega Central sub-county. The scores to be regressed were computed through factor analysis (data reduction basis) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS) version 21.0.

4.5.5.1 Regression results of business loans and growth of teachers owned SME’s

Table 4.14(a) showed the model summary results estimated to show the explained variations through $R^2$ change between business loans and growth of teachers owned SME’s.

Table 4.14(a) Model Summary of the variable relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.525a</td>
<td>.276</td>
<td>.270</td>
<td>.58116</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s  
b. Predictors: (Constant), Business loans  
Source: Researcher (2018)

The regression analysis on table 4.14(a) showed that the adjusted coefficient of multiple determinant = 0.270 which implied that business loans explains 27% of the variation on growth of teachers owned SME’s. The regression results also show that there is a positive influence of business loans on growth of teachers’ owned SME’s ($r=0.525$). This results were in agreement
with previous study. Njoki and Bichanga, (2014) found that business loans have positive relationship with growth of SMEs.

The study conducted an Analysis of Variance, in order to test the significance of the model. The findings were as shown in table 4.14(b). Table 4.14(b) showed the ANOVA results estimated to show the model fitness through F-ratio results between business loans and growth of teachers owned SME’s. Table 4.14(b) gives the regression results.

**Table 4.14(b) ANOVA of the variable relationship**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>16.849</td>
<td>1</td>
<td>16.849</td>
<td>49.885</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>44.245</td>
<td>108</td>
<td>0.338</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>61.094</td>
<td>109</td>
<td>0.338</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s

b. Predictors: (Constant), Business loans

*Source: Researcher (2018)*

The regression model is statistically significant at F (1,108) =49.885 and P value of 0.000, thus the proposed model fitted the data well. The ANOVA also gave a P-value of 0.000 which is below the threshold of 0.05 depicting the idealness of the data in drawing inferences and concluding that business loans are significant towards growth of business.
Table 4.14(c) Coefficients of the variable relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.957</td>
<td>0.238</td>
<td>8.208</td>
</tr>
<tr>
<td>1</td>
<td>Business loans</td>
<td>0.474</td>
<td>0.067</td>
<td>0.525</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SMEs

b. Predictors: (Constant), Business loans

**Source: Researcher (2018)**

The regression results on table 4.14(c) established that business loans is statistically significant at β=0.474; t=7.063; p=0.000 (p=0.000 where p<0.05). The obtained regression equation further implied that there was a direct positive relationship between business loans and growth of teachers owned SME’s in Kakamega Central sub-county, Kakamega County.

Based on the results in table 4.14(c), the equation for simple linear regression model was in the form of: \( Y = 1.957 + 0.474X_2 + \epsilon \). Beta of 0.474 means that every 0.474 units of use of business loans, leads to a corresponding 1 unit in growth of teachers owned SME’s. This finding was consistent with the findings of previous study. Nabintu (2013) found that business loans have positive and significant relationship with growth of SMEs.

**4.6 Influence of credit schemes on growth of teachers’ owned SMEs**

Collateral is a key factor that SACCOs consider when assessing credit facilities applications. Many banks especially commercial banks, ask for collateral when one is applying for a credit facilities. However, many SACCOs nowadays give unsecured credit facilities to members. The study was to establish influence of credit schemes offered by IG SACCO Society Limited on growth of teachers owned SME’s in Kakamega Central sub-county.
4.6.1 Number of SMEs that had received credit scheme services

The study was interested in asking respondents to state whether their small and medium enterprises had received any credit services from IG SACCO Society Limited to support their businesses. Their responses as presented in figure 4.5

![Pie chart showing the percentage of SMEs that had received credit scheme services]

**Figure 4.5 Number of SMEs that had received credit scheme services**

**Source: Researcher (2018)**

From figure 4.5 out of 110 respondents who participated in the study, majority (60.91%) said that they had received credit services while (39.09%) said that they had not received credit services. This indicates that majority of the SMEs had not received credit scheme services from IG SACCO Society Limited. This suggest that most SMEs lacked financial base to start their businesses. This results was in agreement with previous study. Mambula (2002) found that small and medium businesses lack proper financial base which limits their ability to acquire business premises and land for business purpose.
4.6.2 Sources of start-up capital

Capital is fundamental factor in the life of an enterprise in every economy. The ability of businesses to sustain its planned levels of activities in the business proposal depends on the value of startup capital. The respondents were asked where they sourced their startup capital for their SMEs. The findings are presented in table 4.15

Table 4.15 Sources of start-up capital for teachers’ owned SMEs

<table>
<thead>
<tr>
<th>Name of the source</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>4</td>
<td>3.64%</td>
</tr>
<tr>
<td>Personal savings</td>
<td>2</td>
<td>1.82%</td>
</tr>
<tr>
<td>Donation</td>
<td>1</td>
<td>0.91%</td>
</tr>
<tr>
<td>IG SACCO Society Limited</td>
<td>103</td>
<td>93.64%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The results in the table 4.15 show that, out of the 110 respondents who participated in the study, 103 (93.64%) obtained their credit services from IG SACCO Society Limited. Then followed by 4 (3.64%) who obtained their credit services from commercial banks, which was closely followed by 2 (1.82%) who obtained their credit services from personal savings, 1 (0.91%) obtained their credit services through donation. From these findings, the study found out that IG SACCO Society Limited provides the highest level of credit scheme services to teachers’ owned SMEs in the area of study. These findings also show that some SMEs might be accessing credit services from financial institutions that charge low interest rates. The results were in agreement with previous study. Philip (1996) found that most finances when they are reviewing your request for a loan; they check both cash in-flow and out-flow for one to qualify for loan. Therefore, views expressed by Philip (1996) showed that SACCOs offer their credit services to SMEs, which are already operating to boost their growth.
4.6.3 Sources of supplement capital

The study was also interested in finding out the sources of capital which supplemented the deficit in capital for the SMEs. This information was key because the study was able to establish how the SMEs supplemented their capital. The respondents were asked to state source of their supplemented capital. Their findings are presented in table 4.16.

Table 4.16 Sources of Supplements for shortfall in capital for business expansion

<table>
<thead>
<tr>
<th>Sources of supplement capital</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest from savings</td>
<td>12</td>
<td>10.91%</td>
</tr>
<tr>
<td>Sale of personal properties</td>
<td>20</td>
<td>18.18%</td>
</tr>
<tr>
<td>Donations</td>
<td>1</td>
<td>0.91%</td>
</tr>
<tr>
<td>IG SACCO Society Limited</td>
<td>77</td>
<td>70.00%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher (2018)*

From the findings in the table 4.16, out of the 300 respondents who participated in the study 77 (70%) obtained support from IG Sacco Limited, 20 (18.18%) got it from sale of personal properties, 12 (10.91%) used interest from their savings and 1 (0.91%) obtained it from donations. Thus, from the results there is a clear indication that IG Sacco Limited provide credit schemes services that assist teachers’ owned SMEs to grow from their initial stages. These findings were in agreement with the findings of previous study. Sharma (2001) found that SMEs who had obtained supplement capital from SACCO have been able to buy more facilities, employ more people, become more profitable and have a better reputation in their businesses. This indicates that credit services have impacted positively on growth of SMEs.

4.6.4 Business growth after receiving credit scheme services

The level of credit services received offered by IG SACCO Society Limited was cross-tabulated to establish its influence on growth of teachers’ owned SMEs in terms of average monthly
profits; average member of customers; number of customers before and after receiving credit scheme services from IG SACCO Society Limited. Their responses are discussed in subsequent sections;

4.6.4.1 Business growth after receiving credit Scheme services in relation to profits

The study sought to establish how loans advanced has influenced the business profits for that reason the findings of the profits earned were cross tabulated with loans advanced and their responses are presented in table 4.17.

Table 4.17 Business growth in relation to profit Increase per week

<table>
<thead>
<tr>
<th>Increase in profit</th>
<th>Loans Advanced</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentages</td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than Kshs.10,000</td>
<td>2</td>
<td>1.82%</td>
<td>5</td>
</tr>
<tr>
<td>Between Kshs.10,001 - 50,000</td>
<td>20</td>
<td>18.18%</td>
<td>3</td>
</tr>
<tr>
<td>Between Kshs.50,001 - 100,000</td>
<td>35</td>
<td>31.82%</td>
<td>2</td>
</tr>
<tr>
<td>More than Kshs.100,000</td>
<td>42</td>
<td>38.18%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>99</td>
<td>90.00%</td>
<td>11</td>
</tr>
</tbody>
</table>

*Source: Researcher (2018)*

From table 4.17 the result shows that out of 99 (90%) who said loans advanced had an increased in their monthly profits, 42 (38.18%) had an increase of more than Kshs.100,000, 35 (31.82%) had an increase of between Kshs.50,001 and 100,000, 20(18.18%) had an increase of between Kshs.10,001 and 50,000 and finally 2 (1.82%) had an increase of less than Kshs.10,000. For those 11 respondents who said credit advanced did not increased their monthly profits, 5 (4.55%) had a monthly profit of less than Kshs.10,000, 3 (2.73%) had a monthly profit of between Kshs.10,001 and 50,000, 2 (1.82%) had a monthly profit of between Kshs.50,001 and 100,000 while only 1 (0.91%) had a profit of more than Kshs.100,000. From the findings there is a clear that most teachers’ owned SMEs 99 (90%) had an increase in their monthly profits. These findings were in
agreement with the findings of previous study. Kibas (2001) found that access to loans enables one to make more profits which are as a result these money is pumped back to improve business stock level. This had impacted positively on growth of the business.

4.6.4.2 Business growth after receiving credit schemes in relation to customers served

The study sought to establish how loans advanced has influenced the number of customers served, for that reason the findings of the number of customers served were cross tabulated with loans advanced and their results are presented in table 4.18.

Table 4.18 Business growth in relation to customers served per week loans advanced

<table>
<thead>
<tr>
<th>Customers Served</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentages</td>
</tr>
<tr>
<td>Less than 100</td>
<td>3</td>
<td>2.73%</td>
</tr>
<tr>
<td>Between 101 – 300</td>
<td>8</td>
<td>7.27%</td>
</tr>
<tr>
<td>Between 301- 600</td>
<td>20</td>
<td>18.18%</td>
</tr>
<tr>
<td>Between 601- 1000</td>
<td>26</td>
<td>23.64%</td>
</tr>
<tr>
<td>More than 1000</td>
<td>48</td>
<td>43.64%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>105</strong></td>
<td><strong>95.45%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

From the results in table 4.18 above majority of the respondent 105 (95.45%) said that the number of customers served in their enterprises had increased after they had been advanced loans while only 5 (4.55%) said the number of customers did not increase. These results further suggests that majority 48 (43.64%) had an increase of more than 1000 customers, 26 (23.64%) had increase of between 601 and 1000 customers, 20 (18.18%) had an increase of between 301 and 600 customers, 8 (7.27%) had an increase of between 101 and 300 customers and finally 3 (2.73%) had an increase of less than 250 customers. This signifies that the number of customers served increased as a result of loan advanced. As a result the number of customers increases the business also grows hence influencing SMEs growth positively. These findings were in
agreement with the findings of previous study. Sharma (2001) found that loans advanced by the SACCOs to SMEs have tremendously influenced positively on their growth. They have been able to buy more facilities, have a better reputation, and hence have attracted many customers.

4.6.5 Regression results for credit schemes

Regression analysis was applied to establish the strength and the magnitude of the relationship between credit schemes and growth of teachers’ owned SMEs at Kakamega Central sub-county. The scores to be regressed were computed through factor analysis (data reduction basis) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS) version 21.0.

4.6.5.1 Regression results of credit schemes and growth of teachers owned SME’s.

Table 4.19(a) showed the model summary results estimated to show the explained variations through $R^2$ change between credit schemes and growth of teachers owned SME’s.

Table 4.19(a) Model Summary of the variable relationship

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.710a</td>
<td>.503</td>
<td>.338</td>
<td>.27959</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s
b. Predictors: (Constant), Credit schemes

Source: Researcher (2018)

The regression analysis on table 4.19(a) showed that the adjusted coefficient of multiple determinant = 0.338 which implied that credit schemes explains 33.8% of the variation on growth of teachers owned SME’s. The regression results also show that there is a positive influence of credit schemes on growth of teachers’ owned SME’s ($r=0.710$). These findings were
in agreement with the findings of previous study. Kapkiyai and Mugo (2015) found that credit schemes have positive relationship with growth of SMEs.

The study conducted an Analysis of Variance, in order to test the significance of the model. The findings were as shown in table 4.19(b). Table 4.19(b) showed the ANOVA results estimated to show the model fitness through F-ratio results between credit schemes and growth of teachers owned SME’s. Table 4.19(b) gives the regression results.

Table 4.19(b) ANOVA of the variable relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.238</td>
<td>1</td>
<td>.238</td>
<td>3.042</td>
<td>.019b</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>108</td>
<td>.078</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.473</td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s
b. Predictors: (Constant), Credit schemes

Source: Researcher (2018)

The regression model is statistically significant at F (1,108) =3.042 and P value of 0.019, thus the proposed model fitted the data well. The ANOVA also gave a P-value of 0.019 which is below the threshold of 0.05 depicting the idealness of the data in drawing inferences and concluding that credit schemes are significant towards growth of business.

Table 4.19(c) Coefficients of the variable relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.134</td>
<td>1.559</td>
<td>4.576</td>
<td>.020</td>
</tr>
<tr>
<td>1</td>
<td>Credit Schemes</td>
<td>0.583</td>
<td>0.334</td>
<td>0.710</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SMEs
b. Predictors: (Constant), Credit schemes

**Source: Researcher (2018)**

The regression results on table 4.19(c) established that credit schemes is statistically significant at $\beta=0.583; t=0.744; p=0.019$ ($p=0.019$ where $p<0.05$). The obtained regression equation further implied that there was a direct positive relationship between credit schemes and growth of teachers owned SME’s in Kakamega Central sub-county, Kakamega County.

Based on the results in table 4.19(c), the equation for simple linear regression model was in the form of; $Y=7.134+0.583X_3 + \varepsilon$. Beta of 0.583 means that every 0.583 units of use of credit schemes, leads to a corresponding 1 unit in growth of teachers owned SME’s. The study therefore was consistent with past studies of Sharma (2000) findings that found out that there was a positive and significant relationship between credit schemes and growth of teachers owned SME’s.

**4.7 Influence of ATM Services on growth of teachers’ owned SMEs**

Generally, most banks and SACCOs have introduced use of ATMs to their members. Members can enjoy a wide range of benefits such as Paying utility bills, purchase of goods, deposit cash directly through VISA card. The objective of this study was to establish influence of ATM Services offered by IG Sacco Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county.

**4.7.1 Number of SMEs that had received ATM services from IG SACCO Society Limited.**

The use of ATMs are believed to be faster and convenient in withdrawing money for various use by members of SACCOs. The respondents were asked to state whether they had been receiving ATM Services from IG SACCO Society Limited. This information was necessary as the study
was able to find out those SMEs that had benefited from ATM services and those that had not. The responses are presented in figure 4.6

![Pie chart showing percentage of SMEs that received ATM services](image)

**Figure 4.6 Number of SMEs that had received ATM services**

**Source: Researcher (2018)**

From the results in figure 4.6, out of the 110 respondents who participated in the study only 13 (11.82%) stated no while the remaining 97 (88.18%) stated yes. This indicates that majority of teachers’ owned SMEs have received ATM services in the course of management of their enterprises. These findings were in agreement with the findings of previous study. Lussier (1996) found that ATM services plays a critical role in the success of any SMEs. Therefore, ATM services is key towards positive business performance and eventually affecting its’ growth.

**4.7.2 Types of ATM services obtained from IG SACCO Society Limited debit card**

Type of ATM services is a significant determination of comparative advantage over the other in any given economy. The more advantages associated to any given type of ATM services the more attractive it is to entrepreneurs’. This information was necessary for this study as this
helped the study to identify the specific service frequently used by teachers’ owned SMEs. The respondents were asked to state the types of ATM Services obtained from using IG SACCO Society Limited debit card. The responses are presented in table 4.20.

Table 4.20 Types of ATM services obtained from IG SACCO Limited debit card

<table>
<thead>
<tr>
<th>Type of ATM Services</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash withdrawals</td>
<td>96</td>
<td>87.27%</td>
</tr>
<tr>
<td>Payment of utilities</td>
<td>9</td>
<td>8.18%</td>
</tr>
<tr>
<td>Shopping at supermarkets</td>
<td>2</td>
<td>1.82%</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>2.73%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

Table 4.20 shows that, out of the 110 respondents who participated in the study, majority 96 (87.27%) of the respondents had received ATM service on cash withdrawals, 9 (8.18%) had received ATM service on payment of utilities, 3 (2.73%) had received on other services and only 2 (1.82%) had received on shopping at supermarkets. The findings are in agreement with Kenya market survey (2015) which points out that ATM services like Cash withdrawals, Electronic payments of various utilities and shopping at supermarkets with ATM debit card helps individual to save time for better management of businesses. This therefore signifies that ATM services have assisted most teachers’ owned SMEs to grow.

The respondents were asked to state the frequency of using ATM Debit card provided by IG Sacco Society Limited. All of them indicated that they use ATM Debit card on a daily basis. From this, results shows that 100% SMEs receive ATM Services from IG Sacco Limited daily and their judgement on efficiency is satisfactory. These findings were in agreement with the findings of previous study. Mary (2001) found that the elements of a successful ATM services includes having efficient, reliable and accessible ATM machine that enhances growth of any
business. Basing on the results this can be argued that ATM services is a key element for success of SMEs growth and should be enhanced by all SACCO Societies.

4.7.3 Business growth after receiving ATM from IG SACCO Society Limited

The extent of ATM services was cross tabulated to examine how ATM services has influenced the business growth in terms of average monthly profits margin and average number of customers served per week after receiving ATM services from IG SACCO Society Limited. Their responses are presented in their subsequent sections;

4.7.3.1 Business growth in relation to profit margin Increase.

The study sought to establish how ATM services has influenced the business growth in terms of profit margin, for that reason the findings of the profits earned were cross tabulated with ATM services and their results were presented in table 4.21.

Table 4.21 Business growth in relation to profit margin increase per month.

<table>
<thead>
<tr>
<th>Increase in profit(Kshs)</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentages</td>
</tr>
<tr>
<td>Less than 10,000</td>
<td>4</td>
<td>3.64%</td>
</tr>
<tr>
<td>Between 10,001-50,000</td>
<td>10</td>
<td>9.09%</td>
</tr>
<tr>
<td>Between 50,001-100,000</td>
<td>29</td>
<td>26.36%</td>
</tr>
<tr>
<td>More than 100,000</td>
<td>56</td>
<td>50.91%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>99</strong></td>
<td><strong>90.00%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The results in table 4.21 show that most teachers' owned SMEs 99 (90%) said ATM services has increased their profits while only 11 (10%) said ATM services had not increased their profits. Fifty six, 56 (50.91%) said ATM services has their profits more than Kshs.100,000, 29 (26.36%) said their profits increased between Kshs.50,001 and Kshs.100,000, 10(9.09%) had an increase
of between Kshs.10,001 and Kshs.50,000, and finally 4(3.64%) had an increase of less than Kshs.10,000. For these respondents who said ATM services had not increased their profits 7 (6.36%) said their profits are between Kshs.10,001 and Kshs.50,000, and 4 (3.64%) said their profits are between Kshs.50,001 and 100,000. These findings were in agreement with the findings of previous study. Wahome (2001) found that business ATM services provided by SACCOs to teachers’ owned SMEs, has led to improved time management, impacted on the productivity and has motivated business owners. This has led to their profitability. Hence this has a positive influence on growth of teachers’ owned SMEs.

4.7.3.2 Business growth after receiving ATM services in relation to customers served

The study sought to establish how ATM services has influenced the number of customers served, for that reason the findings of customers served were cross tabulated with ATM services and their results are presented in table 4.22.

**Table 4.22 Business growth in Relation to Customers Served Per Week.**

| Customers Served | YES | | | NO |
|------------------|-----|-----------------|-----------------|
|                  | Frequency | Percentages | Frequency | Percentages |
| Less than 100    | 5   | 4.55%          | 6   | 5.45%          |
| Between 101 – 300| 9   | 8.18%          | 0   | 0.00%          |
| Between 301- 600 | 13  | 11.82%         | 0   | 0.00%          |
| Between 601- 1000| 23  | 20.91%         | 0   | 0.00%          |
| More than 1000   | 54  | 49.09%         | 0   | 0.00%          |
| **TOTAL**        | **104** | **94.55%** | **6** | **5.45%** |

*Source: Researcher (2018)*

The result in table 4.22 shows that majority of SMEs 104 (94.55%) said the number of customers served had increased and only 6 (5.45%) said ATM services did not increase the number of customers served. These results further shows that 5 (4.55%) had an increase of less than 100, 9
(8.18%) had an increase of between 101 and 300, 13 (11.82%) had an increase of between 301 and 600, 23 (20.91%) had an increase of between 601 and 1,000 and lastly 54 (49.09%) had an increase of more than 1,000 customers. For those who said ATM services did not increase customers only 6 (5.45%) serve customers who are less than 100. These findings were in agreement with the findings of previous study. Sharma (2001) found that ATM services offered by the SACCOs to SMEs have tremendously impacted positively on their business growth since they have been able to attract more customers and saving time.

4.7.4 Regression results for ATM services

Regression analysis was applied to establish the strength and the magnitude of the relationship between ATM services and growth of teachers’ owned SMEs at Kakamega Central sub-county. The scores to be regressed were computed through factor analysis (data reduction basis) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS) version 21.0.

4.7.4.1 Regression results of ATM services and growth of teachers owned SME’s.

Table 4.23(a)  Regression results of ATM services and growth of teachers owned SME’s

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.367a</td>
<td>.135</td>
<td>.128</td>
<td>.63528</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s
b. Predictors: (Constant), ATM services

Source: Researcher (2018)

The regression analysis on table 4.23(a) showed that the adjusted coefficient of multiple determinant = 0.128 which implied that ATM services explains 12.8% of the variation on growth of teachers owned SMEs’. The regression results also show that there was a positive influence of
ATM services on growth of teachers’ owned SME’s (r=0.367). These findings were in agreement with the findings of previous study. Njoki and Bichanga (2014) found that ATM services have positive relationship with growth of SMEs.

The study conducted an Analysis of Variance, in order to test the significance of the model. The findings were as shown in table 4.23. Table 4.22(b) showed the ANOVA results estimated to show the model fitness through F-ratio results between ATM services and growth of teachers owned SME’s. Table 4.23(b) gives the regression results.

**Table 4.23(b) ANOVA of the variable relationship**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>8.225</td>
<td>1</td>
<td>.238</td>
<td>20.380</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>52.869</td>
<td>108</td>
<td>.078</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>61.094</td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s
b. Predictors: (Constant), ATM services

**Source: Researcher (2018)**

The regression model is statistically significant at F (1,108) =20.380 and P value of 0.000, thus the proposed model fitted the data well. The ANOVA also gave a P-value of 0.000, which is below the threshold of 0.05 depicting the idealness of the data in drawing inferences and concluding that ATM services are significant towards growth of business.

**Table 4.23(c) Coefficients of the variable relationship**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.383</td>
<td>.276</td>
<td>8.640</td>
</tr>
<tr>
<td></td>
<td>ATM services</td>
<td>0.346</td>
<td>.077</td>
<td>4.514</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SMEs
b. Predictors: (Constant), ATM services

Source: Researcher (2018)

The regression results on table 4.23(c) established that ATM services is statistically significant at \( \beta = 0.346; t = 4.514; p = 0.000 \) \( (p = 0.000 \text{ where } p < 0.05) \). The obtained regression equation further implied that there was a direct positive relationship between ATM services and growth of teachers owned SME’s in Kakamega Central sub-county, Kakamega County.

Based on the results in table 4.23(c), the equation for simple linear regression model was in the form of; \( Y = 2.383 + 0.346X + \varepsilon \). Beta of 0.346 means that every 0.346 units of use of ATM services, leads to a corresponding 1 unit in growth of teachers owned SME’s. These findings were in agreement with the findings of previous study. Lussier (1996) found that there was a positive and significant relationship between ATM services and growth of teachers owned SME’s.

4.8 Growth of teachers’ owned SMEs

Growth is generally viewed as an indicator of success of every business enterprise. Growth of a business is attributed to a number of drivers in any competitive business market. Indicators of growth include: Increase in profit margin, Number of customers, Increased market share and owners share capital. The study sought to investigate the extent to which growth of teachers’ owned SMEs are affected in terms of growth.

4.8.1 Number of teachers’ owned SMEs that had increased in terms of growth

Every entrepreneur strives towards success of its business with the view of increasing the growth. Growth is therefore viewed as an indicator of success of every business enterprise. The respondents were asked to state whether their SMEs have increased in terms of growth since they
received credit union financial services from IG SACCO Society Limited. Their responses are presented in figure 4.7

![Pie chart showing percentage of business growth](image)

**Figure 4.7 Number of teachers' owned SMEs that had increased in terms of growth**

**Source: Researcher (2018)**

From figure 4.7 out of 110 respondents who participated in the study, 102 (92.73%) said that their business had increased in terms of growth since they received funds while only 8 (7.27%) said that business had not increased in terms of growth since they received funds. This indicates that majority of the SMEs had grown after receiving funds from IG SACCO Society Limited. These findings were in agreement with the findings of previous study. Mambula (2002) found that SMEs grows upon receiving funds from SACCOs.

### 4.9 Regression results

Regression analysis was applied to establish the strength and the magnitude of the relationship between various credit union financial services and growth of teachers’ owned SMEs at Kakamega Central sub-county. The scores to be regressed were computed through factor
analysis (data reduction basis) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS) version 21.0.

4.9.1 Regression results for combined predictor variables

Regression analysis was applied to establish the strength and the magnitude of the relationship between credit union financial services and growth of teachers’ owned SMEs at Kakamega Central sub-county. The scores to be regressed were computed through factor analysis (data reduction basis) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS) version 21.0.

4.9.2 Regression results for combined predictor variables and growth of SMEs.

Table 4.24(a) showed the model summary results estimated to show the explained variations through R² change between Savings schemes, Business loans, Credit schemes and ATM services and growth of teachers owned SME’s.

Table 4.24(a) Model Summary of the variables relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.649&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.422</td>
<td>.408</td>
<td>.52336</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s
b. Predictors: (Constant), Savings schemes, Business loans, Credit schemes and ATM services

Source: Researcher (2018)

From the regression analysis on table 4.24(a), the independent variables Savings schemes, Business loans, Credit schemes and ATM services in this study contributed to 40.8% of the variation in the growth of teachers owned SME’s in Kakamega Central Sub-County as explained by adjusted R² of 40.8. The regression results also show that there is a positive influence of
credit schemes on growth of teachers’ owned SME’s (r=0.649). The finding was in agreement with the findings of previous study. Kapkiyai and Mugo (2015) found that Savings schemes, Business loans, Credit schemes and ATM services have positive relationship with growth of SMEs.

The study conducted an Analysis of Variance, in order to test the significance of the model. The findings were as shown in table 4.24(b). Table 4.24(b) showed the ANOVA results estimated to show the model fitness through F-ratio results between Savings schemes, Business loans, Credit schemes and ATM services and growth of teachers owned SME’s. Table 4.24(b) gives the regression results.

### Table 4.24(b) ANOVA of the variables relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>25.759</td>
<td>3</td>
<td>8.586</td>
<td>31.347</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>35.334</td>
<td>129</td>
<td>.274</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>61.093</td>
<td>132</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SME’s  
b. Predictors: (Constant), Savings schemes, Business loans, Credit schemes and ATM services.

**Source: Researcher (2018)**

Table 4.24(b) shows that the regression model is statistically significant at F (3,129) =31.347 and P value of 0.000, thus the proposed model fitted the data well. The ANOVA also gave a P-value of 0.000 which is below the threshold of 0.05 depicting the idealness of the data in drawing inferences and concluding that Savings schemes, Business loans, Credit schemes and ATM services are significant towards growth of teachers owned SMEs.
Table 4.24(c) Coefficients of the variables relationship

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.412</td>
<td>0.147</td>
<td></td>
<td>15.68</td>
</tr>
<tr>
<td>Savings Schemes</td>
<td>0.029</td>
<td>0.016</td>
<td>.221</td>
<td>1.818</td>
</tr>
<tr>
<td>Business loans</td>
<td>0.065</td>
<td>0.017</td>
<td>.435</td>
<td>3.708</td>
</tr>
<tr>
<td>Credit Schemes</td>
<td>0.062</td>
<td>0.018</td>
<td>.038</td>
<td>0.324</td>
</tr>
<tr>
<td>ATM services</td>
<td>0.006</td>
<td>0.021</td>
<td>.035</td>
<td>0.265</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of teachers owned SMEs
b. Predictors: (Constant), Savings schemes, Business loans, Credit schemes and ATM services

Source: Researcher (2018)

In table 4.24(c) above, the results showed that only two predictor variables except Savings schemes and ATM services (p= 0.071 and p=0.791) respectively produced statistically significant results i.e. p< 0.05 (Business loans (p= 0.000) and Credit schemes (p= 0.000). The obtained regression equation further implied that there was a direct positive relationship between Savings schemes, Business loans, Credit schemes and ATM services and growth of teachers owned SME’s in Kakamega Central sub-county, Kakamega County.

Based on the results in table 4.24(c), the equation for multiple linear regression model was in the form of: \( Y=1.412 + 0.029 X_1 + 0.065 X_2 + 0.062 X_3 + 0.006X_4 + \varepsilon \). The results of the regression equation (i) above show that if all the predictor variables were rated zero, growth of teachers’ owned SMEs in Kakamega Central sub-county would be 1.412. However, all the predictors had a positive relationship with the dependent variable. A unit increase in Savings schemes would lead to growth of SME’s by 0.029 while a unit increase in Business loans would lead to growth of SMEs by 0.065. A unit increase in the Credit schemes would lead to growth of SME’s by
0.062 and a unit increase in ATM services would lead to growth of SMEs by 0.006. The Stochastic Error Term was assumed to be zero. The finding was in agreement with the findings of previous study. Nabintu (2013) found that financial services have positive relationship with growth of SMEs.
CHAPTER FIVE
SUMMARY OF THE STUDY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction
This chapter focuses on the summary of the study, conclusions, recommendations and suggested areas for further study and contributions to the body of knowledge.

5.2 Summary of the study
The study was carried to establish the effect of credit union financial services offered by IG SACCO Society Limited on growth of teachers owned SMEs in Kakamega Central sub-county. The problem of the statement was that, despite the importance of SMEs, the rate of their failure in developing countries as well as developed countries is alarming. Descriptive research method was used to carry out the study. The general objective of research project was to investigate the effect of Credit Union financial services offered by IG Sacco Society Limited on growth of teachers’ owned SMEs in Kakamega Central sub-county. The findings of the study were therefore based on the specific objectives of the study. The first objective of to determine the effect of savings schemes offered by IG SACCO Society Limited on growth of teachers owned SME’s in Kakamega Central sub-county. The study result showed savings schemes had a positive but not significant relationship i.e. \( p=0.071 \) with growth of teachers owned SME’s.

The second objective was to determine the effect of business loans offered by IG SACCO Society Limited on growth of teachers owned SME’s in Kakamega Central sub-county. Based on the results, it was found that business loans had a positive and significant relationship i.e. \( p=0.000 \) with growth of teachers owned SME’s. Thirdly, the study examined the relationship between credit schemes and growth of teachers owned SME’s. The objective was to determine
the effect of credit schemes offered by IG SACCO Society Limited on growth of teachers owned 
SME’s in Kakamega Central sub-county. Based on the results, it was found that credit schemes 
had a positive and significant relationship i.e.p=0.000 with growth of teachers owned SME’s. 
The fourth objective of the study was to determine the effect of ATM services offered by IG 
SACCO Society Limited on growth of teachers owned SME’s in Kakamega Central sub-county. 
The study result showed ATM services had a positive but not significant relationship i.e. 
p=0.791 with growth of teachers owned SME’s.

5.3 Conclusion
Based on the results of the analysis several conclusions were drawn. Firstly, the study concluded 
that savings schemes had no effect on the growth of teachers owned SMEs. The second 
conclusion was that business loans had effect on growth of teachers owned SMEs. The 
management should consider providing various of types of business loans. Thirdly, the study 
concluded that credit schemes had effect on growth of teachers owned SMEs. Fourthly, the study 
concluded that ATM services had no effect on the growth of teachers owned SMEs. Therefore, 
the management should not factor in this so much in their service packages. Lastly, the study 
also concluded that only two predictor variables except Savings schemes and ATM services 
produced statistically significant results i.e. p< 0.05 (Business loans (p= 0.000) and Credit 
schemes (p= 0.000).
5.4 Recommendations

The study made the following recommendation for policy formulation and for further research.

5.4.1 Recommendations for policy formulation

On the basis of the findings, the following recommendations arose. The study found that there was terms and conditions which need to be complied with which impede on the request for credit schemes facilities. The study therefore recommends that Sacco Society Regulatory Authority should collaborate with SACCOs to come up with friendly policies and procedures to prevent barriers that inhibit potential owners of SMEs from accessing credit schemes facilities from SACCOs. This will create a conducive environment for SMEs to growth and expand. It will also open up opportunities for jobs and this will enhance economic growth.

The study also found that there was terms and conditions which need to be complied with which impede on the request for business loans. The study therefore recommends that the government to collaborate with SACCOs in working out on a policies that relaxes the complexities in acquisitions of business loans. This will ease the conditionality’s in loans acquisitions by SMEs thus enhancing accessibility which in-turn increase growth of teachers owned SMEs.

5.4.2 Areas for further research

The study was limited to Kakamega Central Sub County in Kakamega County. It was restricted to credit union financial services offered by IG SACCO Society Limited. It was not possible to extend the study to cover the whole Kakamega County due to limitations of time, geographical dispersion and financial resources. But these limitations did not affect the findings of the study.

In the course of literature review and detailed analysis, factors such as new technology, economic growth pattern, political risk, and financial risk were noted. These factors could also
be playing critical role in provision of credit union financial services. In view of this, the study recommends the following areas for further research:

- A similar study be done in other sub-counties within Kakamega County.
- Links of IG SACCO Society Limited to economic growth in Kakamega Central sub-county.
- A comparative study on teachers who have received Credit Union Financial services from IG SACCO Society Limited and those who have not received IG SACCO Society Limited services needs to be carried out in Kakamega Central sub-county.

5.5 Contribution to Knowledge

From the conclusions of the study, a number of new knowledge have emerged which are very critical drivers of Kenyan economy towards realization of Millennium Development Goals and Vision 2030. The study explained that there is positive relationship between savings schemes and growth of teachers owned SMEs. However, not significant when other credit union financial services are available. Therefore, the SACCOs can come up with focused based savings scheme policy. Secondly, the findings explained that there is positive relationship between business loans and growth of teachers owned SMEs and it is also significant, such that SACCOs can consider providing variety of types of business loans. The study also showed that there is positive relationship between credit schemes and growth of teachers owned SMEs and it is also significant, the SACCOs can consider providing variety of types of credit schemes to its members. The country Millennium Development Goals (MDGs) and the Vision 2030 are achievable if such knowledge are factored in the SACCOs integrated strategic plan.
REFERENCES


Chigunta Francis and Mkandawine. (2002). Understanding SMEs and creating job: A look at


APPENDICES

APPENDIX 1: Letter to Respondent

Emmanuel Otieno Okello

P.O. Box 2042-50100,

Kakamega.

E-mail:otienoemmanuel29@gmail.com

Contact:0723-075-412

Dear Respondent,

REF: FILLING OF QUESTIONNAIRE

I am Emmanuel Otieno Okello, pursuing masters of Business Administration (Finance Option) at Kenyatta University. I am undertaking a research study on CREDIT UNION FINANCIAL SERVICES AND GROWTH OF TEACHERS’ OWNED SMALL AND MEDIUM ENTERPRISES IN KAKAMEGA COUNTY, KENYA

You have been identified as key respondent for the study. Any information provided by you will be treated with utmost confidentiality it deserves to the highest level and it is intended for academic use only.

Thank you

Yours faithfully,

Mr. Emmanuel Otieno Okello
APPENDIX 2: Questionnaire

Questionnaire

SECTION 1: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Instructions:

Kindly complete the following questionnaire using the instructions provided for each set of questions.

Date:

Questionnaire number: 

Division:

1. What is the highest level of education? (Please tick the appropriate box).
   - Primary level
   - Secondary level
   - Diploma level
   - Higher Diploma level
   - University Level

2. What is the type of business? (Please tick the appropriate box).
   - Sole proprietorship.
   - Partnership.
   - Limited liability Company.

3. If a partnership or company, kindly indicate your designation at the work place. (Please tick the appropriate box).
   - Manager.
   - Supervisor.
   - Accountant.
   - Sales Manager.
   - Director.

4. What is your current age bracket? (Please tick the appropriate box).
   - Less than 20 years
   - Between 21-30 years
   - Between 31-40 years
   - Between 41-50 years
Between 51-60 years
- Above 60 years

5. What is your gender? (Please tick the appropriate box).
- Male
- Female

6. How many years have you been in business? (Please tick the appropriate box).
- Below 3 years
- 3-5 years
- 6-10 years
- Over 10 years

7. Does your enterprise have any written policy statement regarding loan repayment strategy? (Please tick the appropriate box).
- Yes
- No

SECTION 2: SAVINGS SCHEMES.

8. Which type of saving scheme do you belong? (Please tick the appropriate box).
- Personal savings
- Group savings
- Corporate savings
If other, specify: ____________________________________________

9. Which benefits do you receive from the saving scheme services? (Please tick the appropriate box).
- Earning interest
- Safe custody of money
If other, specify______________________________________________
10. What motivated you to join the savings scheme services? (Please tick the appropriate box).
   From trainings/seminars  
   Personal idea  
   Through friends  

11. Did your business profit margin increased after joining the savings scheme? (Please tick the appropriate box).
   YES  NO  

12. What is your average profits per month before and after joining the savings scheme? (Please tick the appropriate box).
   Before  After  

13. Did your number of customers increased before and after joining savings scheme? (Please tick the appropriate box)
   Yes  No  

14. Approximately how many customers do you serve in a week? (Please tick the appropriate box)
   Before  After  

SECTION 3: BUSINESS LOANS.

15. Have you ever received business loan from IG Sacco Society Limited? (Please tick the appropriate box).
   Yes  No  

16. If yes, how much have you received? (Please tick the appropriate box).
   Less than Kshs.20,000  
   Between Kshs.20,001 – Ksh40,000  
   Between Kshs.40,001 – Ksh80,000  
   Above Kshs. 80,000  

17. Which type of business loan have you been receiving frequently? (Please tick the appropriate box).
18. Kindly indicate the number of loans you have been awarded, the payment period, amount per period by filling in the following table.

<table>
<thead>
<tr>
<th>Number of loan.</th>
<th>Loan awarded.(Kshs)</th>
<th>Repayment period.</th>
<th>Amount paid per month.(Ksh)</th>
<th>Rate of %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Loan</td>
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<tr>
<td>2nd Loan</td>
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<tr>
<td>3rd Loan</td>
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<td></td>
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<tr>
<td>4th Loan</td>
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<tr>
<td>5th Loan</td>
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<tr>
<td>Total</td>
<td></td>
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</tr>
</tbody>
</table>

19. What was the cost of starting the business? (Please tick the appropriate box).

- Less than Kshs.1,000
- Between Kshs.1,001-5,000
- Between Kshs.5,001-10,000
- Between Kshs.10,001-20,000
- Between Kshs.20,001-50,000
- Between Kshs.50,001-100,000
- Kshs.100,001 and above

20. Are you comfortable with the time the IG Sacco Society Limited takes to process your loan? (Please tick the appropriate box).

- Yes
- No

21. If no, how long would you wish it takes for the loan to be processed? (Please tick the appropriate box).

- One week
22. How long does it take to you to repay your business loan? (Please tick the appropriate box).

Less than 1 year
Between 1 – 3 years
Between 4 – 6 years
Between 7 – 9 years
More than 10 years

23. Did your profits in the business increase before and after getting business loan? (Please tick the appropriate box).

Yes
No

24. Did your business profit margin increase after getting business loan? (Please tick the appropriate box).

YES
NO

25. Did your number of customers increase before and after getting business loan? (Please tick the appropriate box).

Yes
No

26. Approximately how many customers do you serve in a week? (Please tick the appropriate box)

Before
After

SECTION 4: ATM SERVICES.

27. Have you accessed any ATM services through IG Sacco Society Limited debit card? (Please tick the appropriate box)

Yes
No
28. Which ATM service IG Sacco Society Limited debit card do you frequently use? (Please tick the appropriate box)

Cash withdrawal
Payment of utility bills
Shopping at super-markets
If other, specify ____________________________

29. How often do you use ATM service IG Sacco Society Limited debit card? (Please tick the appropriate box)

Daily
Weekly
Monthly

30. How efficient if ATM services through use of IG Sacco Society Limited Debit card? (Please tick the appropriate box).

Very satisfactory
Satisfactory
Unsatisfactory
Very Unsatisfactory

31. Did your profits in the business increase before and after receiving ATM services IG Sacco Society Limited debit card? (Please tick the appropriate box).

Yes  No

32. Did your business profit margin increase after receiving ATM services IG Sacco Society Limited debit card? (Please tick the appropriate box)

Yes  No

33. What is your average profits per month before and after receiving ATM services IG Sacco Society Limited debit card? (Please tick the appropriate box).

Before  After

34. Did your number of customers increase before and after receiving ATM services IG Sacco Society Limited debit card? (Please tick the appropriate box).
Yes  □  No □

35. Approximately how many customers do you serve in a week? (Please tick the appropriate box).
Before □  After □

SECTION 5: CREDIT SCHEMES.

36. Have you ever accessed any credit from IG Sacco Society Limited? (Please tick the appropriate box)
Yes □  No □

37. How did you raise your initial business capital? (Please tick the appropriate box)
Commercial banks □
Personal savings □
Donation □
IG Sacco Limited □

38. Was the initial capital adequate for your business? (Please tick the appropriate box)
Yes □  No □

39. If no, how did you finance the deficit? (Please tick the appropriate box)
Interest from savings □
Sale of personal properties □
Donation □
IG Sacco Limited □
If others, specify _________________________________

40. If your answer is IG Sacco Society Limited, how much did you get? (Please tick the appropriate box).
Less than Ksh.15,000 □
Between Kshs.15,001 – Ksh30,000 □
Between Kshs.30,001 – Ksh60,000 □ □
Kshs. 60,001 and above. □ □

41. Did your profits in the business increase before and after receiving credit services? (Please tick the appropriate box).
Yes □ No □

42. Did your business profit margin increase after receiving credit services? (Please tick the appropriate box).
Yes □ No □

43. What is your average profits per month before and after receiving credit services? (Please tick the appropriate box).
Before □ After □

44. Did your number of customers increase before and after receiving credit services? (Please tick the appropriate box).
Yes □ No □

45. Approximately how many customers do you serve in a week? (Please tick the appropriate box).
Before □ After □

SECTION 6: GROWTH.

46. Since you got funds from IG Sacco Society Limited, do you think business has been increased in terms of growth?
Yes □ No □

If Yes, rate the following measures of increase in growth ticking (√) SA-Strongly Agree, A-Agree, U-Undecided, D-Disagree, SD-Strongly Disagree.
<table>
<thead>
<tr>
<th>Measure of increase in growth</th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in profit margin.</td>
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<tr>
<td>Increase in number of customers.</td>
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<tr>
<td>Increase in market share.</td>
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<tr>
<td>Increase in sales turnover.</td>
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<tr>
<td>Increase in owners capital.</td>
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</tbody>
</table>

If No, what factors contribute to minimal growth in SMEs by ticking (√) SA-Strongly Agree, A-Agree, U-Undecided, D-Disagree, SD-Strongly Disagree.

<table>
<thead>
<tr>
<th>Measure of minimal in growth</th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of market.</td>
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<tr>
<td>Business is not profitable.</td>
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<tr>
<td>Lack of adequate funds.</td>
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<tr>
<td>Not personally satisfying work.</td>
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</tbody>
</table>

THANK YOU FOR YOUR COOPERATION