

**MICROFINANCE SERVICES AND FINANCIAL PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN MERU TOWN, KENYA**

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D53/OL/EMB/26912/2014

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

2020

DECLARATION

This project is my original work and has never been presented for the award of a degree or any other course in any other University.

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DEDICATION

This project is dedicated to my loving family for their unrelenting and unlimited inspiration, encouragement, financial support and prayers which were very instrumental during my studies and completion of this course.

ACKNOWLEDGEMENT

I owe much gratitude to the almighty God for the gift of life, strength, good health; ability wisdom and the will to be able undertake this course.

I sincerely appreciate the effort of my supervisor, Dr. Job Omagwa, for his guidance and invaluable contribution, criticism, comments and corrections in order to successfully complete this project. I also thank my family for their understanding when I was unavailable to spend time with them. I also acknowledge the efforts of my colleagues and friends for their constant encouragement during my studies.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS.....	v
OPERATIONAL DEFINITION OF TERMS	x
LIST OF TABLES	xii
LIST OF FIGURES	xiii
ABSTRACT.....	xiv
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background to the Study.....	1
1.1.1 Microfinance Services	4
1.1.2 Financial Performance	5
1.1.3 Small and Medium Enterprises in Meru Town, Kenya	6
1.2 Statement of the Problem.....	8
1.3 Objectives of the Study.....	9
1.3.1 General Objective	9
1.3.2 Specific Objectives	9
1.4 Research Hypotheses	9
1.5 Significance of the Study	10
1.6 Scope of the Study.....	10
1.7 Organization of the Study	11

CHAPTER TWO	12
LITERATURE REVIEW	12
2.1 Introduction.....	12
2.2 Theoretical Review	12
2.2.1 Financial Intermediation Theory	12
2.2.2. Finance Growth Nexus Theory	14
2.2.3 Agency Theory	15
2.3 Empirical Review.....	17
2.4 Summary of Literature and Research Gaps.	21
2.5 Conceptual Framework.....	22
CHAPTER THREE	24
RESEARCH METHODOLOGY	24
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Target Population.....	25
3.4 Sampling Design.....	25
3.5 Data Collection Instruments	26
3.6 Instruments Validity and Reliability.....	26
3.6.1 Instruments Validity.....	26
3.6.2 Instruments Reliability	27
3.7 Data Collection Procedures.....	28
3.8. Data Analysis and Presentation	28
3.9 Ethical Consideration.....	30

CHAPTER FOUR	31
DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS	31
4.1 Introduction	31
4.2 Summary Statistics	31
4.3 Demographics	31
4.3.1 Respondents' Gender	32
4.3.2 Age Bracket	32
4.3.3 Level of Education	33
4.3.4 Duration of Operation	34
4.3.5 Respondent's Designation	34
4.4 Descriptive Analysis	35
4.4.1 Credit Facilities	35
4.4.2 Saving Plans	39
4.4.3 Entrepreneur Trainings	44
4.5 Correlation Analysis	47
4.6 Multiple Regression Analysis	48
4.6 Summary of Key Findings and Discussions	52
CHAPTER FIVE	55
SUMMARY, CONCLUSIONS AND RECOMMENDATION	55
5.1 Introduction	55
5.2 Summary	55

5.3 Conclusions.....	57
5.4 Limitations of the study.....	58
5.5 Contribution to Knowledge.....	58
5.6 Policy Recommendations.....	59
5.7 Areas of Further Research.....	60
APPENDICES	61
Appendix 1: References	61
APPENDIX II:	67
LETTER OF INTRODUCTION.....	67
APPENDIX III:.....	68
QUESTIONNAIRE	68
PART I: GENERAL INFORMATION	68
PART II MICROFINANCE SERVICES	69
SECTION A: CREDIT FACILITIES.....	69
SECTION B: SAVINGS PLANS.....	70
SECTION C: ENTREPRENEUR TRAININGS.....	71
SECTION D: FINANCIAL PERFORMANCE	73
APPENDIX VI: LIST OF SMEs IN MERU TOWN	74

ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CGAP	Consultative Group to Assist the Poor
FFIs	Fund Formal Financial Institutions
FSD	Financial Sector Deepening
K-REP	Kenya Rural Enterprises Programme
KWFT	Kenya Women Finance Trust
MFI s	Microfinance Institutions
MSE s	Micro and Small-sized Enterprises
MSME s	Medium Small and Micro Enterprises
NGO s	Non-government Organizations
NMB	National Microfinance Bank
ROA	Return on Assets
SACCO s	Savings and Credit Cooperative Organisations
SME s	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UNEP	United Nations Environmental Programme

OPERATIONAL DEFINITION OF TERMS

Correlation – establishing a relationship or connection between two or more measures

Correlation analysis – the statistical method for evaluating the strength of relationship between two or more variables

Credit facilities- represents a debt or money borrowed by an enterprise or a business venture from a financial institution for a specified period and payable with interest

Data analysis – is a process of inspecting, cleansing, transforming, and modelling data with the goal of discovering useful information, informing conclusion and supporting decision making.

Demographics – a particular sector of population such as age, race, sex, education and other factors.

Entrepreneurial Trainings – these are capacity building programs designed by financial institutions to train entrepreneurs or employees on certain skills

Financial Performance - is the extent in which firm can utilize resources from its primary activities in business to generate revenues. The term is also used as a general measure of a firms overall financial health over a given period of time and can be used to compare similar firms across the same industry or compare industries or sectors in aggregation.

Growth -Increase in size, revenue, sales, profits or capital amount of enterprises from one period to another motivated by various factors

Microfinance Services - refers to financial services such as credit, savings, insurance and trainings provided to individuals and small business enterprises lacking access to traditional banking and related services. It also refers to financial services provided to people with low incomes in order to enable them boost their earnings, hence improving their standard of living.

Microfinance Institution – is an institution which provides financial services to persons with little income. It also refers to a financial institution that specializes in banking services for low-income individuals or groups.

Multi regression analysis – refers to the statistical method used to predict the value of a dependent variable based on the values of two or more independent variables.

Policy Recommendation – refers to the advice or suggestions written down for some group that has authority to make policy decisions on particular issues

Respondents- persons who have been invited to participate in a particular study and have actually taken part in the study.

Savings- refers to regular or fixed deposits made by entrepreneurs or individuals to an account to be spent later or when need arises.

Small and Medium-sized Enterprises (SMEs) - are independent, autonomous firms with relatively small amount of capital, revenues, assets and employees below a certain threshold which varies from one country or region to another

Statistics – the process or science of collecting and analyzing numerical data in large quantities, especially for the purpose of inferring proportions in a whole from those in a representative sample.

Variables – refers to elements, features, characteristic or factors that are liable to vary or change in a study.

LIST OF TABLES

TABLE 4.1: RESPONDENTS' GENDER	32
TABLE 4.2 AGE BRACKET	32
TABLE 4.3: LEVEL OF EDUCATION	33
TABLE 4.4 DURATION OF OPERATION	34
TABLE 4.5 RESPONDENTS DESIGNATION	35
TABLE 4.6 MAJOR SOURCES OF SMES START-UP CAPITAL	36
TABLE 4.7 MOTIVATION TO SEEK FINANCIAL AID FROM MFIS	37
TABLE 4.8 EXTENT IN WHICH RESPONDENTS AGREED ON CREDIT FACILITIES OFFERED BY MFIS.....	38
TABLE 4.9 SAVING PLANS FREQUENCIES TABLE.....	39
TABLE 4.10 PREFERENCE OF MICROFINANCE SAVING PLANS OVER COMMERCIAL BANKS	40
TABLE 4.11 EXTENT IN WHICH SMES ARE SATISFIED WITH SAVINGS PLANS OFFERED BY THE MFIS	41
TABLE 4.12 CALL TO IMPROVE ON SAVING PLANS	42
TABLE 4.13 SAVINGS SERVICES OFFERED TO SMES	43
TABLE 4.14 RESPONDENTS TRAINING FREQUENCIES	44
TABLE 4.15 NEED FOR ENTREPRENEUR TRAININGS	45
TABLE 4.16 ENTREPRENEUR TRAINING	46
TABLE 4.17 CORRELATION ANALYSIS	47
TABLE 4.18 REGRESSION MODEL SUMMARY	49
TABLE 4.19 ANOVA RESULTS	50
TABLE 4.20: COEFFICIENTS TABLE.....	50

LIST OF FIGURES

TABLE 4.1: RESPONDENTS' GENDER	32
TABLE 4.2 AGE BRACKET	32
TABLE 4.3: LEVEL OF EDUCATION	33
TABLE 4.4 DURATION OF OPERATION	34
TABLE 4.5 RESPONDENTS DESIGNATION	35
TABLE 4.6 MAJOR SOURCES OF SMEs START-UP CAPITAL	36
TABLE 4.7 MOTIVATION TO SEEK FINANCIAL AID FROM MFIS	37
TABLE 4.8 EXTENT IN WHICH RESPONDENTS AGREED ON CREDIT FACILITIES OFFERED BY MFIS.....	38
TABLE 4.9 SAVING PLANS FREQUENCIES TABLE.....	39
TABLE 4.10 PREFERENCE OF MICROFINANCE SAVING PLANS OVER COMMERCIAL BANKS	40
TABLE 4.11 EXTENT IN WHICH SMEs ARE SATISFIED WITH SAVINGS PLANS OFFERED BY THE MFIS	41
TABLE 4.12 CALL TO IMPROVE ON SAVING PLANS	42
TABLE 4.13 SAVINGS SERVICES OFFERED TO SMEs	43
TABLE 4.14 RESPONDENTS TRAINING FREQUENCIES	44
TABLE 4.15 NEED FOR ENTREPRENEUR TRAININGS	45
TABLE 4.16 ENTREPRENEUR TRAINING	46
TABLE 4.17 CORRELATION ANALYSIS	47
TABLE 4.18 REGRESSION MODEL SUMMARY	49
TABLE 4.19 ANOVA RESULTS	50
TABLE 4.20: COEFFICIENTS TABLE.....	50

ABSTRACT

Small and Medium Enterprises (SMEs) is a significant sector in the economy of Kenya as well as many other developing economies. The sector provides employment to approximately 85% of the country's workforce (about 7.5 million Kenyans). Insufficient business capital, underdeveloped savings strategies and poor financial knowledge are major constraints hindering financial performance of SMEs in Meru Town. This study was necessitated to determine the effect of microfinance services on financial performance of Small and Medium Enterprises in Meru Town. The following were specific objectives study: to investigate the effect of credit, savings plans and entrepreneur training services respectively on financial performance of SMEs in Meru Town. The study was embedded on three theories namely; theory of Financial Intermediation, Financial Growth Nexus theory and Agency theory. The target population consisted of 310 SMEs that operated within Meru Town. The study adopted purposive sampling to select the respondents and picked a single respondent from each of the sampled SMEs. 93 respondents from the population was taken as a sample size for the study. Collection of Data was done using a questionnaire. Responses in the questionnaires were tabulated, coded and analyzed using descriptive analysis by use of SPSS program version 21. Central tendencies and dispersion were measured using mean and standard deviations respectively. Multiple regression analysis was employed to analyze data. The relationship between the independent variables (microfinance services) and the dependent variable, (financial performance) was tested using multi-linear regression analysis. The ANOVA results documented a p-value of 0.038 indicated that the overall model was a good fit. The computed value was greater than the critical value which demonstrated that microfinance services; credit facilities, savings plans, and entrepreneur training collectively explained financial performance of SMEs in Meru town. The services {Credit facilities ($p=0.039$), Savings plans ($p=0.032$) and entrepreneur training ($p=0.025$)} exhibited significant effect on the financial performance of SMEs. For this reason, therefore, the profitability of SMEs is greatly influenced by such services. In addition, the study established a strong positive relationship ($r=0.513$) between microfinance services and financial performance of the SMEs. Variations due to changes on the movement of MFIs services under study were found to have influence on the SMEs' financial performance in Meru town. Respondents strongly agreed that access to funds played a major role in the increase of entrepreneurs who started new ventures. Most SMEs considered to have a savings plan with MFIs owing to easy accessibility of their funds as well as array of microfinance products. The study revealed a need for entrepreneur trainings and that the respondents expressed willingness to undertake entrepreneur training. The study established that credit, saving plans as well as entrepreneur training offered by the MFIs had considerable effect to the financial performance of the SMEs hence rejected the null hypothesis. The study identified a need to increase entrepreneur training in order to improve on the financial performance of SMEs. The study further identified a considerable need to optimize the saving plans and make savings appeal to customers so as to foster and also attract more savings from enterprises.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The Small and Medium Enterprises (SMEs) segment continues to play a significant part in the Kenyan economy. In 2007 the SME sector influenced the country Gross Domestic Product (GDP) to increase by 6.2%, with reference to 13.8% in 1993. The SME sector commonly described as informal sector accounted for approximately 78% of the total employment for the financial year 2005/2006 and new jobs created in the same fiscal year were in excess of 57% (Economic Survey 2007). In addition, the sector was approximated to have contributed 25% to GDP in 2012. These findings demonstrate the central role the informal division plays in the creation of jobs, generation of revenue, and its perception as the foundation to achieve industrialization in Kenya in the near future (Economic Survey, 2012).

It was assumed that in Kenya, approximately 2.2 million SMEs were in operation. Nearly 88% of these enterprises were not registered (SME Banking Sector Report, 2007). The Annual Publications of the 2016 Economic Survey indicated that the informal sector continued to provide the majority of additional jobs, which makes the informal sector critical to the Kenyan economy. To analyse the nature of this industry, Kenya National Bureau of Statistics (KNBS) survey, estimated that 713,600 new jobs were created by the informal sectors in 2015. This figure accounted for approximately 84% of new jobs created in that year (Economic Survey Report, 2016).

Many scholarly publications portray the fundamental role played by SMEs. For instance, Koech (2011) postulated that Small and Medium Enterprises were responsible for driving growth of the economies, creation of jobs and eradication of poverty in developing countries. SMEs have also fast-tracked growth and facilitated rapid industrialization. Mwangi (2011) linked Small and

Medium Enterprises to non-economic influences by documenting them as key incentives to socio-economic and political development that cuts across all levels of economies. According to the FSD Journal (2007), Small and Medium Enterprises have certain distinct characteristics that differentiate them from other types of businesses. They are made up of less than 100 staff, entail small-scale level of activity, and are often established as a result of self-employment. In most instances, they are characterized by a high percentage of family members and amateurs, require small amount of start-up capital and equipment, use of labour-intensive technologies, and call for minimal expertise and easy entry to structured markets.

Tagoe (2005) adds that Small and Medium scale firms serve the central purpose in economic growth and the industrialization process, leading to increased per capita income and output. Industrialization enables creation of work, accelerates economic equilibrium in different districts through industrial distribution and promotion of optimal means exploitation that is considered vital to aiding economic growth. Ray (2008) contends that despite the influential involvement by SMEs in the economy, these ventures face major constraints including insufficient funding, expansion, poor management and unfavourable macroeconomic environments, especially the risks and uncertainties of continuous operation, have also been identified as major setbacks that support the financial institutions' refusal to fund these businesses.

However, Berger et al (2007) asserts that the financial performance of a company is quantified based on its ability to fully utilise its assets from initial business operations to create profits. The authors carry on to contend that in order to enable businesses to make judgements on ways to progress from the current state or prolong a desirable situation, financial performance serves as a standard degree of the financial health of a firm, depending on a specified period. It also functions as a basis for comparison between related firms in the same industry as well as other industries and other sectors in general. Atril and Mclaney (2008) argue that financial statements,

for example, balance sheets, cash flow statements and income statements offer a snapshot of the financial state and performance of an organization. Collectively, these statements provide a depiction of the financial health of the firm.

Levy (2015) hypothesized that the significance of funds forms a critical element of the financial position for Small and Medium Enterprises. As a result, limitations to access funds deter progression and expansion of these businesses. Besides that, Saito and Villanueva (2000) attribute poor management and book-keeping practices to lower financial performance of SMEs as they hamper accessibility to funds. In addition, lack of proper information by lenders about SME clientele limit the flow of capital to the smaller enterprises. Furthermore, Dockel and Ligthelm (2005) identify managerial incompetency and unsuitable governance systems in the SME sector as additional factors that act as barriers on efforts to attract funding and, therefore, SME development and sound financial performance.

Patricia (2004) observes that MFIs seem to adequately attend to the financial requirements of their clients comprehensively. Notably, MFIs in African countries exceeds 70 percent of the total organizations offering savings as a predominant product which is different from tendencies witnessed in most global spheres. In most instances, these organizations use savings as the primary supplier of financing, in addition to determining the loan viability of the customer seeking lending services. The scholar also notes that although MFIs are highly variable in legal terms, practices, and missions, they are all similar in that they provide financial services to the poor.

Through an assessment between global SMEs and their Kenyan equivalents, Koech (2011) finds several similarities that involve the tendency for all of them to serve as sources of livelihood to lower-income earners, establishment of employment opportunities, generation of income, and contribution to economic growth. Therefore, SMEs can be described as facilitators of fast-

tracked growth, prompt industrialization, and catalysts of socio-economic and political development catalysts (Mwangi, 2011).

1.1.1 Microfinance Services

Robinson (2002) characterises the role of microfinance institutions to preserve, broaden, and increase the earnings of their customers' and to accumulate wealth and minimize susceptibility to income and expenditure instabilities. Chipangura and Kaseke (2012) states that access to capital for Small and Medium Enterprises (SMEs) is of great importance in nurturing free enterprise, healthy business rivalry, innovation and growth in all economies. Growth and prosperity of firms is grounded in their ability to access funds but if limited in connection to adequate resources such as credit are experienced, the growth of small businesses is negatively affected. The inability to gain capital also acts as an obstacle to formation, survival and growth of Small and Medium Enterprise sector in Africa (GOK, 2005).

Access to capital has also been documented as a fundamental factor in which small and micro enterprises thrive in their pursuit to demonstrate notable capabilities, compete with other firms, create employment opportunities and contribute to alleviation of poverty (Idowu, 2010). Agnes (2003) contends that the survival and performance level of an enterprise, is linked on its ability to acquire finances despite its size. The objective of microcredit is partially to improve performance of SMEs as a result of increased access to small advances that are not obtainable from the traditional commercial banks (Navajas 2000). Based on this perspective, credit that is dispensed by microfinance organizations is anticipated to advance the status of SMEs (Robinson, 2003). Wanambisi (2013) confirms this standpoint by noting that businesses that have access to satisfactory amounts of financial advances often post better accomplishments than those that cannot obtain adequate funds.

Bass & Henderson (2000) postulated that in addition to capital and loans products in MFIs, customers also seek saving services while Kithyo et al. (2004) explains that a majority of aspiring entrepreneurs in Kenya are groomed through apprenticeship and, therefore, they are not equipped with enough knowledge, abilities, and practical preparation that is crucial when starting and operating businesses in the contemporary and exceedingly competitive marketplaces.

According to Bennett (1994), MFIs need to provide additional services such as training to existing and aspiring entrepreneurs in order to equip them with proper skills for precise fabrication, administration of the enterprise, marketing to enhance profitably, and resource management for sustainability. In supporting business progress and offering community services, these institutions directly and indirectly boost the capability of their clients to operate their businesses significantly (Legerwood, 1999).

1.1.2 Financial Performance

Fullerton and Wembe (2009), describes financial performance as the extent to which an enterprise can utilise its resources to create revenue through its main business operations. Atril and McInaney (2008) on the other hand, define performance as the general measurement of financial position of a corporation at a given period. Further on the authors postulates that financial performance can be used as a basis for comparison with similar companies in the sector, as well as in different segments. Chong (2008), is opposed to perception of performance in financial terms only but is convinced that SMEs owners and the management, determine the position of their businesses by considering financial and non-financial factors equally. Key non-financial elements identified take into account the company's market segment, progress in sales, consumer contentment and recommendation proportions, time taken to deliver products, waiting time and employee turnover and retention rates. The main financial components include gross revenue and product turnover. Maria, Florica, and Catalina (2002) suggests five broadly

classified categories that indicate financial status which includes, financial competence, cash-flow, revenue, reimbursement ability and creditworthiness.

The liquidity of a business, as defined by Ormiston (2007), refers to its capability achieve its immediate responsibilities even when they are outstanding. The sufficiency of a firm's working capital is also determined by evaluating these commitments, through taking into consideration certain factors. These aspects comprise the profitability ratios, current assets, and net working capital. It is essential to note that current assets, funded by long-standing investment means that do not necessitate immediate payment, suggest the possibility of reimbursement of short-range liabilities. Conversely, current ratio determines the capacity to pay debts. When the current ratio is said to be high, it shows sturdy liquidity, while the vice versa denotes inferior liquidity. Contrariwise, quick ratio assessments indicate the firm's ability to clear its debts devoid of reliance from stock and reimbursements.

Moreover, the profitability ratio determines the income produced by the enterprise taking into account specific measurements such as sales ratios, assets, stock value and the entrepreneur's share. Since the long-term of an enterprise is dependent on its ability to generate profit, assessing the possibility of profit in the future is indispensable. In addition, investment ratios assist stockholders to measure the worth of their venture in relation to the regular stocks of the business. In a firm registered in the stock market, this value contains its current market value, which requires that the worth of the investment should include published accounts details and the recent value (Foster, 2004).

1.1.3 Small and Medium Enterprises in Meru Town, Kenya

Meru town is the headquarters of Meru County, a 6,936 square kilometre area located on the upper eastern region of Kenya. Positioned in the north-eastern gradient of Mt. Kenya at an elevation of 5,000 feet, the municipality is about five kilometres north of the equator. The

County has nine sub-counties where Meru Town is located in Imenti North Sub- County. The Meru County Government statistics (2014b) estimated that the County is made up of an estimated 1,356,301 million people who are fairly spread across its sub-counties.

The Meru County Business Licensing office revealed that 4,514 small enterprises had been recorded by August 2015, majority of which were sole proprietorships, and a handful were partnerships. In addition, the primary income in the county's households was determined as agricultural activity, which embodies 80% of the total populations. Formal employment and self-employment were ranked at 10% each. The government of Kenya, through the Ministry of Devolution and Planning (2013), identified the joblessness percentage in Meru County to be one of the highest, with an estimated 65% of its total labour force being unemployed. However, business potential in the region was termed as high. Nonetheless, little efforts to engage in investment activity to facilitate employment-creating undertakings, limited monetary means, and the overall absence of relevant entrepreneurial data have largely prevented business prospects by the locals. Still, existing SMEs in the region are found in both official and casual segments in virtually all trades. These businesses continue to be high-volume avenues of job establishment, revenue production, and poverty elimination.

Agnes et al. (2015) discovered that majority of the businesses in the county are generally indigenous and small, for instance, automotive mending shops and garages; electronic appliances restoration workshops, wooden fixtures yards, dressmaking centres, retail shops, and bakeries, which qualify as SMEs based on its description. A preliminary assessment of Meru town and surrounding towns within the county reveal a prevalence of SMEs specializing in a wide variety of services and products such as hardware and construction tools, electronic appliances, groceries and cereal shops, eateries, and manufacturing businesses especially in milk and soft beverages. There is also a high concentration of fuel and gas stations, beer and soft drinks distribution

businesses. A number of these businesses are run within franchise agreements between owners and established large franchises. The owners of these businesses in the region are spread within the full range of social classes and demographics.

1.2 Statement of the Problem

The development of SMEs and their ability to generate profits enhance their growth in long-term, creation of jobs and eradication of poverty (Okpara & Wynn, 2007). Access to funds as well as improved services also play a significant role on the development of these business enterprises. In order to maximize usage of the resources availed by the lenders, MFIs provides non-financial packages such as training to their primarily provision of loans to SMEs (Sievers and Vanderberg, 2004). Scholars such as Nieuwenhuizen et al. (2003) agree that there is a general trend by lawmakers' at all economic levels who approve of the input of SMEs in dealing with unemployment, establishment of affluence, and promoting innovativeness.

There is substantial empirical literature in Kenya on microfinance services and their impact on financial performance of SMEs. Mutuku (2010) in his study to ascertain the impact of microfinance institutions on SMEs, established that MFIs had a significant effect on generation of employment and poverty alleviation in Kenya. Ngugi (2009), Kioko (2009) and Makena (2011) in their studies on the financial challenges faced by SMEs, established that limitation to access to capital is a major challenge to SMEs growth. Kemei (2011) established existence of a positive and significant relationship between loans from MFIs and SMEs performance in his study on the relationship between microfinance services and financial performance of SMEs.

Koech (2011) surveyed the financial constraints hindering growth of SMEs and established capital market, access to capital, collateral, capital management and cost of registration as the factors affecting growth. MFIs offer numerous supports to SMEs, but still most of them struggle to thrive their operations while others close down within a short period of commencing

operations. Statistics show that out of every five business started, three of them fail within the first two years of start-up (Government of Kenya, 2007). Although several studies have been undertaken that greatly focussed on services offered by MFIs to business enterprises in different geographical locations in Kenya, the results have not been conclusive to the extent that one may not conclude with accuracy the results of a similar study for SMEs in Meru Town. The purpose of this study was therefore to investigate the effects of Microfinance Services on the financial performance of Small and Medium Enterprises in Meru Town, Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to investigate the effect of microfinance services on the financial performance of Small and Medium Enterprises in Meru Town, Kenya.

1.3.2 Specific Objectives

The study sought to achieve the following specific objectives:

- i. To investigate the effect of credit facilities on financial performance of SMEs in Meru town, Kenya.
- ii. To investigate the effect of savings plans on financial performance of SMEs in Meru town, Kenya.
- iii. To investigate the effects of entrepreneur training programs on financial performance of SMEs in Meru town, Kenya.

1.4 Research Hypotheses

The Study sought to test the following null hypotheses:

H₀₁ : Credit Facilities do not have a significant effect on financial performance of SMEs in Meru Town, Kenya.

H02 : Savings plans do not have a significant effect on financial performance of SMEs in Meru Town, Kenya.

H03 : Entrepreneur training programs do not have a significant effect on financial performance of SMEs in Meru Town, Kenya.

1.5 Significance of the Study

The outcome of this research will be significant in demonstrating the importance of MFIs in the development of SMEs. The results will therefore be useful to different stakeholders including scholars and academicians, MFI management, government agencies, and other policy makers. Scholars will benefit through the addition in the existing knowledge database that concerns MFIs and SMEs. Precisely, there will be additional published literature on the subject and the findings will be utilized by researchers in the future.

The findings will be used to formulate strategies by the management of Microfinance institutions in order to minimize on limitations hindering smooth service delivery to clients such as SMEs. The findings will enhance knowledge on the importance of Microfinance Institutions and their notable significance on the development and growth of SMEs. The findings of the study will be useful in formulating policies by the government and other stakeholders which will encourage entrepreneurship and development of SMEs across the country. The Government will also embrace the importance of disbursing women and youth enterprise funds through MFIs.

1.6 Scope of the Study

The preliminary phase of the study covered ninety three (93) selected SMEs in Meru town, Kenya. This town serves as the head office of the Meru County, and it also ranks in position 6 of Kenya's largest towns. Meru County, is sandwiched between several counties that it shares its boundaries with, including Isiolo, Nyeri, Tharaka-Nithi, and Laikipia County. Covering an estimated 6,936 km² and approximately 225 km from the capital city, Nairobi, the region holds

great agronomic prospective which has appealed to numerous banks and other monetary establishments. The study focused on determining the utilization of MFI-provided services and their influence, if any, on the success of SMEs from a practical perspective .The study focused on three aspects of influence by MFIs to growth of SMEs which include credit facilities, savings plans and training programs offered to SMEs owners.The study examined the trends of business lifecycle of SMEs while financial performance was analysed using financial reports for the last five years from 2013 to 2017.

1.7 Organization of the Study

The study is organized into five chapters. The first chapter introduces the background of the study, statement of the problem, research objectives and hypotheses, scope of the study, significance of the study and organization of the study. The second chapter presents theoretical and empirical review of the related literatures about Microfinance Institutions and financial performance of SMEs. A conceptual framework demonstrating the dependent and independent variables is also shown in this chapter. The third chapter focuses on methodology employed in the study while the fourth chapter analyze, present and interpret raw data into statistical form. A summary of research findings has also been discussed in detail in this chapter. The summary, conclusion and recommendation of the study constitute chapter five which is the last chapter. The research implications, limitations and contribution of the study to the body of knowledge are also discussed in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provided an appraisal of publications relevant to services provided by microfinance and their influence on the financial performance of SMEs. It aims to explore current scholarly articles to enhance knowledge of the research area based on the experience recorded in other places. This section will contain various subsections namely: theoretical review, empirical review, a summary of the literature and research openings identified, and the conceptual framework.

2.2 Theoretical Review

There are various theories developed over the years which are close related to the subject of the study. We shall focus on the contributions made by these theories so as to enhance the concept of financial performance of Small and Medium Enterprises. These theories include; theory of financial intermediation, Finance growth nexus theory and the agency theory.

2.2.1 Financial Intermediation Theory

Shittu (2012), found out that the theory of financial intermediation was initially established by Goldsmith (1969), then Shaw and Mckinnon (1973) respectively. The function of financial market was perceived as integral in encouraging economic advancement and hence understanding of the significance and disparities for growth among nations and quality of products offered by financial institutions. Bolton and Freixas (2000) contends that intermediation acts as a link between capital providers (investors) and the entrepreneurs who use the capital for investment. Scholtens and Van Wensveen (2003) further clarify that the function of these interventions is perceived as that which establishes specially designed pecuniary commodities formed every time an arbitrator realizes that they can trade them for a higher price that provides

returns that cover for their troubles in production and other expenses including direct, indirect, and opportunity costs. Market deficiencies are responsible for the existence of these intermediaries.

Namusonge, Mairura and Karanja (2013) investigated the role of financial intermediation in the success of SMEs in Kenya and affirmed that microfinance institutions are fundamental since they provide similar services to banks and capital finance. Other roles were recognized namely: consultation, education programs, and funding start-ups. Besides that, this study discovered that rigorous and bureaucratic assessment processes employed by arbitrators created a barrier to access to loans, in addition to these procedures being time-wasting. Inaccessibility of intermediaries was also revealed to be a common problem, particularly in rural areas.

Imoughele and Ismaila (2014) examined the reforms undertaken by the monetary authority in Nigeria to enhance SMEs' access to loans. These modifications were intended to achieve specific goals relating to financial constancy, which would in turn stimulate the positive growth of the Nigerian economy and provide motivations to key financial institutions to mediate credit provision in the economy. Traditional banks were accredited to partner with SMEs, while Nigerian MFIs were allowed to cooperate with economically-vigorous low-income earners to provide critical financial services to facilitate their engagement in the economy through revenue generation and growing their businesses.

Based on this theory the financial institutions, in this case the MFIs, are called to play their roles as fiscal intercessors and help to eliminate the underlying issues through facilitating information about SME lenders, checking their progress, providing attractive contractual agreements, and agreeing on terms of payment with struggling borrowers.

2.2.2. Finance Growth Nexus Theory

The theory of finance-growth nexus was developed by Bagehot (1873) and advanced by Solow (1956). The theory emphasises that a conducive growth environment is created by financial development in relation to supply-leading and demand-following effect. The theory also recognizes that limitation on access to finances is a major factor attached to constant disparity on income and also low financial performance of enterprises. Consequently, access to affordable credit facilities is considered as a prerequisite for expediting the financial performance of enterprises and reduces income disparities.

Economists have voiced different opinions on this theory. Proponents of the demand view contends that growth of the economy is not stimulated by financial system but instead it responds to development in the real sector. Advocates of the financial-led growth hypothesis attributes enterprises financial performance to the existence of a strong financial sector resulting from its growth enhancing effect. Goldsmith (1969), McKinnon (1973) and Levine & Zervos (1996) also emphasized the positive role of financial institutions in economic growth as exemplified by Ndebbio 2004.

The promoters of supply leading theory logically argue that financial institutions emerge as a result of increased demand for financial services from an already growing economy. The finance-growth nexus theory established a positive relationship exist between access to cost-effective financial services and economic advancement of the enterprises. This is revealed by the enhanced financial performance of the enterprises as well as start-ups of new businesses. It would be important to ascertain the strength of this relationship by assessing the extent in which microfinance institutions play part to financial performance of SMEs through provision of crucial financial services and ultimate economic development.

2.2.3 Agency Theory

This theory was proposed by Jensen and Meckling in 1976 with a plan that provides guidelines for making contracts that facilitate the appraisal and motivation of an agent's actions that takes into account the interests of the principals. Jensen and Ruback, (1983) concurs with Jensen and Meckling, (1976) that agents may be motivated to adopt insolvent investments, even in the light of losses for Principals. The authors established that conflict arises between creditors and business owners because debt contracts give owners an incentive to invest sub optimally. The debt contracts results in uneven distribution of the gains, that is, the owners deem to accrue more gain if an investment is more profitable than the original value of debt, while creditors bear all the consequences if investment fails because of the limited liability of the firm owners.

Stiglitz and Weiss (1981) contends that asymmetric information and moral hazards are agency problems which can adversely affect accessibility of credit hence affect financial position of SMEs. Financial institutions can apply credit rationing to create a desirable credit or loan market through interest rate manipulation on different borrowing customers. In case a financial institution is not able distinguish between a trustworthy and risky customer seeking credit as a result of imperfect market information, adverse selection will emerge where some potential borrowers receive credit and vice versa. Lenders prefer borrowers who are likely to payback their loans because such refunds will meet lenders return expectations. Moral hazards also pose a problem where there is the risk that the enterprise lacks incentives to grow hence unable to repay the loan or the customer involve in risky projects after being awarded the loan.

Nkurunziza, (2005) found that financial access has been attributed as one of the major challenges facing SME's in Kenya strongly linked to the attributes of credit markets which are divided into sub-groups. Market segmentation prohibits the law of demand and supply for financial services. The risky nature of credit business results to agency costs which affects the outcome of credit

services for SMEs because of high information requirements and administration problems for lenders. Firms may opt to seek external funding for their operations from external sources but fail due to the high costs of loan application which has caused slow growth of SME's also explained by some researchers as failure to access financial resources.

Jensen (1986) put forward that agency cost is a discord which commonly arises when firms ownership and management are not separated which can lead to inefficiency for Small and Medium Enterprises (SMEs) from the effect of debt financing. The probability of shareholders and creditors conflict is more likely among SMEs, since most of them do not segregate the functions of ownership and management. Credit financing therefore, could put the independence at stake as well the managers' control over it (Darush & Öhman, 2015). Fama and French (2002) asserts there could be an adverse relationship between debt ratio and firm profitability due to higher agency costs drawn from excessive use of debt.

The agency theory is of great importance to analyzing the sources of capital for SMEs which are considered to have limited access to external equity and putting into consideration agency costs on debt. The agency theory helps to establish of how the use of debt affects the financial performance primarily the agency relationship regarding monitoring costs incurred by lenders towards the investments activities undertaken by shareholders of SMEs. The agency relationship makes SMEs less attractive to access financing by traditional banks (Ang, 1992; Berger & Udell, 1998; Michaelas et al., 1999).

Jensen and Meckling (2006) submitted that the agency conflict can be addressed when management is incorporated to own some shares of the firm together with shareholders hence the interest of both parties are aligned resulting in a convergence of interests between shareholders and managers. As a result of this arrangement managers are motivated to follow value-maximizing behavior hence reduces the agency costs. However, being involved in firm

ownership, management works towards achieving the overall goals of the firm rather than chasing their personal portfolio. On the other hand, the agency costs can be reduced by increasing the use of debt which then lowers the need for use of equity capital and therefore avoids agency costs attached to it.

2.3 Empirical Review

Different studies have been carried out on the subject of Small and Medium Enterprises and their relationship with microfinance. Atefah et al. (2014) established that services provided by MFIs were crucial to the growth of SMEs in Kumasi, Ghana some of which includes savings, consultation, training and business management among others. Both the fundamental and supplementary services acquired from the microfinance institutions were considered to play a remarkable role in the growth of business income and size. However, the investigation showed that microcredit led to adverse consequences on the profit margin of small businesses due to high rates of interests charged on loans, which reduced the gross income and expansion due to minimal profit to plough back into the business. The scholar concluded that despite this, microcredit is still a viable instrument for the operation of SMEs. While this study was helpful, its primary objective broadly looked into how microfinance affect the growth of SMEs which focuses on the general expansion of the size of the firm. Therefore the study did not put into consideration of performance of firm in terms of financial well-being that would make it remain into operation over a period of time in comparison to similar firms in the industry.

Kamau (2011) studied the dynamics that determined the SMEs access to credit in Kenya and affirmed that there is an emphasis on collateral, which becomes even more necessary for SMEs whose information is unlikely to be available. In addition, the study identifies a culture of MFIs requiring loan guarantors in order advance credit to borrowers who do not have tangible assets to offer as collateral. The study recommended that the Kenyan Government should regulate the

costs associated with SME lending and obtaining grants such as transaction costs. The business owners should be encouraged to create long-lasting relationships with their business partners and lenders to allow them to access essential understanding of the diverse financial services existing, money management, and other key business abilities. The study narrowed its scope to credit access for SMEs and left out other services offered by MFIs hence makes the study limited since other factors besides credit facilities influences financial performance of a firm.

Kibet (2015) studied the relationship between microfinance credit and the performance of SMEs in Uasin Gishu County, Kenya and found MFIs to be the predominant source of initial capital for SMEs with loans and savings being the major products. Majority of SMEs that took part in the study admitted to have obtained investment capital from loans. The study revealed that small-scale advances were convenient to eliminate capital restrictions that could hinder successful business operation. The scholar suggested that the authorities to come up with policies that boosts access to credit for SMEs and which are friendly to encourage lending. Such a move will cause impact to the economy through effective circulation of money and also increases employment. The study narrowed only on credit as a service offered by MFIs which is insufficient ground to address the whole component of financial performance of SMEs which can be influenced by other services offered either specific or collectively.

Kimaru (2014) conducted a study in Mogotio District, to evaluate on effects of Microfinance activities on SMEs managed by women. The business were found to be functioning with little resources and investment and high dependency on debt to finance operations. MFIs were found to be reluctant to fund female entrepreneurs using rigid conditions such as hefty guarantor requirements and huge interest on loans that were discouraging. Female-initiated businesses were found to have a short life-span mostly less than 4 years demanding suitable learning and skills in order to compete on the same platform with businessmen. Most of the businesses that accessed

capital and training were found to report exemplary performance and achieved enormous growth in business. The researcher advocate for MFIs to finance female entrepreneurs without stringent demands together with training to equip them with essential skills. The scope of the study broadly dealt with the general performance of enterprises which can include other factors other than the financial performance. The study also looks into the general activities of MFIs and not specifically services to the enterprises which may then be difficult to quantify and narrow down to financial performance of SMEs.

Machingambi (2014) investigated the implications of microfinance on SMEs in Zimbabwe. The researcher found an affirmative outcome of SMEs through efforts by MFIs to motivate them to ensure superior excellence of their products, diverse products in large amounts, increase in outlets, and market share. MFIs must improve in the area of training of the SMEs in the areas of financial management (bookkeeping) before or after granting loans but should not be a reason for late granting of loans to SMEs. The SMEs were found to be utilising loans obtained from MFIs for business objectives and the researcher recommended that MFIs should train SMEs on aspects of financial management before proving them with loans. This study fails to explicitly tackle the issue of financial performance of SMEs hence would be inadequate to draw conclusions on other services offered by MFIs to SMEs and their effect on financial outcomes.

Madole (2013) solicited to ascertain the effects of microcredit on SMEs in Morogoro, Tanzania. The study established that credit impacted SMEs businesses significantly with outcomes manifested by profit growth and increase in employment, income, size, equity and investments of firms and poverty alleviation among clients. The study concluded that most of SMEs depended on debt to finance their operations hence credit from MFIs was crucial for their survival. Some enterprises however, were faced with a challenge to repay debts due to short grace periods, ethical risks, and high interest on loans. The researcher recommended increase in loans provided

to SMEs and greater involvement in funding these endeavours to facilitate national development. The study was however limited in scope since it only focused on credit as a sole service offered by MFIs and fails to include other services that are potential to influence financial performance of enterprises.

Mbithe (2013) explored growth effects of SMEs in reference to services offered by microfinance institutions in Machakos County and established sales increase as a result of credit and training. The outcomes concurred with Koech (2011) view that capital market, access to credit, ease to obtain information and financial management, are some of the major factors influencing a firms' growth. Cooper (2012), agreed with Mbithe and ascertained a correlation between Microfinance services and the growth SMEs. However, he recommends proper use of data collection methods in complementary studies to facilitate facts and opinion-seeking. The study focussed on how the services offered by MFIs can be consumed by the SMEs to increase in their sizes but it lacked addressing how those services can influence the firms overall financial performance a gap which the study at hand is trying to address.

Nahamya et al. (2013) in a study based in Uganda, aimed to establish the relationship between service delivery by MFIs and its effects on the development of SME where several components were found to influence business growth. For example, an increase in inventory was found to correspond with credit acquired by enterprises in consideration to loan incidences, interest charged, quantity and adequacy. Limitations to acquire finances evidenced in other studies, includes need for collateral, poor managerial expertise, lack of advanced technology and little education. Further, the scholar associates the quantity of credit secured to employment where the greater the amount of credit acquired, the more likely job opportunities will increase. The study acknowledges that SMEs play a crucial role in the economy even with the difficulties to get financial and non-financial resources. The scholar advocates that the government should develop

policies that can regulate both SMEs and MFIs to enhance access to credit and reduce defaulters. Therefore the study was limited since it focused solely on growth that concerned other areas without consideration of financial development.

Ngwenya and Ndlovu (2003) study evaluated the achievements of MFIs in their quest to encourage lending to the poor populations in Matabeleland, Zimbabwe. The study revealed numerous challenges in this mission, but they also acknowledge the significance of providing credit to the low-wage populations. As a result, they urged the Zimbabwean government to create policies that guided the operations of SMEs and MFIs to ensure both parties were protected and benefited equally. The study addresses the performance of MFIs in relation to the services they offer rather than the aspect of financial performance of SMEs resulting from the services they get from MFIs. The variables of the two studies are different hence does not address issue of the study at hand.

2.4 Summary of Literature and Research Gaps.

This chapter contains discussion on theoretical and empirical review on previous studies related to Microfinance institution services and their effects on the performance of SMEs. The study reveals that the Kenyan MFI industry is relatively established when compared to those in other African nations. Various theoretical concepts were also discussed in relation to MFIs and SMEs. For instance, financial intermediation was found to motivate the reformation and insolvency of struggling SMEs and getting rid of incompetence. Moreover, the lending concept was identified as the primary invention of MFIs since it mediates the flawed nature of credit markets, especially the inequality in accessing information. It posits that borrowing and repayment is a collective activity that also breeds broader impacts in social networks that are founded in mutual trust. The agency theory prove useful when exploring the sources of capital for SMEs which are considered

to have limited external equity issued. The theory further helps to establish how credit finance affects the financial performance of an enterprise.

The services provided by MFIs have been attributed to the improvements of SMEs in regards to profit margins, employment ability, sales revenue, expansion, capital and assets, and improvement on the life of the communities around them. Most Kenyan-based research reveal that similar challenges affect the local SMEs who are laden with inadequate business management skills and funds, and therefore, the survival of their businesses are at risk. Although several studies have been undertaken that greatly focussed on services offered by MFIs to business enterprises in different geographical locations in Kenya, the results have not been conclusive to the extent that one may not conclude with accuracy the results of a similar study for SMEs in Meru Town. This study therefore will focus on microfinance services and financial performance of SMEs in that setup.

2.5 Conceptual Framework

The following conceptual framework illustrates that MFIs provide variety of financial and non-financial services, where such services and products affect the financial performance of SMEs. The performance of the SMEs in Meru town could be catalysed by the stable financial and non-financial services from the MFIs because of their outreach programs.

INDEPENDENT VARIABLES

DEPENDENT VARIABLE

MICROFINANCE SERVICES

FINANCIAL PERFORMANCE

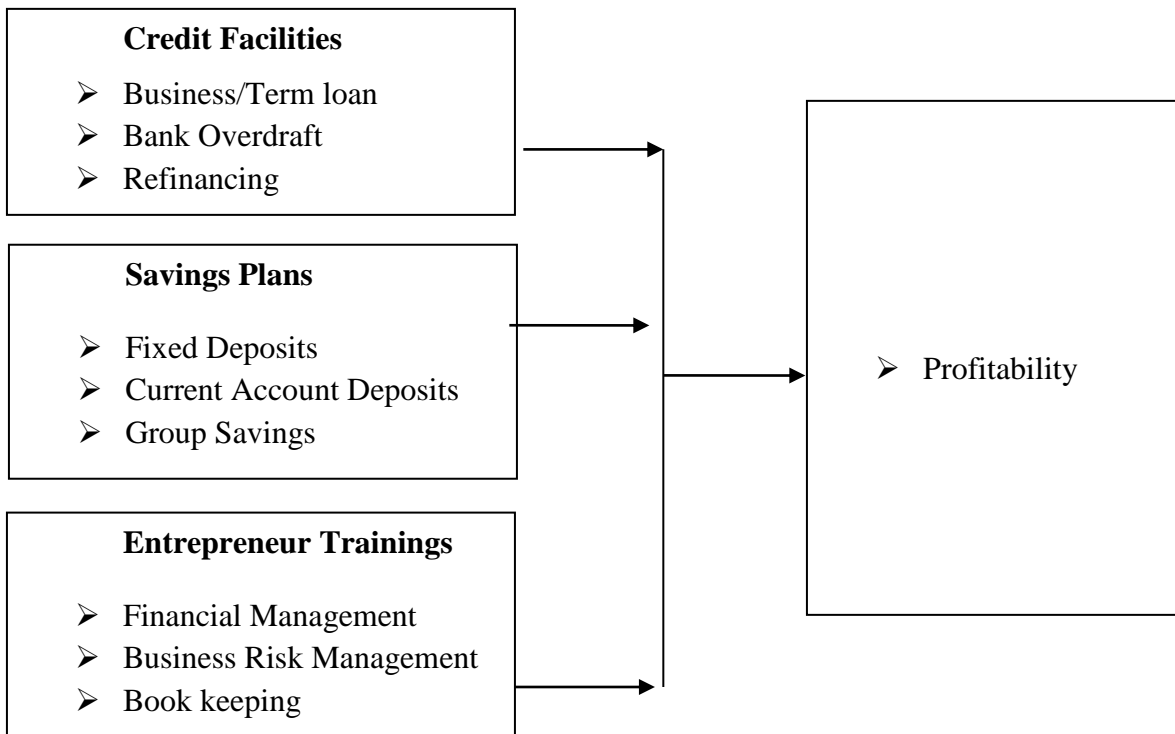


Figure 2.1 Conceptual Frameworks,

Source: Researcher (2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the research methodology used by the researcher in undertaking the study. Methodology refers to a set of approaches and basis on which a particular activity is performed. It denotes a system of unambiguous guidelines and methods that guide the research process and provide the criteria for evaluating claims of knowledge. The research methodology details the research design, target population and sample size, sampling techniques, data collection instruments and procedures that will be used on analysis and presentation of data.

3.2 Research Design

Kothari (1990) outlines research design as the conceptual arrangement that guides research undertakings. It establishes the layout for the gathering, quantifying, and analysing data. This research undertaking employed descriptive research design and used structured questionnaires comprising of open and closed-ended questions to collect data in order to evaluate the relationship between microfinance services and the financial performance of small and medium enterprises in Meru County. Descriptive survey methods were also be utilized since they are effective for amassing large quantities of material within a short time.

Moreover, Robson (2002) justifies the choice of the descriptive research design by citing that it does not authorize the variables to be manipulated. He notes that descriptive surveys are the only appropriate technique that facilitates the examination of viewpoints, attitudes, and recommendations for enhancements on the subject of under study. More importantly, the purpose of descriptive survey research relates to gathering data within a specified period and using it to explain the circumstances at the time. Moore, Burnett and Moore (1986) also add that this

methodology is responsible with determining the what, where, and how of particular phenomenon.

Mugenda (1999) establishes that the descriptive design enables the researcher to gain understanding of the research content, data evaluation skills and incorporate ideal responses regarding the current subject of study.

3.3 Target Population

Kothari (2004), describes population as a set of persons who possess collective discernible features that are dissimilar to other groups. Wellington (2008) explains this phenomena by focusing on the researcher's interests by defining populations as elements or objects that contain the material the researcher seek. The target population for the study was 310 licensed SMEs within the municipality in various sectors that include: trade, commercial services, financial services, and construction. The target population was selected using a stratified random sampling method. The study centred on the owners and enterprises managers as respondents. If a firm or an enterprise has several managers, the researcher selected the head of management.

3.4 Sampling Design

Sampling discusses the procedures that decide on the elements that act as the representative of the overall population (Mugenda & Mugenda, 1999). Cooper and Schindler (2006), notes that the sample frame embodies the elements of the target population. The basic notion underlying sampling is that the entities selected are able to represent the intended population to enable the examiner to draw accurate conclusions about the population of interest. In this study, the sample frame consisted of SMEs within Meru town.

According to Kothari (2004) the proportions of a sample should be optimal to facilitate the accomplishment of the necessities of efficacy, representativeness, consistency, and tractability.

Stratified sampling technique was employed to formulate a sample size of 30% of the

population. The researcher applied purposive sampling to select the respondents for the study and picked a single respondent from each of the 93 sampled SMEs. Hence, the sample size was 93 respondents.

3.5 Data Collection Instruments

This element discusses the process of gathering data to serve or prove some facts (Kothari, 2004). This study adopted primary and secondary tools to collect data. Primary data is defined by Sekaran (2004) as that which is collected originally concerning a phenomena of interest. In this case, structured and open ended questionnaires and interviews facilitated the collection of primary data. Wong (1999) describes a questionnaire as a formal list of carefully formulated queries that enable researchers to gather information. They are suitable for this study since they assemble evidence that is not directly observable including emotional state, inspirations, attitudes, endeavours as well as experiences.

Questionnaires are preferred due to their accuracy as the researcher has limited influence on the respondents. Due to the respondents' nature of work, questionnaires were discharged through a drop and pick later method to allow them to fill at convenience. Monsen and Horn (2007), provided evidence about the efficiency of self-administered questionnaires as they let the participants respond to the questions without researcher interference. In addition, by allowing the respondents to take their time and at their pace, the chances of accuracy are enhanced. Literature such as books, journals, magazines among other sources was used to obtain secondary data.

3.6 Instruments Validity and Reliability

The research instruments were tested for validity and reliability.

3.6.1 Instruments Validity

According to Kothari (2004) validity is the extent in which an instrument quantifies the intended measure. Allen and Yen (1979) concur that validity shows the degree in which the instrument

measures the element. Content validity refers to the degree in which the construct/ object of interest is fully assessed or measured. The researcher asked for expert opinion to validate the composition and structure of the questionnaire during the study.

According to Bowden et al. (2002), the validity of information gathering techniques and interpretation of findings in qualitative studies are enhanced if pretesting is utilized. The questionnaire was tested to owners and managers of SMEs within Meru town who did not take part in the final study. Brown, Lindenberger, and Bryant (2008) postulate that pre-test's effectiveness lies in the fact that it facilitates a small-scale simulation of the formal data collection process, which helps researchers to recognize practical problems before the main research activity.

3.6.2 Instruments Reliability

According to Kothari (2004) reliability has to do with the accuracy and precision of a procedure. Silverman (2005) stipulated that reliability indicated the degree at which outcomes can be imitated by other investigators. In the current study, reliability was established by analysing the uniformity of the instrument results based on repeated trials using the Cronbach Alpha Test Technique. It is a statistic coefficient (a value between 0 and 1) used to amount the reliability of instruments such as a questionnaire by randomly dividing the data into two and calculating the score of participants in each half. A high similarity between scores in both halves indicated reliability. The method possessed a major advantage in that, the split was random and the correlation coefficient for each half was calculated and the average being the value equivalent to the alpha. Kline (1999) stated that Cronbach alpha value of 0.8 was desirable for reliability of intellectual-based surveys.

3.7 Data Collection Procedures

The questionnaire contained a combination of open and close-ended questions which the respondents were expected to answer as accurately as possible. In addition, sufficient time to respond to the questionnaires before collection was provided. Before data collection exercise, the researcher explained the relevance and usefulness of the data, and assurances regarding the confidentiality of information obtained from participants. The study employed the drop and pick later technique of the questionnaires to collect data. Before analysis, data was subjected to relevant checks to determine comprehensiveness, correctness, eliminate errors, identify oversight, and other discrepancies. The material was then coded using figures to facilitate categorization, sorting and analysing.

3.8. Data Analysis and Presentation

According to Gay (1992), analysis of data comprises the organization, accountability and explanation of the data in an attempt to make sense out of it in regards to the respondent's perspective. Conversely, Kothari (2004) viewed it as the analysis of data that has been gathered with the intention to make appropriate interpretations. In this study, data was descriptively analysed using mean, standard deviation and applied multiple regression analysis.

At first data was reviewed for completeness, consistency and accuracy in readiness for analysis and then ciphered in terms of emerging themes. The researcher used the Statistical Package for Social Science (SPSS) Software to tabulate, analyse, and refine the data using statistics i.e. means, standard deviation, multiple regression analysis. Furthermore, the data was summarized, structured, and exhibited through frequency distribution tables to assist in describing and understanding the outcomes. Ordinary least square method from multiple regression model was employed to investigate the effect of Microfinance services on financial performance of Small

and Medium Enterprises in Meru Town, Meru County. The multiple regression analysis model is captured below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y = Financial Performance (measured by profitability).

β_0 = Intercept /Regression Constant Term

$\beta_1 - \beta_3$ = Coefficients of Correlation

X_1 = Credit facilities

X_2 = Savings plans

X_3 = Entrepreneur Trainings

ε = error term

Tabachnick and Fidell (2013), outlined that multiple regression equation has several slope estimates known as regression coefficients that are transformed if the variables are correlated. This necessitates a correlation examination to determine reliability. The researcher therefore, undertook preliminary diagnostic test before doing regression analysis to ensure unbiased and valid statistical inferences. These tests included normality tests, multicollinearity and heteroscedasticity. According to Brook (2008), a normality test reveals the normal distribution of data through numerical statistical methods or graphical analysis with the focus being on kurtosis and skewness. Skewness reviews asymmetry from the mean, while kurtosis is a measure of peakedness of the distribution.

Heteroscedasticity presents a primary concern for regression analysis as a result of unrelated values and the nullified statistical tests that occur from homoscedastic data requirements. Despite this abnormal distribution, Eduardo (2015) argues the regression assessment is vigorous if residuals are normally distributed.

Moreover, Cortina (1993) explains that multicollinearity tests the existence of correlations in circumstances with suspicion that certain variables, with the influence of others notably independent variables, have an effect on others. Multicollinearity is based on the assumption that independent variables are highly associated and, therefore, it is evidenced by non-zero correlation. Thus, efficiency is not significantly swayed when the correlation is low. However, if the correlation is high, multicollinearity arises as evidenced by large sampling errors of the partial slopes and partial correlations (Blalock, 1963). It was therefore important for this study to examine if there exist a causal relationship between the identified collinear variables.

3.9 Ethical Consideration

According to Chris (2010), ethics are the vital and controlled inspection of behaviour particularly in relation to the constraints present in the quest for self- interest and potential for adverse impact on other parties. Before administering of the questionnaire, the researcher obtained permission to conduct the study. Respondents' willingness to take part in the study was sought beforehand and that no photographs, audio or visual recordings was taken without permission of the respondents. The researcher upheld the respondents' confidentiality and privacy. Respondents were required to participate voluntarily by signing a consent note and the researcher ensured that respondents were not victimized or coerced in any way for refusal to participate.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

4.1 Introduction

This chapter focused on data analysis, presentation and interpretations of research findings. The researcher distributed 93 sets of questionnaires to the employees, owners/proprietor, supervisors as well as the branch managers of SMEs in Meru town. The questionnaires were serialized and all the variables given a code to enhance easy measurement. The Statistical Package for Social Sciences (SPSS) program version 21 was used in processing, analysis, tabulation and computations of the data. The data collected was descriptively analyzed, by use of mean and standard deviation from the mean and were presented in tables.

4.2 Summary Statistics

The researcher distributed questionnaires to the employees, owners, supervisors as well as the branch managers of 93 SMEs in Meru town. Out of the focused 93 SMEs, 68 of the respondents' questionnaires had reasonable information and therefore qualified for consideration in the analysis achieving a response rate of 73.12%. The feedback was achieved after frequent follow-up by the researcher through calling and on-site visit to request the respondents to fill and return the questionnaires.

4.3 Demographics

The demographic nature of the respondents was analyzed and tabulated. This constituted of the respondents' gender, age bracket, level of education they had successfully completed, number of employees in the enterprise and duration their enterprise had been operational as at the time of the study.

4.3.1 Respondents' Gender

Table 1.1: Respondents' Gender

		Frequency	Percentage
Valid	Male	45	66.2
	Female	23	33.8
Total		68	100.00

Source: Research Data (2019)

The findings in respect to the respondents' gender in Table 4.1 revealed that the aggregate number of respondents was 68, which consisted of 45(66.2%) male and 23(33.8%) female respondents. The findings depicted a random occurrence where the number of male respondents was slightly higher than that of their female counterparts.

4.3.2 Age Bracket

The study further needed to determine the age bracket of the respondents. The results are as shown in Table 4.2 below.

Table 4.2 Age bracket

	<i>Age bracket</i>	Frequency	Percent
Valid	18-25 years	07	10.3
	26-30 years	17	25.0
	31-35 years	22	32.4
	35-40 years	14	20.6
	Above 40 year	8	11.7
Total		68	100

Source: Researcher (2019)

The findings in Table 4.2 above revealed a 10.3% of the respondents were aged between 18-25 years. This was an indication that mostly the youth had less capability to start their own enterprises. The number of respondents in business progressively increases for the respondents aged between 26-30years due to increased financial obligations and need for self-development.

Moreover, greater number of the respondents were aged between 31-35 years indicating the increase in the need to enterprising selves to earn a living and increasing financial needs to cater for the families. However, the number of respondents aged above 40 years significantly reduces an indication that respondents above 40 years less engaged in the SMEs activities.

4.3.3 Level of Education

The study aimed at analyzing the level of education attained by the respondents. The evaluation was useful to the researcher as it enhanced the researcher to obtain credible information from reliable respondents who had an understanding of the study variables. Analyses of the education level enhanced the evaluation of the respondents' qualifications. Level of education attained defined ones level of training and expertise in their areas of practice.

Table 4.3: Level of Education

Table 4.3 below shows the education level attained by the respondents involved in the study.

		Frequency	Percent
Valid	Certificate	14	20.6
	Diploma	24	35.3
	Undergraduate	21	30.9
	Post-graduate	09	13.2
Total		68	100.0

Source: Research Data (2019)

The findings illustrated most of the respondents had a diploma qualification followed by those who had an undergraduate qualification. 20.6% of the respondents had at least a certificate while respondents with the postgraduate level of education were 9 (13.2%). The findings shown that the respondents had an understanding and were suitable for the study input as the largest number of the respondents had diploma, then bachelors and certificates consecutively.

4.3.4 Duration of Operation

The study solicited to analyze the time in which the enterprise had been operational. Respondents were asked to specify the time range in which their firms had been operational. The results of the findings are as shown in Table 4.4 below.

Table 4.4 Duration of Operation

		Frequency	Percent
Valid	1 – 5 year	14	20.6
	6 - 10 years	23	33.8
	11-14 years	17	25.0
	Over 15 years	14	20.6
Total		68	100.0

Source: Research Data (2019)

The findings showed that SMEs representation progressively increases with the duration of operation of 6-10 years. The findings indicated that during early years of establishment the businesses struggle on profit making and sustainability. The findings indicated that the representation of businesses that had been operational for more than a decade reduced and comprised of 45.6% as some of the businesses were edged out due to market trends such as competition and other factors.

4.3.5 Respondent's Designation

The study analyzed the scope of responsibility for the respondents. Respondents were asked to specify their positions in the organization. Findings in Table 4.5 show respondents' positions in their organizations. Respondents' designations constituted the employees, supervisors, managers and the owners of SMEs.

Table 4.5 Respondents Designation

	Frequency	Percent
Valid Employees	33	48.53
Supervisors	16	23.53
Managers	12	17.65
Owners	07	10.29
Total	68	100.0

Source: Research Data (2019)

The findings in table 4.5 revealed that majority of the respondents were SME employees. Moreover, 23.53% of the respondents were SME supervisors while 17.65% of the respondents were managers. However, only 10.29% of the respondents were firm owners revealing how busy the top management was in articulating managerial responsibilities as only a small percentage representation of the respondents constituted the owners as well as the managers.

4.4 Descriptive Analysis

Variables in the study concept were analyzed descriptively. The researcher identified the characteristics of the variables and the findings made. Descriptive analysis enhanced the depiction of the state of affairs as they existed at the time of study. Data was analyzed using descriptive method by use of the frequency tables, percentages and mean to establish opinion of the respondents on the variable. Dispersion on respondents' opinion was established by calculating standard deviation from the mean. Descriptive analysis enabled the researchers to accurately portray the characteristics of a particular situation under study.

4.4.1 Credit Facilities

The study endeavoured to find out the significant effect of credit facilities on the financial performance of SMEs in Meru town. The study evaluated major sources of SMEs initial capital which included individual savings, contributions from family members, credit from microfinance

institution, commercial banks as well as other sources such as customer advances as indicated by the research findings. In addition, the study sought to analyze motivation of the SMEs to seek financial assistance from MFIs.

Table 4.6 Major sources of SMEs start-up capital

The respondents were asked to specify their major sources of their start-up capital. The findings on major sources of initial capital are shown on Table 4.6 below.

Source of Capital	Frequency	Percent
Loan from MFIs	19	27.94
Personal Savings	15	22.06
Friends and Relatives	12	17.65
Loan from commercial banks	13	19.12
Customer advances	09	13.23
Total	68	100.0

Source: Research Data (2019)

The results showed that most SMEs preferred a loan from Microfinance Institutions as their initial capital. Moreover, the respondents stated that they got their start-up capital from savings accrued from past income generating activities. 17.65% of the respondents secured their initial funds from contributions by close allies and relatives while 19.12% obtained loans from commercial banks to establish their enterprises. In addition, other sources of capital such as customer advances were considered by the respondents as they sought to establish their business ventures. The study revealed that SMEs mostly preferred Microfinance Institutions for provision of essential services which mainly provided credit and savings services.

Table 4.7 Motivation to seek financial aid from MFIs

The respondents were further asked to indicate what motivated their search for financial solution from MFIs. Results were as shown on Table 4.7 below.

		Frequency	Percent
Valid	Easy loan repayment	21	30.9
	Timeline in processing loan	14	20.6
	Amount offered	13	19.1
	Repayment/Grace period	09	13.2
	Favorable interest rates	11	16.2
	Total	68	100.0

Source: Research Data (2019)

The results in Table 4.7 revealed that SMEs mostly preferred to solicit financial aid in MFIs owing to easy repayment plan with 21(30.9%). 14(20.6%) on loan processing period and 13(19.1%) on amount provided by the MFIs were the major incentives for respondent to pursue financial aid from the MFIs. In addition, the findings exhibited that 9(13.2%) were driven by favourable loan repayment/grace period offered by MFIs in the repayment of particular loan while the rest 16.2% of SMEs respondents considered interest rates charged on loan from MFIs.

The study intended to determine the degree in which respondents identified with particular affirmations in reference to credit offered by the MFIs. They were asked to point out the extent in which MFIs credit facilities were applicable to the SMEs by portraying their opinion on particular statements that examined the variable. The study aimed to find out the magnitude for SMEs failure to expand due to limited financial resources, extent in which MFIs enhanced rise for entrepreneurs, productivity of SMEs through MFI funding, extent in which MFIs grant interest rates that are competitive and favourable to SMEs and the degree in which repayment period affect financial performance of the business.

Table 4.8 Extent in which respondents agreed on Credit facilities offered by MFIs

The respondents were asked to attest the extent in which they agreed with particular statements to examine the variable in a five point likertz scale (1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree).

Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Deviation
Access to credit play a part to the increase of entrepreneurs who start new ventures	2(2.9)	7(10.3)	11(16.2)	22(32.4)	26(38.2)	3.93	1.111
SMEs fail to expand due to limited financial resources	4(5.9)	5(7.4)	15(22.1)	22(32.4)	22(32.4)	3.87	1.120
Repayment period of loans offered by MFIs affect the financial performance of SMEs	5(7.4)	7(10.3)	7(10.3)	23(33.8)	26(38.2)	3.85	1.249
MFIs offer competitive and favorable interest rates on loans given to SMEs	5(7.4)	11(16.2)	17(25.0)	19(27.9)	16(23.5)	3.43	1.226
Duration between loan application and disbursement is favorable to cover the needs	6(8.8)	7(10.3)	21(30.9)	17(25.0)	17(25.0)	3.43	1.247
SMEs increase their productivity through MFI funding which increase growth	6(8.8)	11(16.2)	17(25.0)	18(26.5)	16(23.5)	3.40	1.259

N=68

Source: Research Data (2019)

The findings indicated that respondents strongly agreed that MFIs funding contributed to increase of entrepreneurs who started new ventures in Meru town (M=3.93). However, there existed a wider dispersion on respondents' opinion as the standard deviation was greater than one (standard deviation=1.111). The respondents strongly agreed that, SMEs fail to expand due to limited resources M=3.87 (standard deviation=1.12). The findings concur with Diagne and

Zeller, (2001), in a study on the access to Credit and its impact on welfare in Malawi concluded that microfinance credit highly contributes to financial performance since owners of small and medium businesses with collateral can easily access credit for expanding their businesses. The findings further depicted that the repayment period of loans offered by MFIs affected the financial performance of the SMEs as it reflected the urgency in which the loan was being serviced.

The findings also indicated that respondents strongly agreed that MFIs offered competitive and favourable interest rates on loans given to SMEs (M= 3.45) which acted as an incentive to encourage them to seek financial assistance from MFIs. Additionally, they strongly agreed that the duration between loan applications and disbursement from MFIs was favourable enough to cover the need for which the loan was sought by the entrepreneur while SMEs increased their productivity through getting funds from MFIs that lead to the enterprise growth.

The findings were supported by Mbithe (2013) whose findings revealed that that MFI credit had a positive influence on the increase of sales in a study that explored the aftermath of services offered by MFIs on the growth of SMEs based in Machakos County, Kenya. From the study, one can deduce that accessing financial source without difficulty by the SMEs contributes meaningfully to the overall financial performance.

4.4.2 Saving Plans

The study sought to explore the impact of savings plans initiated by MFIs on the financial performance of SMEs. The study identified specific variables to examine the impact of saving plans on SMEs' financial performance. The variables enquired on whether the SMEs had a saving plan with MFIs, why they preferred microfinance saving plans over commercial banks and how satisfied the savings plans contributed to their business financial performance.

Table 4.9 Saving Plans Frequencies Table

The respondents were asked whether they had a saving plan with any microfinance.

		Frequency	Percent
Valid	Yes	57	83.8
	No	11	16.2
Total		68	100.0

Source: Research Data (2019)

The findings in table 4.9 above indicated that 83.8% of the SMEs' respondents had a saving plan with microfinance institutions while some of the respondents opted in savings through other means and therefore did not have a saving plan with any microfinance institution. The study sought to establish why the SMEs preferred microfinance savings plan/programme over banks.

Table 4.10 Preference of microfinance saving plans over Commercial banks

	Frequency	Percent
Easy accessibility of funds	23	33.82
Availability of different saving plans	16	23.53
Quick customer service	14	20.59
Low cost of operating an account	09	13.23
Dividends on shares/ savings	06	8.83
Total	68	100.0

Source: Research Data (2019)

The findings in table 4.10 above indicated the respondents' preference of microfinance institutions over commercial banks. It was evident that the respondents were inclined to microfinance institutions financing due to easy accessibility of their funds. The respondents also preferred microfinance institutions to commercial banks due to availability of a variety of microfinance products offered to the SMEs which offered a range of products to choose from. The respondents were also attracted to microfinance financing due the quick customer services in acquiring the preferred loans. It was evident that microfinance institutions were not bureaucratic

in the processing of loans to the SMEs. The respondents were also attracted by the low cost of microfinance operations on transactions, deposit and withdrawals while 8.83% of the respondents were attracted to the dividends earned on shares and therefore preferred microfinance institutions to commercial banks. The findings were supported by Robinson (2002) study that described the role of microfinance institutions as that of aiding customers to safeguard, diversify, and augment their income, as well as to accrue wealth and reduce vulnerability to revenue and consumption uncertainties.

The study further sought to examine how satisfied the financial performance of the business was with respect to savings made to the microfinance institutions. This examined the magnitude of financial performance as a result of funding from the savings and captured the change in financial performance as a result of savings. The findings are as exemplified in table 4.11 below.

Table 4.11 Extent in which SMEs are satisfied with Savings plans offered by the MFIs

Variable	Less Satisfactory	Moderate Satisfactory	Satisfactory	Very Satisfactory	Most Satisfactory	Mean	Std Deviation
How satisfied were Small and Medium Enterprises with saving plans offered by MFIs	3(4.4)	3(4.4)	10(14.7)	20(29.4)	32(47.1)	4.10	1.095
N=68							

Source: Research Data (2019)

The findings in table 4.11 indicated that enterprises were most satisfactorily with savings plans offered by microfinance hence contributed to the financial performance of the SMEs (M=4.10). This indicated that savings acted as a major booster to funding the operations of the business as and when required hence reducing delays, costs of debts or stock-outs. However, the standard deviation to the mean (Std. deviation=1.095) depicted a wider disparity on the respondents

opinion. The study aimed at examining the need of microfinance institutions improving on the savings programmes. To examine this, a variable was devised requesting the respondents to give their opinion on whether there was need for microfinance institutions to improve on their savings plans. The findings were as in table 4.12

Table 4.12 Call to improve on Saving Plans

		Frequency	Percent
Valid	Yes	63	92.6
	No	05	7.4
Total		68	100.0

Source: Research Data (2019)

The findings indicated that a great representation of the respondents (92.6%) opined that microfinance institutions greatly needed to improve on the savings programmes. There was need to make the savings more appealing to customers to foster savings and also attract savings from more enterprises. The study also incorporated statements to further examine the impact of savings on the financial performance of the SMEs. The findings are as shown in table 4.13 below

Table 4.13 Savings services offered to SMEs

Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Deviation
Saving plans offered to SMEs affects financial performance of the business	1(1.5)	4(5.9)	8(11.8)	33(48.5)	22(32.4)	4.04	.905
Various types of savings offered by MFIs affect financial performance of the business	7(10.3)	8(11.8)	12(17.6)	24(35.3)	17(25.0)	3.53	1.275
Interest earned on savings affect the financial performance of business	2(2.9)	5(7.4)	8(11.8)	33(48.5)	20(29.4)	3.94	.991
Mobile banking affect financial performance of business	3(4.4)	7(10.3)	12(17.6)	19(27.9)	27(39.7)	3.88	1.179
N=68							

Source: Research Data (2019)

The findings revealed that savings plans offered to SMEs were of paramount importance to the financial performance of the business as the respondents strongly agreed to the variable (M=4.04). The standard deviation from the mean was less than one indicating a very small disparity on the respondents' opinion. The findings further indicated that various types of savings accounts allowed by the MFIs affected the financial performance of SMEs to a great extent M = 3.53. There was a great disparity on respondents opinion as the standard deviation was greater than one (Std. deviation=1.279). The respondents strongly agreed that interest earned on savings greatly affected the financial performance of the SMEs (M=3.94) as exhibited by the mean which was greater than 3.5 an indication that respondents strongly agreed that interest rates greatly affected the financial performance of SMEs.

Savings through mobile banking as well had a mean above 3.88 showing that the respondents strongly agreed that the variable greatly affected the financial performance of the SMEs.

Financial services and the various types of savings offered by MFIs greatly affected the financial performance of the enterprises. This was indicated by the mean to all the variables being above 3.5 strongly affirming that savings greatly affected the financial performance of the SMEs. The findings Patricia (2004) observes that MFIs in African countries exceeds 70 percent of the total organizations offering savings as a predominant product and mostly use savings as the primary supplier of financing, in addition to determining the loan viability of the customer seeking lending services.

4.4.3 Entrepreneur Trainings

The study sought to explore and determine the effect of entrepreneur training programmes offered by MFIs on the financial performance of SMEs. Variables identified to examine the effect on entrepreneurial training examined whether the SME respondents had received any form of training from MFIs in regards to the running and financial performance of a business and the extent in which training influenced the financial performance of the business.

Table 4.14 Respondents training frequencies

The respondents were asked to indicate whether they had received any form of training from the MFIs with regards to running of the business.

		Frequency	Percent
Valid	Yes	32	47.1
	No	36	52.9
Total		68	100.0

Source: Research Data (2019)

The findings indicated that 47.1% of the respondents had received training from MFIs on various aspects in their enterprises. However, the study findings indicated that 52.9% were yet to receive any training from MFIs. The findings indicated that respondents were not aware that such

trainings were offered or did not realize when being sensitized on the trainings. The findings indicated entrepreneur training gap indicating need for an increase of such training by MFIs to improve on the financial performance of SMEs.

The study also sought to establish whether the respondents intended to get training on basic business skills, business risk management and financial management, customer service as well as capital investment decision. The findings were tabulated in table 4.15 below.

Table 4.15 Need for Entrepreneur trainings

		Frequency	Percent
Valid	Yes	66	97.1
	No	02	2.9
Total		68	100.0

Source: Research Data (2019)

The findings indicated that 97.1% of the respondents expressed interest to acquire new skills and training on the aspects offered by the MFIs to the SMEs. They opined that training on various aspects would be of great importance which can significantly improve on the financial performance of the enterprises. The 2.9% of the respondents seemed not interested in any form of training exhibited a lot of expertise in management aspects and hence would not expect significant change on the financial performance of their enterprises or had already acquired those trainings previously.

The study also sought to establish the extent in which the respondents agreed on particular aspects on training. To examine this, a five point likert question was posed requiring the respondents to give their opinion on the extent in which their agreed on training aspect statements. The training aspects involved training on basic business skills essential in running of the day to day activities of the business, training on financial management skills on book

keeping, training on business risk management skills on risk identification and its mitigation, customer service skills and customer relationship building and capital investment decisions.

The findings were tabulated in Table 4.16 below.

Table 4.16 Entrepreneur training

Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Deviation
Basic managerial skills affects the financial performance of an enterprise	2(2.9)	5(7.4)	7(9.2)	24(35.3)	30(44.1)	4.13	1.050
Business risk management affect financial performance of an enterprise	1(1.5)	3(4.4)	11(16.2)	27(39.7)	26(38.2)	4.09	.0260
Customer care skills affect the financial performance of an enterprise	4(5.9)	5(7.4)	8(11.8)	26(38.2)	25(36.8)	3.97	1.119
Capital investment decisions affect the financial performance of an enterprise	2(2.9)	6(8.8)	12(17.6)	35(51.5)	13(19.1)	3.85	.851
Financial management affect business financial performance an enterprise	7(10.3)	6(8.8)	16(23.5)	20(29.4)	19(27.9)	3.56	1.274

N=68

Source: Research Data (2019)

The findings indicated that the respondents strongly agreed that training on basic managerial skills were important in financial performance of the SMEs. (M=4.13) The standard deviation to the mean was greater than one which exhibited that there was a huge variation in respondents' opinion. It also indicated that training on business risk management affected the financial performance of the business (M=4.09) showing a small disparity on respondents' opinion. Training on risk management enhanced the detection, identification and mitigation of risks in the business operation. The study findings indicated that training on customer care skills affected the financial performance of SMEs (M=3.97). The respondents also strongly agreed that training on

capital investment decision greatly affected the financial performance of the business as it led to amicable decision on where and how to make investments. Training on financial management skills on book keeping greatly affected the financial performance of the business as it helped keep truck of financial information. Saito and Villanueva (2000) attribute poor management and book-keeping practices to lower financial performance of SMEs as they hamper accessibility to funds. In addition, lack of proper information by lenders about SME clientele limit the flow of capital to the smaller enterprises. Dockel and Ligthelm (2005) identify managerial incompetency and unsuitable governance systems in the SME sector as additional factors that act as barriers on efforts to attract funding and, therefore, SME development and sound financial performance.

4.5 Correlation Analysis

To test the relationship between microfinance services and financial performance of SMEs, the researcher conducted a Pearson Product Moment correlation. Table 4.17 shows the output.

Table 4.17 Correlation Analysis

Variable		Financial Performance	Credit Facilities	Saving Programmes	Entrepreneur Training
Financial Performance;	Pearson	1	.710	.206	.226
	Sig (2 tailed)		.011	.092	.064
Credit Facilities;	Pearson	.710	1	.518	.194
	Sig (2 tailed)	.011		.197	.112
Saving Programmes;	Pearson	.206	.518	1	.602
	Sig (2 tailed)	.092	.197		.990
Entrepreneur Training;	Pearson	.226	.194	.602	1
	Sig (2 tailed)	.064	.112	.990	
		N=68			

Source: Research Data (2019)

From the correlation analysis above, the study found that there was positive correlation between SMEs financial performance and services offered by MFIs to the enterprises. Access to Credit facilities was found to have a positive and significant correlation between credit facilities and financial performance of the SMEs. The r value of 0.71 for credit facilities is closer to 1.0, meaning that owners of Small and Medium Enterprises utilize credit acquired to expand operations of their businesses. Access to credit therefore plays a significant role on the financial performance of Small and Medium Enterprises.

Wole (2009) postulates that availability of finance determines the capacity of an enterprise in a number of ways, especially in choice of technology, access to markets, and access to essential resources which in turn greatly influence the viability and success of a business. The study indicated that there was a positive correlation coefficient of 0.206 between saving Plans and financial performance of SMEs. The results indicate a significant correlation between Savings plan and financial performance of SMEs. Entrepreneur training also indicated a positive correlation with financial performance of the SMEs with a correlation coefficient of 0.226.

4.6 Multiple Regression Analysis

In order to establish the relationship between the independent variables: microfinance services; credit facilities, savings plans and entrepreneur training and the dependent variable; financial performance of the SMEs, a multiple regression was conducted. The analysis applied the statistical package for social sciences (SPSS) to compute the measurements of the multiple regressions for the study aimed at obtaining the value of the statistical outcomes. Table 4.18 below displays the results for the regression model summary.

Table 4.18 Regression Model Summary

Model	R	R square	Adjusted R square	Standard error of estimate
1	.513 ^a	.379	.236	.498

Source: Research Data (2019)

The multiple linear regression analysis in table 4.18 modelled the relationship between the dependent variable which was financial performance of the SMEs and the independent variables on microfinance services; credit facilities, savings plans and entrepreneur training. The correlation coefficient (R) and coefficient of determination (adjusted R²) depicted the degree of association between financial performance and the independent variables. Variation in the dependent variable due to changes in the independent variable was highlighted by the adjusted R squared which was the coefficient of determination. The study findings indicated that there was a strong positive relationship (R= 0.513) between microfinance services and financial performance of the SMEs in Meru town.

The coefficient of determination (R²) gave the amount of the dependent variable which can be explained by the independent variables. From the findings in Table 4.18, R squared 0.379 indicated that 37.9% of the changes in financial performance are attributed to changes in credit facilities, savings plans and entrepreneur training at 95% confidence level. An indication that 37.9% changes in financial performance of SMEs could be accounted for by the microfinance services; credit facilities, savings plans and entrepreneur training.

Table 4.19 ANOVA Results

ANOVA analysis was intended to investigate whether the variation in the independent variables explain the observed variance in the outcome. The following table presents the ANOVA results.

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.978	3	1.993	2.313	.038 ^a
	Residual	55.139	64	.862		
	Total	61.118	67			

Source: Research Data (2019)

The ANOVA statistics in the table above shows a P-value of 0.038 which indicates that the model overall is a good fit. The calculated value from the study findings was 2.313 while the critical value on t-test of 68 respondents is 1.9955. The calculated value was greater than the critical value ($1.9955 < 2.313$) which indicated that microfinance services (credit facilities, savings plans and entrepreneur training) explains financial performance of SMEs in Meru town.

Table 4.20: Coefficients Table

The following table displays the results of beta coefficients for the actual regression equation from the regression analysis. The table indicated both the standardized and unstandardized coefficients.

Table 4.20: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
			Std. Error	Beta		
1	Constant	6.112	.875		6.987	.000
	Credit facilities	.406	.569	.256	.713	.039
	Savings Plans	.240	.110	.265	2.179	.032
	Entrepreneur training	.197	.107	.271	1.840	.025

Source: Research Data (2019)

Table 4.20 above shows the beta coefficients for the actual regression equation. The section included a y-intercept term (beta zero) as well as a slope term (beta one). The standardized coefficients were based on re-scaling of the variables so that the y-intercept is equal to zero.

From the data in Table the extracted regression equation is as follows:

$$Y_i = 6.112 + .406X_1 + .240X_2 + 0.197 X_3$$

The study established that all other factors held constant; financial performance of SMEs in Meru would be at 6.112. However, the study found that a unit increase in credit facilities from MFIs to the SMEs would lead to an increase in financial performance of SMEs in Meru Town by a factor of 0.406 all else held constant. Similarly a unit increase of savings plans would lead to an increase in the financial performance of SMEs by a factor of 0.240 while that the SMEs' financial performance would increase by a factor of 0.197 as a result of unit increase of the entrepreneur training all other factors held constant.

In view of statistical significance of the independent variables on financial performance of the SMEs, the study made the following findings; the p-value for credit facilities was 0.039 which

was less than 0.05 which is an indication that credit facilities had a significant effect on financial performance of the SMEs. The p-value on savings plans offered by the MFIs to the SMEs was 0.032 which was less than 0.05 indicating a significant effect on SMEs' financial performance while the entrepreneur training had a 0.025 p-value which also indicated a significant effect on SMEs' financial performance. The study thus revealed that credit facilities offered by the MFIs had significant effect on SMEs profitability and liquidity. The current study also revealed that savings plans provided by the MFIs to the SMEs had significant effect to the financial performance of SMEs while entrepreneur also exhibited a significant effect to the SME financial performance.

4.6 Summary of Key Findings and Discussions

The study findings indicated a strong positive relationship ($R= 0.513$) which was close to +1 between microfinance services: Credit facilities, saving programmes and entrepreneur training to the SMEs' financial performance in Meru town. The findings indicated that there was a variation of 37.9% on financial performance of SMEs due to changes in credit facilities, savings plans and entrepreneur training at 95% confidence level. An indication that 37.9% changes in financial performance of SMEs could be accounted for by the microfinance services; credit facilities, savings plans and entrepreneur training.

The study evaluated major sources of SMEs startup capital which included personal savings, friends and relatives' contributions, loan from microfinance institution, loan from commercial banks as well as other sources such as customer advances, the findings indicated that majority of the SMEs were funded by microfinance institutions as their startup capital. The findings depicted that MFIs provided credit facilities to great extent to SMEs in Meru town. The findings were similar to Kibet (2015) who aimed at establishing a link between microfinance credit and the

performance of SMEs in Uasin Gishu. The findings showed that MFIs were the main source of initial capital for SMEs and mainly provided loans and savings services.

The findings indicated that 30.9% of the respondents were motivated to seek financial assistance from MFIs due to their easy loan repayment procedure while it was evident that 33.82% of the respondents were inclined to microfinance institutions due to easy accessibility of funds. Diagne and Zeller (2001) stipulated that insufficient access to credit was the major problem faced by most SMEs. The findings in the current study indicated that respondents strongly agreed that MFIs funding contributed to increase of entrepreneurs who started new ventures in Meru town ($M=3.93$). The findings in the current study revealed that a unit increase of credit facilities would increase the financial performance of the SMEs by a factor of 0.406. The p-value for credit facilities was 0.039 ($p<0.05$) indicating that credit facilities had significant effect to the financial performance of SMEs. The findings in the study agree with Cooper (2012), in his study on the Impact of MFI services on the Growth of Small and Medium Enterprises, found out that one of the services provided by MFIs is credit which had great influence on SMEs' growth.

The current study also sought to explore the impact of savings plans initiated by MFIs on the financial performance of SMEs. The findings revealed that savings services offered by the MFIs were of paramount importance to the financial performance of a business as the respondents strongly agreed to the variable ($M=4.04$). The findings indicated that minimum savings, interest rates and mobile banking savings greatly impacted the financial performance of the SMEs. The p-value of savings plans offered by the MFIs to the SMEs was 0.032 which was less than 0.05 indicating a significant effect on SMEs' financial performance.

The study sought to explore and determine the effect of entrepreneur training programmes offered by MFIs on the financial performance of SMEs. The study findings indicated that 52.9% had not received trainings from MFIs. The findings indicated entrepreneur training gap

indicating need for an increase of such training by MFIs to improve on the financial performance of SMEs. However, the study revealed that the respondents expressed willingness to take entrepreneur trainings offered by MFIs on basic business management, financial management/book keeping, customer service, business risk management as well as capital investment decision as they greatly affected the financial performance of the enterprises. The findings revealed that entrepreneur training had a 0.025 p-value ($p < 0.05$) which indicated a significant effect on SMEs financial performance rejecting the null hypothesis. Chi & Lin (2008) in their study on whether training facilitates SME's performance; found out that it greatly facilitated the SME's performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This section outlines the summary of the study findings, draws relevant conclusions and then suggests recommendation in relation to the research objectives. This chapter presents findings summary giving the analysis of the research findings, conclusion made from the findings and recommendation of the findings, limitations which were detrimental to the study and suggestions for further research.

5.2 Summary

The study general objective was to determine the effect of Microfinance Services on financial outcomes of the SMEs in Meru town. It was guided by the following specific objectives: To determine the effect of credit facilities provided by MFIs on financial performance of SMEs in Meru town; to determine the effects of savings plans initiated by MFIs on the financial performance of SMEs in Meru town; to determine the effects of entrepreneur training programmes by MFIs on the financial performance of SMEs in Meru town. The study utilized descriptive research design and adopted stratified sampling technique to select the respondents in Meru town enterprises. Data was analyzed descriptively, by use of mean scores and standard deviation from the mean and were presented in tables. The study findings data was coded and analyzed statistically by use of SPSS version 21.

The findings indicated a positive relationship between credit facilities, savings plans and entrepreneur training offered by MFIs and the financial performance of the SMEs in Meru Town in Meu County. The study findings indicated that credit facilities greatly affected the financial performance of the SMEs. It was evident that the ease to acquire a loan from the Microfinance institutions as well as ease loan repayment procedures made the respondents to prefer

microfinance funding to commercial banks. The study findings depicted a strong positive correlation between SMEs financial performance and the credit facilities on access to loans by correlation factor of 0.710 which was close to +1. The study established that a unit increase in credit facilities offered by the MFIs to the SMEs would lead to an increase in financial performance of SMEs in Meru all other factors held constant. In addition, the p-value of credit facilities was 0.039, an indication that the credit facilities had significant effect on the SMEs' financial performance.

It was evident that the respondents were highly indented to microfinance institutions saving plans due to easy accessibility of their funds. The study findings indicated that savings most satisfactorily contributed to the financial performance of the SMEs (M=4.10) and acted as a major boost to the financial performance of the SMEs. The respondents strongly agreed that interest rates on savings offered by MFIs greatly affected the financial performance of the SMEs (M=3.94). The study findings indicated SMEs' profitability would increase by a factor of 0.206 as a result of unit increase of the savings plans all else held constant. The p-values of savings plans revealed by the current study was 0.032 which was less than 0.05 showing that savings plans had significant effect on the SMEs financial performance.

The study established an entrepreneur training gap where the findings indicated need to increase entrepreneur training to the SMEs in order to improve financial performance of the SMEs. However, the respondents expressed willingness to take entrepreneurial training from the MFIs. The findings revealed that entrepreneur training on basic business skills; financial management/book keeping, risk management and training on capital investment decision had a significant effects on the financial performance of the SMEs. The study established a positive correlation on entrepreneur training with a correlation coefficient of 0.226. The findings from the regression analysis indicated that a unit increase in entrepreneur training would increase the

financial performance of the enterprises by a factor of 0.197. The p-value obtained from the coefficient table indicated that the p-value was 0.025 showing statistical significance of entrepreneur training on the financial performance of the SMEs.

5.3 Conclusions

The study findings depicted a positive relationship between microfinance services and financial performance of MFIs. The study therefore concluded that credit facilities provided by MFIs had significant effect on the financial performance of SMEs therefore rejected the null hypothesis. The study concluded that credit facilities had significant effect on the performance of the SMEs as it was the main source of SME funding in Meru. It concluded that SMEs failed to expand due to limited resources and therefore saw MFIs as vital source of SME funding. The study further concluded that MFI funding contributed to increase of entrepreneurs who started new ventures as a result of MFI funding. While the loan repayment period significantly affected the financial performance of the SMEs, MFIs offered competitive and favorable interest rates and favorable duration between loan application and disbursement periods.

The study concluded that saving plans offered by the MFIs to the SMEs had significant effect to the financial performance of the SMEs hence rejected the null hypothesis. They acted as a major booster to the financial performance of SMEs. Easy accessibility of MFIs funding, low cost of operations as well as low interest rates greatly motivated the SMEs to take loans from MFIs to commercial banks. The study also concluded that savings most satisfactorily contributed to the financial performance of the SMEs. The study further concluded that there was a great need to improve on the savings plans and make savings more appealing to customers to foster savings and also attract savings from more enterprises.

Entrepreneur training had a significant effect on financial performance of SMEs in Meru town. The study concluded that there was an entrepreneur training need. It also concluded that there

was need for an increase of such training by MFIs hence results to improve on the financial performance of SMEs. The study findings indicated that the respondents expressed willingness to take entrepreneur trainings offered by MFIs on basic business management, financial management/book keeping, customer service, business risk management as well as capital investment decision as they greatly affected the financial performance of the enterprises. The study found a statistical significance of entrepreneur training hence rejecting the null hypothesis and therefore concluded that entrepreneur training had significant effect on the financial performance of the SMEs.

5.4 Limitations of the study

The study was faced by various challenges which affected the administration of the questionnaires due to the respondents' busy schedules. The intended mode of the data collection was to furnish the respondents with questionnaires and get them back immediately was not possible and therefore necessitated frequent trips to the enterprises. Therefore, the questionnaires were dropped and picked after some days and hence the control on who responded to the questionnaires was not possible. Additionally, the study findings were concluded on a dynamic SMEs financial performance environment in relation to the services offered by the MFIs. The findings can therefore not be generalized to all the SMEs.

5.5 Contribution to Knowledge

The current study was conducted in the view of the current financial market trends, analyzed and reviewed various empirical studies on the MFI service contribution to the SMEs financial performance. The study therefore added to the body of knowledge in the finance discipline by stipulating gaps on the MFI services to the SMEs such as entrepreneur training programs. The study findings contributed to the financial intermediation theory and highlighted microfinance institutions as a vital source of SME funding for the enhanced financial performance of SMEs

through easy access of loans as well as easy and affordable source of funds. Additionally, the study findings are instrumental in viewing the different MFI services concept to the SMEs.

5.6 Policy Recommendations

The findings indicated a strong and a positive relationship between microfinance services and the financial performance of SMEs in Meru Town. To enhance further improved financial performance of SMEs, the study recommended that MFIs needed to create awareness of the services they offer for the proprietors to be aware and how they can propel them to success. The MFIs need to create a skills training platform on basic business management skills, financial management/book keeping skills, risk management as well as capital investment decision. The MFIs need to train the SMEs owners on basic financial management skills before extending financial support to them to ensure the resources are well utilized.

The study recommended that MFIs should revise their credit facilities and provide affordable credit to the SMEs in order for the SMEs to expand and enhance their financial performance. In addition, it was important for the government to set up policies that would ease microfinance credit financing to SMEs. There was need to provide a conducive environment for SMEs to seek credit facilities. The study recommended that SME management needed also to be proactive in approaching the MFIs within their vicinity and inform them of their existing needs and challenges so that they can collaborate, connect, solve and advise them on strategies to enhance their businesses financial performance.

The study also recommended an improvement on the savings plans and make savings more appealing to customers to foster savings and also attract savings from more enterprises. To the researchers, the study provided a basis upon which other study methodologies can be adopted and further examines the study aspects and the contribution of MFI services to the SMEs. The study therefore recommended the adoption of different methodology in examining the variables

in other parts of the country. The study is also a rich source of research data and can be used for reference in future studies and therefore recommended its reference by the academicians.

The government should also come to the aid of SMEs by regulating how financial institutions raise and lower their interest rates. This will not only help the government to improve on its economic activities as a result of easy access to credit by SMEs but will also improve on the livelihood of most individuals who are owners and employees of the SMEs enterprises.

5.7 Areas of Further Research

The area under study related to microfinance institutions services and financial performance of SMEs offers opportunities for additional research. SME environment is very versatile and dynamic in technology, risks and uncertainties and the statistical significance and positive relationship of the microfinance variables to the financial performance of the SMEs as exhibited by the study findings, the study therefore may be replicated by adding more dimensions of the microfinance institutions services, increasing the sample size and by taking more SMEs into the investigation to further test the impact of studied variables on the SME financial performance add generalizability to the current findings.

It was evident that there existed a training gap on entrepreneur training with regards to the MFI services to the SMEs. Further study should also be undertaken on training requirement and reforms to be enacted by the MFIs to enhance growth of SME sector. It is further suggested that secondary data and other forms of fact finding may also be adequately incorporated in such studies to better explore the significance of MFIs' services on the financial performance of SMEs.

APPENDICES

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APPENDIX II:

LETTER OF INTRODUCTION

George Mutuma Kirima,
P. O. Box 1379-60200,
Meru- Kenya.

Dear Respondent,

RE: COLLECTION OF RESEARCH DATA ON MICRO FINANCE SERVICES AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MERU TOWN, KENYA

My name is George Mutuma Kirima, a student pursuing a Master of Business Administration Degree (MBA – Finance) at Kenyatta University. I am undertaking a research project on “**Micro Finance Services and Financial Performance of Small and Medium Enterprises in Meru Town, Kenya**”. This research project will form part of the requirement for the award of this degree. Your organization is among those which have been selected for my research and therefore, I request you to be part of the respondents for this noble course. Kindly accept my invitation to participate and assist in completing the attached questionnaires.

The questionnaire is being administered for research purposes and any information and data you will provide will be purely utilized for sole purpose of academic only and will be handled with utmost confidentiality. If you are interested in the findings of this research, it will be mailed to you upon request.

Your assistance and co-operation will be appreciated.

Thank you in advance.

Yours sincerely,

KIRIMA GEORGE MUTUMA,

MBA Student

Registration No. D53/OL/EMB/26912/14

APPENDIX III:
QUESTIONNAIRE

The questionnaire is intended to collect information on Microfinance Services and Financial Performance of Small and Medium Enterprises in Meru Town, Kenya.

Kindly read the questions carefully and feel free to respond to them by ticking on options that best applies to you or describes you.

PART I: GENERAL INFORMATION

1. Name..... Optional

2. Gender: {Tick as Appropriate}

a. Male [] b. Female []

3. Age Bracket

a. 18 – 25 years [] b. 26 – 30 years [] c. 31 – 35 years [] d. 35 – 40 years [] e. above 40 years []

4. Please indicate the highest level of education you have successfully completed.

5. How many employees does the business have? {Tick as Appropriate}

a. 1 – 5 [] b. 6 – 10 [] c. 11 – 15 [] d. Over 15 []

6. How long have your business been operational? {Tick as Appropriate}

a. 1 – 5 yrs [] b. 6 – 10 yrs [] c. 11 – 15 yrs [] d. Over 15 yrs []

7. Specify the type of business that you operate?

a. Whole sale []

b. Retailer []

c. Service []

d. Manufacture []

8. Which is your designation at the organization?

- a. Proprietor []
- b. Manager []
- c. Supervisor []
- d. Employee []

PART II MICROFINANCE SERVICES

SECTION A: CREDIT FACILITIES

9. Select the source of your initial capital?

- a. Individual Savings []
- b. Family members and Friends []
- c. Loan from Microfinance institution []
- d. Lending from a commercial bank []
- e. Other sources []

Explain briefly the reason for using the source as your capital

.....
.....

10. If you obtained a loan from MFIs what motivated your decision to seek financial assistance from them?

- a. Timeline in processing the loan []
- b. Repayment period []
- c. Interest rate []
- d. Amount offered []
- e. Grace period []
- f. Easy loan repayment []
- g. Others []

11. What inhibits your enterprise from accessing microfinance loans in case you failed to get?

- a. High Interest rates []
- b. Bureaucracy []
- c. Turnaround time []
- d. Securities and Collateral []
- e. Repayment period []
- f. Application fees []

12. a. Did you use the entire loan(s) for the purpose in which they were taken?

Yes []

No []

b. Explain the reason for your answer above

.....

.....

.....

13. What is the extent in which you agree with the following statements? Tick Appropriately

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
SMEs fail to expand due to limited financial resources					
Microfinance services contribute to the increase of new entrepreneurs in the market					
Access to finances from MFIs increase SMEs productivity which leads to growth of enterprises					
Period between loan application and disbursement is favorable to cover the need for which it was sought by the entrepreneur.					
MFIs provide loans with competitive and favorable interest rates to SMEs					
The period of repayment for the loans offered by the MFIs affect the financial performance of the business.					

SECTION B: SAVINGS PLANS

14. a. Do you have a saving plan with any Microfinance Institution?

Yes []

No []

b. Briefly explain the reason for your answer above

.....

.....

.....

15. Why do you prefer microfinance savings plans over banks? {Tick all that apply}

- a. Higher interest rates
- b. easy accessibility of funds
- c. Low costs of operations
- d. availability of variety of products
- e. Quick customer services

16. How satisfied has the savings plans contributed to your business financial performance?

- a. Most satisfactory
- b. Very satisfactory
- c. Satisfactory;
- d. Moderate satisfactory
- e. Less satisfactory

17. a. Do you think there is need for microfinance Institution can do to improve on their savings plans?

- Yes No

b. Briefly explain your answer above

.....

.....

.....

18. Indicate the extent which you agree with the following affirmations on how well you think MFIs contribute to the success of your business? Tick where applicable

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Saving plans affect the financial performance of an enterprise					
Interest on savings affects the financial performance of the business					
The various types of saving affect the financial performance of the business					
Savings through mobile banking affect the financial performance of the business					

SECTION C: ENTREPRENEUR TRAININGS

19 a. Have ever received any form of training from MFIs or any other training institution in regards to the running and performance of a business?

Yes []

No []

b. If your answer above is YES, what are some of the areas have you been trained on? Tick all that are applicable

i. Basic business skills [] iv. Business risk management []

ii. Financial Management/ Book keeping [] v. Capital Investment Decision []

iii. Customer Service / Relationship []

20 a. Do you expect to get other forms of trainings apart from the one you have been trained on?

Yes []

No []

b. .Explain briefly the reason for your answer above.....

.....

.....

21. How satisfied has your training contributed to your business financial performance?

a. Most satisfactory [] d. Moderate satisfactory []

b. Very satisfactory [] e. Less satisfactory []

c. Satisfactory []

22. On your opinion how well do you think trainings contribute to the success of your business.

Tick all that are applicable

Basic managerial skills affects the financial performance of an enterprise	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Business risk management affect financial performance of an enterprise					
Customer care skills affect the financial performance of an enterprise					
Capital investment decisions affect the financial performance of an enterprise					
Financial management affect business financial performance an enterprise					

23. What are other valuable services you get from MFIs

.....

.....

SECTION D: FINANCIAL PERFORMANCE

24. The following table is intended to gather information about financial performance of the business for a period of 5 years. Kindly indicate the figures of your business.

Financial	2013	2014	2015	2016	2017
Net Income (Revenue – Expenses)					
Total Assets (in Kshs)					
Market Share Number of customers					
Liquidity Ratio (CA/CL)					
Current Assets					
Current Liabilities					

25. In reference to financial performance of your business, to what extent do you agree with the following statements?

	Strongly Agree	Moderately Agree	Agree	Disagree	Strongly Disagree
Access to credit services affects the financial performance of the SMEs.					
Access to trainings services affects the financial performance of the SMEs.					
Access to savings plans affects the financial performance of the SMEs.					
Access to Micro-insurance Services affects the financial performance of SMEs.					

Thank you

APPENDIX VI: LIST OF SMEs IN MERU TOWN

1. Aatif Motors
2. Ad-Flick Ventures
3. Adventure Technology Co Ltd –Meru
4. Alihass Hardware
5. Alim's Engineering Works
6. Alpic Summertimes Ltd
7. Alps Agencies
8. Amazing Grace Printers
9. Amedo Centres Kenya Ltd –Meru
10. Amon Creations
11. Anampiu Stores
12. Arimi Driving School
13. Arrow Motorcycle Limited
14. Astagi Energy Ltd
15. Athenica Chemist
16. Athomi Bookshop & Stationers
17. Athomi Bookshop Ltd
18. Atisby Ltd
19. Authentic Salon and Barber Shop
20. Avanti Restaurant Nakumatt Meru
21. Ayub Auto Spares Ltd
22. Ayub M Stores
23. Backstreet Preparatory Primary School
24. Backyard /Kirume Hotel
25. Balozi Networks
26. BANCY WANJIRU
27. Basco Products (K) Ltd –Meru
28. Beatrice Kaari
29. Bernard Ndungu
30. Bet Palance Limited
31. Betaweb Computer Systems
32. Bhatt Bookshop
33. Bhatt Bookshop (Kenya) Ltd
34. Bhumi Distributor Limited
35. Bhumi Hardware Ltd
36. Big Resources Gardens Limited
37. Blessed Sam Electronic
38. Blessken Pharmacy
39. Blue Chip Systems
40. Bonface Murithi
41. Bonface Mutembei Kirianki
42. Boniface Kithinji

43. Brant Chemists
44. Brekam Venture C/O Charles Karithi
45. Brennposh Designs
46. Briaton Bookshop
47. Bright Kibet Ngetuny
48. Brookside Dairy Ltd
49. Cadmax Brands
50. Capital Hair Salon and Boutique
51. Chaks Pharmacy
52. Caroline Awino Onyango
53. Caroline Gatwiri
54. Caroline Mwendwa
55. Catherine Karambu
56. Catherine Mueni
57. Charles Monde Waweru
58. Chief Metal Works
59. Citylife Investment Ltd
60. Clarimet Chemist
61. Clever Home
62. Cloud Africa Solutions
63. D.N Entreprises
64. Damaris Gacheri
65. Dabuem Suppliers
66. Decoline Akinyi
67. Delicks Pharmaceuticals
68. Destiny Meru Auto Garage
69. Destiny Shapers Christian School
70. Diamond & Ruby Collection
71. Dickson Mugendi
72. Digimarc Computers & Stationeries
73. Dimat Chemist
74. Dominion Auto spares
75. Don Apparels Meru
76. Dorjos Health Services
77. Dreams Fruit juice & Snacks Café
78. Duke Obino Nyangoya
79. E P Communications Ltd
80. Eagle Africa Insurance Brokers Ltd
81. East End Chemists-Meru
82. Ebony Spares
83. Edfri International
84. Eminent Secure Agencies Ltd
85. Ernest Muriu Ndonga
86. Evanson Kaguongo
87. Ewajo Shop
88. Excelle Salon

89. Faith Base
90. Farida Osman
91. Farmers Centre
92. Farmers Partner Ltd
93. Farmgate E. Africa Ltd
94. Felicity Walldrops
95. Fep Sacco Society Ltd
96. Fideck Chemist Ltd
97. Fire Chief Limited
98. First Class Traders
99. Fiucha Limited
100. Frag Services Limited
101. Fred's Academy Primary School
102. Freedom Fabs Ltd
103. Friendly Motors
104. Frijmas Supplies Ltd
105. G.M Clinic
106. Generations Driving School
107. Geoffrey Kongo
108. George Katua
109. George Murianki
110. Glamour Cosmetics
111. Golden Chick Restaurant
112. Grace Karimi
113. Green Bow Inn
114. Gregory Koome Nturibi
115. Haji Auto Spares
116. Harrisin Kahunyo Gathungu
117. Hashi Energy Ltd
118. Hasibo Mohammed
119. Haw Bay Insurance Brokers Ltd
120. Highway Bar & Restaurant
121. Hope Medical Services
122. Hope Palance
123. Hotel Wellingtons' Green
124. Hydrate Ltd
125. I Procure Limited
126. Iftikhar Ahmad Adalat
127. Imathiu Wholesalers Ltd
128. Imenti Electrical Services
129. Incredible Hotel Meru
130. Intercity Secure Homes Ltd
131. Interlink Medical Suppliers
132. Intra Africa Assurance
133. Isime Sacco
134. J Manor Drycleaners
135. Japhet R Nkonge Auctioneers

136.Jemax Restaurant
137.Jerupharm Chemist Ltd
138.Jijenge Millers
139.Jilvik Wholesalers
140.Jimdor
141.Jokimu Scales Services Ltd
142.Jomwak Agencies
143.Judy Beauty Shop
144.Jupex Limited
145.Kabua General Services
146.Kabunya Milk Bar and Restaurant
147.Kamili Packer Limited
148.Kelvin Louis Gathungu
149.Kenchic Limited
150.Kennas Corner
151.Kento Energy Ltd
152.Kesh Ltd
153.Kibantu Matatu Sacco
154.Kingiinya Wines and Spirit
155.Kinoru Gardens
156.Kins Investment
157.Kuku Place
158.Kwa Tembe Hotel
159. Kwaria General Shop
160.La Quinter Café
161.La Vienna Hotel
162.Lawrence Kairanya & Bros
163.Lekha Enterprises
164.Limy Millers Enterprises
165.Linco Stores
166.Liukay Grass International Ltd
167.Livia Enterprises
168.Lkb Carwash
169.Local Globe Enterprises Ltd
170.Luxury Shuttle
171.Lymon Petrol Station
172.Mafuko Industries Ltd
173.Mairune Chemist Ltd
174.Maks Home Pharmacy
175.Makutano Divine Health Laboratory
176.Makutano Pharmacy
177.Malhar Limited
178.Manyuki Enterprise
179.Maringene Stores
180.Mark C/O Jacob Kiragu
181.Martin Medical C/O Martin Gatundo
182.Maruti General Merchants Ltd

183. Marv-El Entertainment
184. Mawaga Electricals & Electronics
185. Mbaya Karichu Institute
186. Mck Meru Bookshop
187. Menany Nissan Sacco
188. Menya Sacco
189. Meru Bahati Auto & Hardwares
190. Meru Driving School
191. Meru Famous
192. Meru General Motors
193. Meru Highway Chemist
194. Meru Homes Ltd
195. Meru Medical Diagnostic Imaging Centre Ltd
196. Meru Modern Studio
197. Meru Photo Studio
198. Meru Safari Hotel
199. Meru Sports Club
200. Meru Textiles Ltd
201. Meru Uniforms Ltd
202. Meru Variety Store Ltd
203. Meru Wakulima Stores
204. Metameta Enterprises Ltd
205. Mik Spare & Hardware
206. Mik Spare & Hardware
207. Millicent Gakii Kimathi
208. Millimani Stores Meru.
209. Milly Milly Café
210. Mini Bakeries Ltd
211. Mohamed Moti & Sons (K) Ltd
212. Mohamed Taher
213. Mosal Cleaning Enterprises Ltd
214. Mugambi Emporium
215. Mugwe Enterprises
216. Mukome Sacco
217. Muthomi Autospheres
218. Mutindwa Chemists Ltd
219. Mutindwa Medical Clinic
220. Mutindwa Medical Clinic
221. Mutindwa Photo Studio
222. Mutuntu Driving School
223. Nagayo Chemist
224. Najopharm Chemist
225. Nakitongo Mpesa (Salhaf Agencies
226. Nashic Enterprise Ltd
227. Nema Africa Ltd
228. Nemchand Anand & Co
229. New Hope and Vision Investments Ltd

230. New Ntugi Lodge
231. Newline Beauty Salon
232. Nikks Pharmacy
233. Njamka Security Services
234. Oakland Telecoms Services
235. Olivetti Eastern Kenya Office Equipment Ltd
236. Pathologists Lancet Kenya Meru
237. Pelt Security Services
238. Petroleum Systems Solution Centre
239. Phincom Enterprises
240. Pioneer Business Machines
241. Posh Mart
242. Premier Kenya Limited
243. Prestige Hotel
244. Prime Bank
245. Print Systems & Supplies Ltd
246. Promise Computer Services
247. Quick Budget Stores Ltd
248. Rafiki Motors
249. Raha Shuttle Services
250. Rahila Najim
251. Raynam Savings and Credit Co-Operative Society
252. Reken Computer Services
253. Reken Electricals
254. Retema Auto Limited
255. Riaz Auto Spares
256. Rimbere Enterprises Booksellers
257. Roadside Shop
258. Royal Kings Movies and Accessories
259. Royal Prince Hotel
260. Royal Valuers Ltd
261. Salat Collections
262. Saleem National Academy
263. Salpro Kenya Ltd
264. Sameer Agricultural and Livestock (K) Ltd
265. Sawa Sawa Uniforms
266. Sayen Investment Limited
267. Signature Events Company - Meru, Kenya
268. Silverspread Hardwares Ltd
269. Simba Wells Ltd
270. Simba wells Restaurant
271. Sipet College
272. Slopes Limited
273. Smart Connection
274. Sparkles Mobile Centre
275. Spice Pub Hotel
276. Spot Solutions Limited

277. Stage view Kinyozi
278. Stenpharm Chemist
279. Summer Distributors Ltd
280. Sunshine Hotel
281. Sunway Agency
282. Takafull Insurance of Africa
283. Tamasha Hotel
284. Tazama Opticals
285. Texton Agencies Company Ltd
286. The Red Tomato
287. The Roots Dreadlocks Empire
288. Thima Coffee Machinery Services
289. Three Steers Hotel
290. Thuura Chemist
291. Top Skills Stationeries
292. Town Clinic
293. Transmillenia Development Group Ltd
294. Treesha General Supplies
295. Ultra support Computer Systems Ltd
296. Uniform Solution
297. Unique Shuttle
298. Uplands Premium Dairies & Foods Limited
299. Uzima Bookshop
300. Valentine Cake House Meru
301. Vance Gate Properties Limited
302. Vanga Ocean Plate Café
303. Wananchi Health Service
304. Wapendwa Bookservices
305. We-Invest Programmes
306. Webros Electronics
307. Westwind Hotel Ltd
308. Winners Milk Bar
309. Wkm Supplies
310. Woodcraft Furniture
311. X-Tigi Mobiles
312. Xtreme Movies Shop
313. Yusuf Auto Spares

Source (Meru County Government)