

**FINANCIAL SUPPORT SERVICES AND PERFORMANCE OF SMALL
AND MEDIUM ENTERPRISES IN KERICHO COUNTY, KENYA.**

KIRUI MICHAEL KIPKORIR


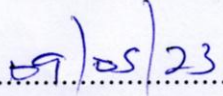
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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
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REQUIREMENTS FOR THE DEGREE IN MASTERS IN
BUSINESS ADMINISTRATION (FINANCE OPTION) OF
KENYATTA UNIVERSITY.**

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DECLARATION

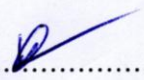
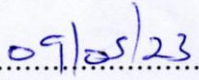
This research project is my original work and has not been presented for a degree or any award in any other university.

Sign.......... Date..........

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This research project has been submitted with our approval as the candidate research supervisor.

Sign.......... Date..........

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DEDICATION

This project is dedicated to my entire Bon's family that is Mr. Joseph Bon, Mrs. Gladys Bon, Mr. Hillary Bon, Mrs. Nancy Koech Bon and Miss. Faith Bon for their monetary support and encouragement they have always handed me.

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LIST OF ABBREVIATION AND ACRONYMS

| | |
|---------------|--|
| CBS | Central Bureau of Statistics |
| DTM | Deposit Taking Microfinance |
| GDP | Gross Domestic Product |
| MDGS | Millennium Development Goals |
| MFIs | Micro Finance Institutions |
| BFI | Non-Bank Finance Institutions |
| NGO | Non-Governmental Organization |
| PRSP | Poverty Reduction Strategy Paper |
| SACCOs | Savings and Credit Corporative Organizations |
| SMEs | Small and Medium Enterprises |
| VBI | Village Banking Institution |

OPERATIONAL DEFINITION OF TERMS

| | |
|----------------------------------|--|
| Credit | This refers to the lending of money to a group or individual which is indicated by economic factors, government policy, interest rate and social status. |
| Financial Support Service | This refers to services received by the small and medium enterprise that assist in financial management. These services include credit, insurance, financial training and saving provided to them by financial institutions. |
| Financial Training | This entails providing financial skills and expertise to enable SMEs enhance their business management capabilities. This was indicated by training programmes, mentoring, technology adoption and training skills. |
| Insurance | It refers to a scheme where enterprise can secure their asset from probable risk or uncertainty. This was measured using product insurance, investments plans, risk management and premium flexibility. |
| Medium Enterprise | According to the study a medium enterprise is a firm that employ 50 to 250 employees. |
| Performance | This refers to the ability of SMEs to grow in capital, return on invest, manage risk and increase revenue. |
| Saving | It refers to a process where firms open account so as to safeguard and manage finance obtained from the business which are in terms of table banking, group saving, mobile saving and individual saving. |
| Small Enterprise | It refers to firms that can employee 10 to 50 employees. |

ABSTRACT

Small and Medium Enterprises' performance is crucial in the economy. It is a source of employment to over 55% Kenyan and contribute 22% of Gross Domestic Product. However, in every five Small and Medium Entrepreneurs three fails within the first three years. Some of the symptoms include lack of sufficient finance, lack business knowledge and wrong investment decisions. The research aims to examine the effect of financial support service on performance Small and Medium Enterprises in Kericho County. The specific purpose is to assess the effect of loan, establish the effect of savings, to analyze the effect of insurance, and analyze the effect of insurance on Small and Medium Entrepreneurs performance of in Kericho County. Credit theory of money, information asymmetry and financial intermediation theory were applied to explain variables in the study. Descriptive survey research design was used with target of 395 SMEs enterprises in Kericho where a sample of 199 SMEs was selected using stratification random sampling technique. Questionnaires were used for collecting data from the SMEs. Data collection was examined for consistency using Cronbach Alpha where result from a pilot attained recommended threshold of 0.7 for research instrument to be reliable. While, validity of the instrument was achieved through interrogation by supervisors. The obtained findings were depicted in charts, frequency tables, and graphs. The data was evaluated in standard deviation and means using descriptive statistics. Regression analysis was used to examine the relationship between variables. The findings indicated that SMEs were able to benefit from ease of access and flexible evaluation of loan provided by financial institution. The results also revealed that group loan and asset funding were the main financial support in access to financing for growing SMEs. Credit finance had positive significant effect on the performance of SMEs ($P < 0.05$). SMEs have also opened saving account that have assisted them to secure, access and prudently manage funds. Financial institutions have encouraged mobile savings application that have improve saving culture among SMEs. Saving was found to have positive significant effect on performance of SMEs ($P < 0.05$). Financial ins have tried to improve through customer relation, field monitoring progress and regular training. This have significantly improved the performance of SMEs ($P < 0.05$). Insurance policies were available with differentiated product but there was low uptake. There was moderate flexibility and achievability of insurance premiums which assist some of the SMEs to secure their investment. Despite, few insurances product in financial, the study found that it had a positive significant influence on performance of SMEs in Kericho County ($P < 0.05$). The study concluded that financial support in terms of credit, savings, training and insurance had positive significant effect on the performance of SMEs in Kericho County. The study recommended that financial institutions should consider supporting start-ups based on business plans. Since, existing financial product that is group loan and asset financing focus on evaluating SMEs that have grown. This is why most youth and women are disadvantaged since they have skills and knowledge but lack start-ups to start their businesses. In training and capacity building the study suggest an improve of approach from field direct contact with SMEs to digital training programmes as well as mobile training which are cheaper and effective reducing field assessment and training. The study suggested an improvement in insurance flexibility and achievable premium that would ensure low-income earners uptake their services. The study finally, suggest further research to be done on mobile financial support services that is mobile saving, mobile credit, mobile training and mobile insurance on performance of SMEs as emerging area of innovation.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Global, constraints and complexity in business environment has made most of Small and Medium Enterprises to straggle in this 21st century. In Europe, East and America, Small and Medium enterprise have flourished forming the largest source of employment and GDP. In Middle East SMEs sector have flourished which has contributed to gross domestic production and creation of jobs (Albalushi & Naqshbandi, 2022). According to Varga (2021), Hangarian SMEs have also contributed to the GDP and employment as results shaping business environment. Hence, SMEs trend in global arena has been flourishing due to general growth in developed countries' infrastructure and policies. This has enable the firms to flourish more as compared with African contries.

African countries dependent on SMEs in development which also has found market for the growing financial institution in the uptake of insurance, savings, credit and financial training. According to Etuk, Etuk, & Michael, (2014) the Nigerian economic development has been catalyzed by Small and Medium Enterprises. The SMEs sector had benefited the government in enhancing its taxes and GDP of Nigeria. However, the economic and political environment challenges have affected the progress of most SMEs. In Ethiopia, Small and Medium Enterprises is supported mainly by micro financial institution (Meher, 2017). Further research in Ethiopia has shown that most SMEs suffer from insufficient capital, lack of access to credit facilities and high competition from other established firms (Tekola & Gidey, 2019). The study showed

that revealed that the banking sector have mobilized their customers to increase savings as well as eliminate contrails that affect access to loan facilities.

Small and Medium Enterprises (SMEs) plays a crucial role in the macro economy, which is the main source of employment contributing to greater than 55% of all workforce and 22% of the GDP of Kenya. Despite the sector's importance in Kenya, findings demonstrate that three out of every five establishments were unsuccessful during its existence's few months (Kenya National Bureau of Statistics, 2007). Many nations attribute SMEs' failure to a lack of development infrastructure and environmental factors such as unfavorable tax regimes and legal systems, local small markets, and corruption have hindered SME's development.

Despite the existence of options such as loan facilities, availability of market, from MFIs, and the WEF or YEDF, among others, a small percentage of youth group MSEs have taken use of them only. Competition, instability, and managerial issues were among the most pressing issues confronting young businesses. According to Maru and Chemjor, (2013) most MFI has intervene through credit, saving and training as method to empowering SMEs. There are arising MFI in the rural and informal sector that aims at reducing problems encountered by SMEs in starting and running business. According to Nduta (2013), most MFI provide credit facilities to small and medium enterprise and has enabled SMEs to access finance as well as training and advisory in management of there business. In order to mitigate the credit risk most MFI appraise as well as monitor closely the funded business.

Credit facilities provided by MFIs assists SMEs to access credit. According to Nduta (2013), the MFIs ensure that the following measure are established to manage finance through collection policies, credit risk control and client appraisals. MFIs must assess

the viability of repayment of loan to avoid loan defaulting. However, gaining a partner is frequently means of getting someone into the firm, the one who has the capital required for launch that you may not have to return interest on (Tele, 2011). Hence, before borrowing equity finance must be explored.

Capacity building through seminars and workshops to improve managers' management and mitigation approaches should be maintained to keep youth enterprises performing well (Okungu, 2012). Global Financial Education (GFEP) initiative project managers, a program that is large-scale in financial education aiming for individuals below and just above the line of poverty in nations that is developing, include Training via Microfinance Opportunities and Freedom from Hunger. Through classroom teaching, GFEP impacted clients over 64,000 (Murei, 2011). The initiative just released a new module aimed for teenage and younger adult audiences, which educates how to effectively manage funds through budgeting and savings. These abilities are fundamental for younger people transitioning from dependent to independent economic and social responsibilities, as well as personal financial management (Commack, 2007).

Insurance is increasing used to reduce uncertainty and risk in highly competitive environment. This has developed numerous insurance products, investment and saving plans, reduce risk as well flexible premium to fit SMEs. This is possible since customer of insurance company premiums act as pool finance that can be used to settle risk (Atieno, 2014). This service assists the SMEs in reducing or avoiding the risk associated with the item insured or investment. Cash surrender value life insurance plans are a money source that you may borrow, and the rates of interest are sometimes lesser than rates in market.

The majority of shareholders in a variety of industries had completed high school. The findings demonstrate that an enterprise owner's educational attainment is related to the firm's nature. Those that are more technically like ICT, education, administrative and service support activities, insurance and financial activities, and social work and human health activities all include business proprietors with post-secondary knowledge. All of the operators/owners of enterprises supply industries in the steam, gas, electricity and air conditioning said they had at least a secondary education (Micro Small & Medium Establishment Report, 2016).

1.1.1 Concept of Performance

Performance of Small and Medium Enterprises (SMEs) relates to a measure of outputs based on the intended outputs. The study used revenue, capital, investments and risk management to measure performance of SMEs. SMEs require financial support service in terms of credit, savings, insurance and training in order to enhance their outputs in this competitive environment. Performance is multifaced concept that measure whether the organization achieve the set objective and goals. This study measure performance in terms of revenue, capital, investments and risk management among the SMEs.

Revenue is a common measure that not only related the firm with customer share but also given information about the sales obtained by the customer. According to Khrawish (2011) pointed that SMEs growth in revenue and investment is related with increase in returns of investment based on available resource. There revenue as well as return of investment related to a measure of performance in SMEs.

It is also important to measure capital as result of availability of credit facilities to the SMEs. Growth in capital is the measure of available resource that have enhanced the

performance of SMEs (Etuk, Etuk, & Michael, 2014). Most of SMEs have a challenge of inadequacy of capital which become an important aspect in starting and growing a business. SMEs that have stronger capital based have high chance of growing than the counter part.

Insurance is crucial aspect to SMEs as means of reducing risk associated with asset in the business. The reduction of risk can be achieved if more business seek insurance cover for there property (Mururi, 2015). The risk component is associated with mainly the ability of spread of portfolio by the the SMEs which can be insured against to reduce risk from theft and lossess.

1.1.2 Financial Support Services

Financial institutions are crucial in the growth of business through provision of financial support service. Business gain financial supports from commercial banks, micro-financial institutions and SACCOs. According Maru and Chemjor (2013), microfinance institutions are useful in provision of social and financial intermediation services to assist business. The intervention of micro-finance through training, savings and credit is crucial in empowerment of women and youth enterprises. Commercial banks have products targeting established large-scale business based on low risk than small and medium enterprises. Hence, micro-finance institution has developed financial supporting service that would empower small and medium business which include savings, credit, training and insurance (Okungu, 2012).

Credit facilities provided by micro-financial institution is essential in establishment and growth of business. Credit facilities are affected by economic factors, government policy, interest rate and social status. Other factor includes collection policies, risk of credit and client appraisal (Nduta, 2013). Micro-finance should provide affordable

loans to businesses. Small and Medium Enterprises settles for flexible loan, affordable interest rates and easy lean repayment from financial institution (Waithanji, 2014).

Savings is much better source of finance as compared to credit. According to Meher (2017) elimination of access constraints, improve saving performance, loan to saving ratio, increasing demand and mobilization of savings enhance saving performance. Amenya (2016) added that saving enable business to improve the performance of small and medium organizations. SMEs has been able to save in terms of table banking, group saving, individual saving and mobile savings.

Financial training is essential due to poor skills, knowledge and competence in startup which affects the success of the Small and Medium Enterprises. Micro-Financial Institution have adopted workshop, mentoring and seminar programs to enhance capacity building among youth enterprises (Okungu, 2012). Gregson, Mazdeh, Raby, & Saunder (2018) added that youth advisory service in general business, accounting and finance plays a significant role in reducing failure of Small and Medium Enterprises.

Insurance is a growing product that financial institution has introduced as part of the investment portfolio in order to assist Small and Medium Enterprises. Atieno (2014) pointed that through insurance the Small and Medium Enterprises have been able to reduce risk in their business. Nururi (2015) found that flexible premium, claim scrutiny, prudent underwriting, product differentiation, low administration cost, market focus and efficient claim settlement contribute to increase in business accessing insurance services.

1.1.3 Small and Medium Enterprise in Kericho County

Small and Medium Enterprise plays an important role in the growth of economy through employment, source of resources and market for products. However, there are many challenges that affect SMEs from lack of awareness on source finance, lack of technical knowledge, low level of awareness on financial fundings and lack of training (Kimando, Njogu, & Kihoro, 2012). SMEs are underfunded from government programs as well as from MFIs and commercial banks in Kenya. This is because MFIs and commercial banks treats most SMEs credits as high risk.

Kericho County is an agriculturally based county with tea, coffee, maize and cattle where most of SMEs focus in hotel, Jua Kali, food supply and cloths industry. The SMEs in the county are struggling based on lack ability to reduce cost of production, risk and high lending cost according to Ismail and Atheru (2017). The challenges have affect the SMEs where out of five, three failed within the first three years (UNDESA, 2018). This has been attributed to unaccessible financial support from financial institutions as well as government (Gyimah & Boachie, 2018). Therefore, there is need to examine the performance of SMEs in Kericho County.

1.2 Statement of the Problem

Small and Medium Enterprises have been means of income and employment to Kenya government. Nevertheless, three out of five businesses operation within the first three years fails (UNDESA, 2018). This have led to concern on why the Small and Medium Enterprise fails. The failures are associated with poor performance of SMEs resulting to inadequate capital level, low revenue, market and other risks as well as poor investment performance. Some of the challenges are access to finance, poor managerial skills, lack experiences and risk. Which are associated with limitation in

financial support service offered to SMEs which includes credit, savings, training and insurance.

Empirical demonstrates are that the poor may profit from micro finance from both social and economic wellbeing point-of-view. Research done in insurance in relation to financial support services offered to SMEs related on performance of insurance companies (Atieno, 2014; Mururi, 2015). However, there are other research done in different scope from Kenya (Meher, 2017) done in Ethiopia. Other gaps were methodological gaps where the current research used descriptive survey that deploy the use of questionnaires (Gregson, Mazdeh, Raby, & Saunder, 2018; Meher, 2017).

Despite the efforts deployed towards financial support service offered by micro-finance targeting SMEs, there are still challenge facing them as well as informal sector. However, restricted access to financing, property technology, and technical skills hampered their incorporation into the official mainstream financial system. As a result, the researcher is conducting an investigation to examine the influence of financial support services on Kericho County' Small and Medium Enterprises' performance.

1.3 Research Objectives

Research purposes of the investigation is given by the below broad and specific objective;

1.3.1 General Objective

This project's general intention is to examine the effect of financial empowerment services on Small and Medium Enterprises' performance in Kericho County.

1.3.2 Specific Objectives

This project is led by the targets that follow:

- i. To assess the effect of credit on Kericho County' Small and Medium Enterprises' performance
- ii. To establish the effect of savings on Kericho County' Small and Medium Enterprises' performance
- iii. To investigate the effect of financial training on Kericho County' Small and Medium Enterprises' performance
- iv. To analyze the effect of insurance on Kericho County' Small and Medium Enterprises' performance.

1.4 Research Hypothesis

The following hypotheses were tested in the study:

H₀₁: There is no significant effect of credit on of Small and Medium Enterprises' performance in Kericho County.

H₀₂: There is no significant effect of savings on the Small and Medium Enterprises' performance in Kericho County.

H₀₃: There is no significant effect of training on the Small and Medium Enterprises' performance in Kericho County.

H₀₄: There is no significant effect of insurance on the Small and Medium Enterprises' performance in Kericho County.

1.5 Significance of the Study

The discoveries of this investigation are anticipated to be useful as a material for reference on microfinance business administration and empowerment in general. The

relevant shareholders of microfinance in Kericho County are anticipated to utilize the results of the investigation to expedite administration that effective among SMEs.

The study's goal is to produce statistics and information that may be used to plan management in microfinance and small companies. These decisions serve as the foundation for the institutionalization of a framework for measures aimed at improving small company management and lowering rates of poverty across the region. The outcomes of the survey might also be utilized to instruct administrations in developing new policies in information to improve microfinance services. Furthermore, the findings assisted to close the knowledge gap in Kenya about microfinance and business performance.

1.6 Scope of the Study

The investigation was constrained to the geographical scope that is Kericho County. Hence representing sample population from the Kericho County. The context scope was financial support services and small and medium businesses' performance in Kericho County. The study was done between June 2022 to December 2022.

1.7 Limitation of the Study

The study had limited secondary data that can support the SMEs uptake of financial support services. This is due to restricted to the information collected of financial performance. Therefore, the study opted for primary data that were obtained from the SMEs. The study was based on descriptive research design since necessary information was collected using questionnaire with short period so as to ascertain current situation in the study.

1.8 Organization of the Study

The introduction of the financial support services and small and medium enterprise performance comprise of study's background, problem of the investigation, objectives, merits, scope and assumption of the investigation is covered on Chapter one. Chapter two provide the study with literature from other researcher which entailed theoretical, empirical and summary of research gaps. This also assisted to develop conceptual framework of the study. This section affords an explanation of study approach that is applied when leading the investigation. It entails target population, design inspection, sampling strategies and size of the sample, instruments of research, procedures details obtaining, facts analysis methods and ethical contemplations. Chapter four entail data analysis which were presented in chart and tables. These entails demographic information, descriptive statistics and inferential statistics. Chapter five provided a summary of results, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This segment investigates the relevant literature to the investigation basing on thematic and sub-thematic areas, theoretical and conceptual frameworks, and literature summary.

2.2 Theoretical Literature

Numerous ideas that guided the study are discussed below. The theories presented arguments which were used in determining the research variables and predicting the microfinance's role in small and medium enterprises. The study was grounded on credit theory of money, financial intermediated theory and information asymmetry theory.

2.2.1 Credit Theory of Money

Credit theory of money is also known as debt theories of money, are financial economic notions that were first proposed in 1914 to explain the link between money and credit. Some advocates of these concepts, including Alfred Mitchell-Innes, argue that credit/debit and money are the similar entity when viewed from various perspectives (Jackson, Greenham, & Ryan-Collins, 2014). In ages when currency is not supported at least by a commodity like gold, assert that credit (debt) is the basic character of money. The assumption that currency emerged as an account unit for debt and the belief that cash production implies the concurrent generations of debt are two prominent strands of thinking among these hypotheses.

Some of credit notions of money proponents claim that, even in systems where commodity money is commonly used, money is better understood as debt. Others

contend that money only correlates to credit under a fiat money system, and that all kinds of currency, such as cash, may be considered types of loan currency. This theory supports the credit support as an important aspect in improvement of performance of SMEs. The theory is crucial in explaining the role played by credit as mean of generating cash money that can be invested and returned with an interest.

2.2.2 Financial Intermediation Theory

Leland and Pyle proposed the financial intermediation theory in 1977. They define it as the act of taking additional units of money to deposit in a financial organization and then giving them to those who have fewer money so that they can return with more money later. It explains the interest charged for money borrowed. According to Tarus, Kibas, Chepkilot, Koima, and Gitahi (2016), it is divided into four categories: a certain amount of deposits is unrelated to portfolio performance, the assets produced or attained are much elongated than the amount deposited to the institution on a request not price in cheque form that designates the liability index can anywhere be withdrawn and at any time, and finally, the assets attained and the liability measure cannot anywhere be transferred.

The theory supports the role played by financial institution in providing savings, insurance and credit to their customers. The government as well as financial institution would use money from tax revenue or saving to financial institution or insurance premium for to others who need to invest through loan and credit but benefit from interest, revenue or rent depending on the investment. This process assists the institution as well as the SMEs in their investment.

According to Scholtens (2003), this approach allows businesses to readily access capital, resulting in a continual funds flow from surplus to deficit units. Financial

intermediation was important to the study because it affected the success of SMEs in Kericho County, Kenya, by issuing credit based on insurance premium pool or saving. Hence, the theory support credit, saving and insurance as means of ensuring coexistence of financial institution as well as small and medium enterprises. The theory propose that SMEs should be able to save or insurance where there is excess money or profits in the business and borrow credit from pool of other deposits where there is need but return with interest. Therefore, the theory also support financial performance based on the ability to access finance from this intermediaries.

2.2.3 Information Asymmetry Theory

Michael Spence and Joseph Stiglitz formulated the asymmetric information theorem on March 20th, 1971. According to the hypothesis, a lack of knowledge between suppliers and buyers might contribute to a lack of efficiency in a particular market. The theory that was employed to solve difficulties that general equilibrium economics couldn't explain.

The notion might be ex ante, causing moral hazard, or ex post, resulting in costly audits and legal implications (Healy and Palepu, 2001). This leads to market flaws, which are incompatible with a neoclassical framework. A substantial amount of knowledge asymmetry exists in the environment in which youth companies operate. According to Healy and Palepu (2001), resistances that transmit more information to stakeholders, a significant number of scholars have emphasized the asymmetric information role as substitute justification for the noteworthy of the impacts of microfinance on the SMEs' financial performance. This is true also for youth-run organizations.

An early article by Leland and Pyle (1977), proposed that intermediaries may give knowledgeable status by devoting their wealth in investments about which they have complete understanding, according to Healy and Palepu (2001). Organizations may overcome asymmetric information by accepting responsibility and functioning as "delegated monitors," according to Diamond (1984). Microfinance overcomes information asymmetry by establishing a variety of products and taking risks, particularly when lending to young groups. There has been an improvement in network and informed decision-making as a result of access to information technology.

Information asymmetry theory is concept that enables youth to source for information investment, sourcing financing and market. It is crucial for SMEs to be provided with the right information most entrepreneurs suffer from lack of sufficient information that leads to information asymmetry problem. Information asymmetry theory has been used also in supporting financial performance of a firm based on the opportunities that comes with financial asymmetry.

Therefore, the theory indicates the need for financial institution to provide sufficient information through training programmes that promoted SMEs to access money as well as gain managerial, financial and accounting skills. It also assist in investment opportunities among the SMEs. This theory supports the need for financial support training that benefited the SMEs in improving performance.

2.3 Empirical Review

Empirical review focused on literature that relates to credit, saving, financial training and insurance on the performance of Small and Medium Enterprises. The review was presented as follows;

2.3.1 Credit and Performance of Small and Medium Enterprises

Nduta, (2013) researched on the outcome of credit administration on the financial performance of MFI in Kenya. Descriptive survey approach was adopted in the study with 59 MFIs with member of AMFI. In Kenya, Census was utilized of 59 MFIs in who are member of AMFI. The facts was attained using questionnaire. It was found that collection policy, credit risk control and client appraisal was found to significantly affect the financial performance. There was strong relationship between collection policies, risk control of credit and client appraisal with MFIs' financial performance. Collection procedures had highest influence on financial performance especially, the stringent procedures which assisted in recovery of debt than lenient policies. The current study has used credit as one of the variable understudy in relation to SMEs rather that financial performance of MFIs.

Waithanji, (2014) research on Micro-finance loan on the SMEs' financial performance in Kiambu County. The investigation used descriptive survey method of research to extract data from 2,061 SMEs where a random sample of 60 SMEs were choosen using simple random sampling technique. The investigation discoveries disclosed that a positive association between access to loa affected SMEs' financial performance. It settled that MFIs was sought by SMEs based on easy lean repayment, affordable interest rates and flexible amout offered as loan. This has enabled growth of SMEs from the credit facilities offered to them. This research is concentrates on SMEs which differs from Nduta's (2013) which focused much on MFIs. The current study differs from both research since it focuses on SMEs.

Maru and Chemjor (2013) investigated on women proprietors' micro-finance intervention and empowerment in Kenya's rural constituencies. Microfinance

Institution (MFIs) provide member with both financial and social intermediation services to help business according to this examination. The intention of the investigation is to found the impact of women proprietors' micro-finance intervention and empowerment in Mogotio Sub-County in Kenya. It concentrated on credit, savings and training on the women empowerment in Mogotio Constituency. Causal survey was used with 80 member of Microfinance Institutions within the region. Questionnaires were used to collect data and was evaluated using linear multiple regression model. The investigation found that micro finance interventions affected the women empowerment. Credit and training had positive significance effect on women entrepreneurs while saving had no significant effect on women entrepreneurs. It concluded that credit and training are important in order to empower women. It recommended that enterprenuers should develop products that benefit women rather than other stakeholders. This research only focused three variable but did not investigate deposit as some of the Microfinance Institution role in society.

2.3.2 Saving and Performance of Small and Medium Enterprises

Meher (2017) assesses the effectiveness of Micro Finance Institutions such as Amhara Credit and Saving Institutions (ACSI) in Ethiopia in terms of saving mobilization performance. Questionnaires were used to obtained main data, while secondary facts was acquired from ACSI's yearly reports. Inferential analysis was done using t-test as to compare the 2 branches. According to the findings of the study, the Arrerty branch had a superior saving mobilization performance than the Deneba branch in terms of eliminating access constraints, improving overall saving performance, loan to saving ratio, and increasing demand and awareness for saving mobilization. In terms of enhancing supporting variables for saving, the Arrerty branch is no better than the

Deneba branch. The study concluded that the Arrerty branch of ACSI is superior to the Deneba branch in terms of saving mobilization. The current study does not focus on mobilization of saving but the effect of saving on SMEs performance.

Amenya, (2016) investigated the influence of finance services in Micro-finance on small and medium organizations financial performance. The investigation established the effect of Credit, Insurance services, training, and Savings offered by Micro-Financial Institutions on the financial performance of Small and Medium Enterprises. It used descriptive survey study to collect primary statistics. The obtained data used self-administered questionnaire. Data were illustrated using, charts, crosstabs and tables. The research found that training credit, and savings, insurance have noteworthy effect on the SMEs financial performance. It recommended to government to support MFIs which translate to SMEs growth. The research indicated that saving influenced the SMEs' performance.

2.3.3 Financial Training and Performance of Small and Medium Enterprises

Gregson, Mazdeh, Raby, and Saunder (2018) investigated on SME performance and business support based exploratory analysis on the longitudinal SMEs assessment. The analysis were extracted from longitudinal telephone survey data between 2015 and 2016 from 15502 SME employers. The study found out that youth enterprises underutilized business advisory. Most youth advisory utilized limited advisory service based on the ability to access funds and cover the consultancy services. Most youth sought counsel in areas beyond their capability. The study recommended generalization sourcing of business advisory for SMEs. General business advisory, accounting and accounting should be incorporate to reduce youth SMEs failures. It also recommended that government should but an effort to providing training on

business advisory that enable SMEs understand several strategies as well as financial advices.

Amenya, (2016) investigated the influence of finance services in Micro-finance on small and medium organizations financial performance. The investigation established the effect of Credit, Insurance services, training, and Savings provided by Micro-Financial Institutions (MFIs) on the financial performance of Small and Medium-Enterprises (SMEs). It used descriptive survey study to collect primary statistics. The obtained data used self-administered questionnaire. Data were illustrated using, charts, crosstabs and tables. The study's findings revealed that training credit, and savings, insurance have noteworthy effect on the SMEs financial performance. It recommended to government to support MFIs which translate to SMEs growth. Hence, saving had significant influence on the SMEs' performance.

2.3.4 Insurance and Performance of Small and Medium Enterprises

Atieno (2014) examined the outcome of financial performance of Micro-insurance of insurance companies in Kenya. The study used analytical survey to examine the association between insurance and financial performance. Primary data was used to collected relevant data of premium between the period of 2009 to 2013. Multiple linear regression model was applied to inspect the association between firms' insurance and financial performance . The outcomes exposed that there existed micro-insurance premuims, claim and re-insurance cost had significant influence on financial performance of insurance companies contributing to 70.6% of its performance. The existing research focuses on evaluating the benefit of insurance to SMEs but not to the insurance company.

Mururi (2015) examined micro-insurance strategies adopted in insurance companies. Descriptive research design was adopted. Where employees of 15 insurance companies were given questionnaires. Content analysis and descriptive analysis were used for qualitative and quantitative data respectively. The results revealed that micro insurance stratef adoped included efficient claim settlement, claim scrutiny, flexible premium, prudent underwriting, market focus, product differentiation and low administration cost. The study recommended that insurance companies should invest in research and acturial service to improve their performance.

2.4 Summary of the Research Gaps

The research gap and summary of literature were provided in table 2.1 where the gaps identified in were methodological, conceptual, analytical and contextual gaps.

Table 2.1 Research Gap

| Research er | Focus | Findings | Research Gaps | Focus of Current Study |
|-----------------------|---|--|---|---|
| Maru & Chemjor (2013) | Microfinance intervention and empowerment of entrepreneurs who are women in Kenya's rural constituencies. | Microfinance intervention empowered women significantly through credit and micro finance interventions as well as training. Saving had no significant effect on women entrepreneurs. | The study used causal survey design with 80 members of Microfinance Institution within Mogotio. | The study focused on descriptive survey design in Microfinanc e in Kericho. |
| Nduta (2013) | Credit management and the financial performance. | Collection policy, credit risk and client appraisal affected the financial performance of MFIs. | Investigated credit management in MFIs and financial performance. | It investigated financial support service on SMEs. |
| Waithanji, (2014) | It focused on outcome of microfinance | The investigation institute that there existed noteworthy outcome of | The research target 2061 SME's in | It targeted SMEs in Kericho |

| | | | | |
|---|--|---|---|---|
| | loan on the SMEs' financial performance. | obtaining loan on financial performance of the firms. The investigation settled that the SMEs benefited from ease of access, favorable interest rate and flexible repayment. | Kiambu County as the target population. | County. |
| Gregson, Mazdeh, Raby, & Saunder (2018) | It investigated business support and SME performance | It found that most youth enterprises underutilized business advisory from profession business advisors and trainers most the lack accounting and financial information. | It used exploratory analysis that incorporated longitudinal survey of SMEs. | It used descriptive survey of SMEs. |
| Amenya (2016) | Investigate Microfinance serve on performance of SMEs in Kawangware in Nairobi County. | The research exposed that credit, training, savings and insurance service improved the SME financial performance. | It investigated on SMEs financial performance in Kawangware, Nairobi County. | It focused on performance of SMEs in Kericho County. |
| Meher, (2017) | Valuation of performance of saving mobilization between two branches of MFI in Ethiopia. | It was discovered that the Arrerty branch of the ACSI MFI in Ethiopia performed better than the Deneba branch in terms of decreasing access saving constraints, improving overall saving performance, loan to saving ratio, and increasing demand and awareness of saving mobilization. | It used both main and published data which were used to compare two branches of MFI in Ethiopia | It used primary data and used questionnaire to collected data from MFI in Kericho County Kenya. |
| Atieno (2014) | Outcome of Micro-Insurance on insurance in Kenya's firms' financial performance. | There is a positive significant relationship between Micro-Insurance contributed by micro-insurance premiums, claim and re-insurance cost on financial performance. | The study was done on insurance companies. | The current research focused on SMEs. |

| | | | | |
|---------------|--|---|--|---|
| Mururi (2015) | Micro-insurance approaches used by insurance firms for sustainable competitive gain. | Strategies used were efficient claim settlement, claim scrutiny, flexible premium, prudent underwriting, market focus, product differentiation and low administration cost. | The study examined insurance strategies. | The study investigated financial support service. |
|---------------|--|---|--|---|

2.5 Conceptual Framework

Independent variable was represented service offered Credit, Saving, Training as indicators. The dependent variable was performance of SMEs. Performance of SMEs enterprises was indicated by revenue, risk covered, investments and market share.

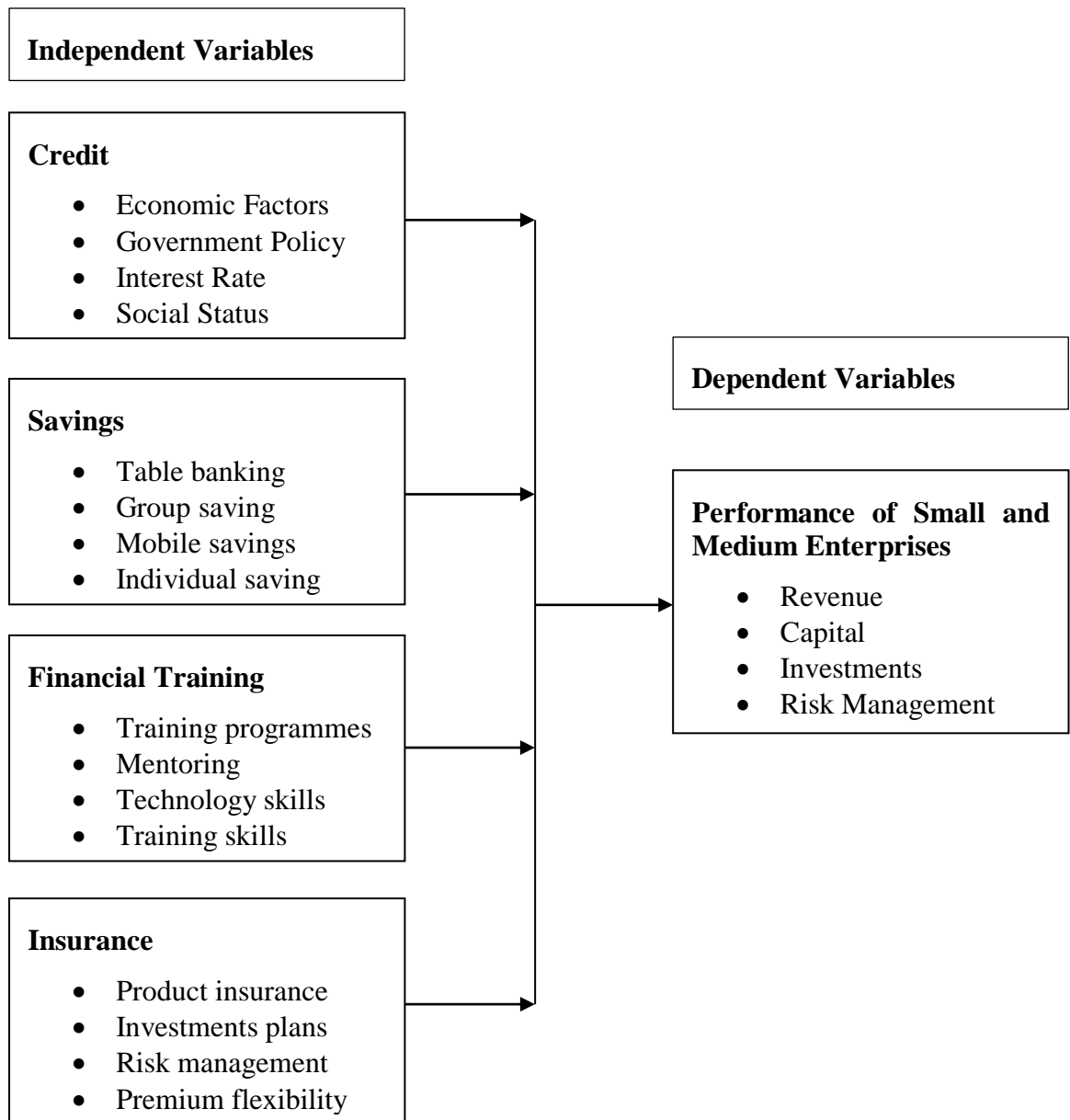


Figure 2.1: Conceptual framework

(Source: Researcher, 2022)

The research evaluated microfinance in connection to numerous functions, including deciding loans, training, deposits, and saving schemes that benefit SMEs, based on the conceptual framework. These products are measured by education level which results in increased income, growing investment, increased savings and increased financial independence. The study has intervening variable which is the education level.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The section provided a summary of research methodology. This are research design, the target population and sampling strategies, the data collection instrument, data analysis and ethical issue in research. This guide on where, how, when and what will be collected and analyzed.

3.2 Research design

Research design relates to numerous scientific consideration that provides the method which the inspection was organized and performed, as well as the used procedure and techniques to achieve the research objective (Saunders 2003). It entails all of the configurations of settings for attaining of evidence and evaluation in order to address the study problem in a systematic manner (Kothari, 2004). The research design defines the path that the study took. To explain outcome and root between dependent and independent variables, this study employed a cross-sectional survey research technique. Cross-section survey abled to collect information from all industry within a snapshot of static time. This provided reach information based on the perception of SMEs owners and managers in relation to financial support services and performance.

3.3 Target Population

Kombo and Tromp (2006), asserted that a set of items, people, things, or from whom they attain measurement sample is detailed as population. This investigation targeted 395 SMEs in Kericho County where the unit of analysis are firms. The owner or manager was the unit of observation in the study where information was collected

from them concerning the SMEs. The SMEs were group into hotel, retail, jua kali, cloth and food supply industries in the Kericho County as recorded in Kericho County Revenue Office (2019). This is summarized and presented in table 3.1.

Table 3.1: Population Framework

| Type of Business | Number of Employee | Percentage |
|-------------------------|---------------------------|-------------------|
| Hotel industry | 49 | 12% |
| Retail industry | 127 | 32% |
| Jua Kali industry | 39 | 10% |
| Cloth industry | 94 | 24% |
| Food supply industry | 86 | 22% |
| Total | 395 | 100% |

Source: Kericho County Revenue Office (2019)

3.3 Sample Design

According to Aczel (2009), the sample is a subset of the measurements of the population. The size of the sample and sampling technique are discussed in this subdivision.

3.3.1 Sample Size

A sample, in accordance to Krehbiel, Levine, and Bereson (2004), it takes less time than a census, costs less than a census, and is less tedious and practical to conduct than a census. A random sample of n elements, according to Aczel (2009), is a sample drawn from the population in such a manner that any collection of n items is as likely to be chosen as any other set of n elements.

The sample size should neither be too big or unreasonably small (Kothari, 2007). In order to obtain the sample size n the research adopted Yamen Taro formula from the target population N (Israel, 1992).

$$n = \frac{N}{1 + N(e)^2}$$

Where is N is target population given by 395, e =sample error of 5%

$$N = 395 / (1 + 395(0.05)^2) = 199$$

A sample size of 199 SMEs was used.

3.3.2 Sampling technique

The examination utilized stratified random sampling strategy to extract 199 SMEs from the population where stratus was hotel industry, retail, jua kali industry, cloth industry and food supply industry The study randomized the selection to provide a more generalized result.

Table 3.2: Sample Framework

| Type of Business | Number Employee | Sample | Percentage |
|----------------------|-----------------|------------|-------------|
| Hotel industry | 49 | 25 | 12% |
| Retail industry | 127 | 64 | 32% |
| Jua Kali industry | 39 | 20 | 10% |
| Cloth industry | 94 | 47 | 24% |
| Food supply industry | 86 | 43 | 22% |
| Total | 395 | 199 | 100% |

Source: Researcher (2022)

3.4 Data Collection Tool

The defining of an issue and the particular research objectives, according to Mugenda and Mugenda (2008), is a prerequisite to questionnaire design. A questionnaire was used to obtain main data. It gives you a more complete picture than any other research tool. Data is acquired from every sampled SMEs using questionnaires. A questionnaire is a query set that a participant must reply, in writing generally (Kothari, 2004; Oso & Onen, 2009). Questionnaires were employed, because project is primarily concentrated with characteristics that can't be immediately seen, including the respondents' feelings, views, perceptions and opinions.

3.4.1 Pilot testing

Mugenda and Mugenda (2008) summaries that this is an essential phase in any investigation. A pilot study is given by 10% of the size of sample as further commented in accordance to Mugenda and Mugenda (2008). It aids with the fine-tuning of research tools to ensure that they acquire the desired data. Piloting was conducted in Bureti Sub-County constituting of 20 questionnaires. The research assistant was guided through the questionnaires filling out procedure and approaching participants on the first day of the exercise, which lasted for four days.

3.4.2 Validity of the Instruments

The utility of the findings resulting from the research instrument is ensured by its validity. It's the variation to extent that the instrument evaluates accurately whatever it ought to be measure (Kothari, 2011). Before travelling to the field, the researcher reviewed the substance of the questionnaires with the supervisors to ensure that the study's content validity is maintained. This guaranteed that any questions that are ambiguous or confusing are removed or amended.

3.4.3 Reliability of the Instruments

This refers to research instrument consistency after a recurrent use (Kombo & Tromp, 2006). It is important that there is consistency to make the result dependable and accurate (Oso & Onen, 2008). The study used to collect information from the pilot study to test for reliability. Reliability is tested using Cronbach alpha Coefficient which test the internal reliability between 0 to 1. A Cronbach coefficient of 0.7 is said to be reliable. The data extracted from SPSS were used to come with the values of Cronbach alpha coefficient as presented in table 3.3.

Table 3.3. Reliability of Instrument

| | Item | Cronbach Alpha |
|---------------------|------|----------------|
| Credit | 5 | 0.862 |
| Savings | 6 | 0.875 |
| Training | 5 | 0.738 |
| Insurance | 5 | 0.787 |
| Performance of SMEs | 5 | 0.733 |

According to the results the credit, savings, training, insurance and performance of SMEs questions had Cronbach Alpha that is greater than 0.7. Therefore, all section of questionnaires were reliable prompting further analysis to be conducted.

3.5 Data Collection Procedure

The researcher was given letter of authority from the university. This was used to prepare NACOSTI permit which assisted in acquisition in County Government, County Commissioner and education director from Kericho County. These permits assisted in authentication and asking consent from researcher. The researcher embarked in data collection where consent was attained from the SME owner. The

researcher was assisted by a research assistant where questionnaires were given to the business owner and collected after three days. Those who had not finished in three days a follow-up visit was done and the answered questionnaires were collected in two days' time.

3.6 Data Analysis and Presentation

Following the successful defense and approval of the proposal, the researcher requested from the Ministry of Science and Technology a research permit, which later allows them to gather evidence. Authorization is also required from the Ministry of Gender and Social Services, as well as other local governments.

According to Keller and Gerald, (2009) data are the observed values of a variable. To clarify a research topic, data analysis includes classifying, organizing, altering, and summarizing data. Data was analyzed qualitatively and quantitatively. Data analysis, as per Bryman and Cramer (1997), aims to achieve the examination aim and address the research questions. The approaches that are chosen for analysis are based on how appropriate they are fitted to the intentions of research and measurement scale of the variable in query (Kothari, 2004). To collect, analyze, and interpret the data, the research both utilized quantitative and qualitative methodologies. The evaluation of data approach is based on descriptive statistics, which was used to make conclusions about the relationships and differences observed in the research using the software application SPSS. The researcher utilized sample statistics to derive inferences on the population from the drawn sample based on the findings.

Multiple regression analysis as well as correlation analysis was used as inferential statistics to determine cause and effect at 5% significant level the model were;

The implemented model was employed by;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where;

Y = Performance of SMEs

β_0 = Constant Term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Beta coefficients

X_1 = Credit

X_2 = Training

X_3 = Savings

X_4 = Insurance

e = Error Term

In order to use multiple linear regression model, the following assumption normality, linearity, autocorrelation, multi-collinearity and homoscedasticity were diagnosed test as indicated in table 3.4.

Table 3.4: Diagnostic Test for Multiple Regression Model

| Assumption | Test | Threshold | Comment |
|--------------------|---------------------------------|------------------|-----------------------|
| Normality | Kolmogorov-Smirnov | P>0.05 | Normal Distribution |
| Linearity | ANOVA test | P=0.000<0.05 | Linear relationship |
| Autocorrelation | Durbin-Watson test | 1.5< d=2.081<2.5 | No Autocorrelation |
| Multi-Collinearity | Variance Inflation Factor (VIF) | VIF<10 | No Multi-collinearity |
| Homoscedasticity | Levene's Test | P>0.05 | Homoscedastic |

Source: Researcher (2022)

3.7 Ethical Considerations

The researcher's data gathering approach necessitated a pre-arranged meeting with the respondents. The protection of the respondent's information, the treatment of all responses with secrecy, and the high level of assurance given to them are the most ethical aspects that was highly addressed. Acquiring support of two research aiders the investigator administered the questionnaires with. To obtain quantitative and qualitative information, open-ended and closed-ended questionnaires are employed. Open ended queries are used to discover more about a given field.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1. Introduction

The results are presented in the section in tables and charts with interpretation. The data presented entails frequencies, percentages, mean, standard deviation, correlation analysis as well as multiple regression. This were interpreted and discussed in subsection that is demographic information, descriptive statistics and inferential statistics.

The response rate as revealed in table 4.1 revealed that returned questionnaires were 89% where 177 out of 199 were returned. Those that were either not returned or un-responded to were 22 making 11%.

Table 4.1: Responds rate

| Questionnaires | Number | Percentage |
|----------------|------------|-------------|
| Respondents | 177 | 89% |
| Un-Respondents | 22 | 11% |
| Total | 199 | 100% |

According to Mugenda & Mugenda (2003) a response rate that is greater than 80% is termed as excellent for further analysis. These results had 89% response rate which prompted for further analysis.

4.2. Demographic Information

Demographic data collected were on the gender of the business owner, academic qualification, duration of operation of the business, source of start-up and type of business. These were presented in relation to financial support and performance of SMEs. The information was presented in the following sub-section.

4.2.1. Gender of Business Owner

Gender of business owners were assessed in relation to SMEs in Kericho County. The gender of business owner was ascertained and information collected presented in figure 2.1.

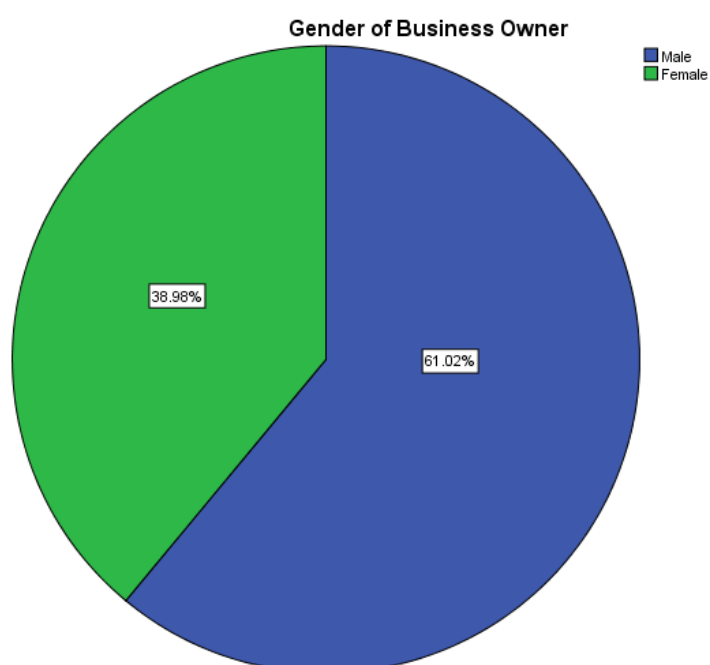


Figure 4.1: Gender

Source: Research Data (2022)

The results revealed that male business owners were leading with 61.02% which was followed by female owners at 38.96%. It reveals that most SMEs are still owned by male where in every five business owners three males and two are female.

4.2.2. Academic Qualification

The highest qualification of the owner was ascertained in SME from Kericho County. The owners of the SMEs were examined in basis of primary, secondary, college and university level. The findings were summarized in table 4.2.

Table 4.2: Academic Level

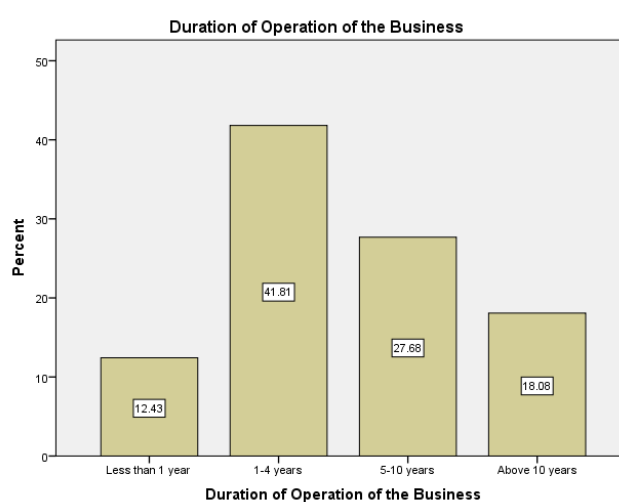
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------|-----------|---------|---------------|--------------------|
| | Primary | 15 | 8.5 | 8.5 | 8.5 |
| | Secondary | 82 | 46.3 | 46.3 | 54.8 |
| Valid | College | 51 | 28.8 | 28.8 | 83.6 |
| | University | 29 | 16.4 | 16.4 | 100.0 |
| | Total | 177 | 100.0 | 100.0 | |

Source: Research Data (2022)

Secondary level was the highest number of owners of SMEs in Kericho County with 46.3%. College, university and primary levels followed with 28.8%, 16.4% and 8.5% respectively. Most of SMEs do not necessary dependent on high level literacy but the skills and knowledge to run a business since majority have basic literacy.

4.2.3. Duration of Operation of the Business

The duration of operation of the business was ascertain to understand the age of the SMEs in Kericho. This was presented in figure 4.3.

**Figure 4.2: Duration of Operation of the Business**

Source: Research Data (2022)

Findings revealed that 41.81% of the business started between 1-4 years. While within 5-10 years period there were 27.68% business were started. This was followed by those that were above 10 years and less than 1 years with 18.08% and 12.43% of business respectively. The results revealed that within the period of the new constitution with county government that is below 10 years there as many businesses as 81.92% that were started as compared to 18.08%.

4.2.4. Source of Start-Up

Sources of start-up for the SMEs were examined in Kericho County. Where the start-ups were categorized into microfinance, personal savings, gifts/donation and selling properties. The summary results were presented in table 4.3.

Table 4.3: Source of Start-Up

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------------|-----------|---------|---------------|--------------------|
| Valid | Microfinance | 40 | 22.6 | 22.6 | 22.6 |
| | Personal Savings | 109 | 61.6 | 61.6 | 84.2 |
| | Gifts/Donation | 12 | 6.8 | 6.8 | 91.0 |
| | Selling Properties | 16 | 9.0 | 9.0 | 100.0 |
| | Total | 177 | 100.0 | 100.0 | |

Source: Research Data (2022)

The results showed that personal savings were leading with 61.6%. This was followed microfinance with 22.6%, selling properties with 9% and gifts/donations with 6.8%. Personal savings was the leading source of start-up of SMEs in Kericho County.

4.2.5. Type of Business

The type of business owned by the SMEs were investigated. The business were categorized into industries which were cloth, hotels, food, jua kali and retail industry. This were summarized in figure 4.3.

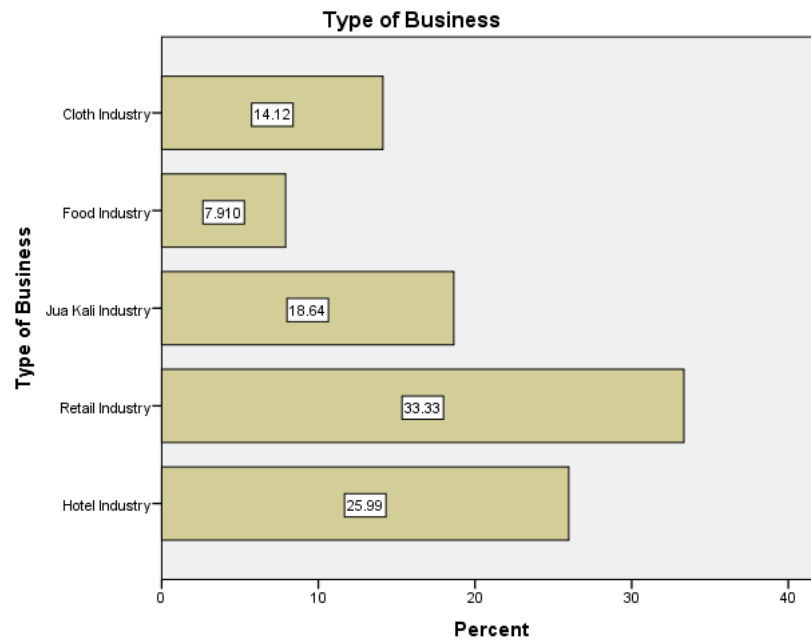


Figure 4.3: Type of Business

Source: Research Data (2022)

Retail business were leading business with 33.33%, Hotel industry followed with 25.99%, jua kali industry with 18.64%, cloth industry with 14.12% and food industry 7.91%. Hence, retail and hotel business are among the leading SMEs in Kericho County.

4.3. Descriptive Statistics

Descriptive statistics that were suitable for mean and standard deviation. This were computed from frequency results obtained five-point Likert scale where SD represented those who strongly disagreed with 1, D was disagreed with 2, N was neutral with 3, A was agreed with 4 and SA was strongly agreed with 5. The results were interpreted and discussed in the following subsection.

4.3.1. Descriptive statistics for credit

Questionnaire results that were relate to credit accessed by SMEs in Kericho County was obtained and summarized in table 4.4.

Table 4.4: Descriptive Statistics of Access to Credit

| CREDIT | SD=1 | D=2 | N=3 | A=4 | SA=5 | Mean | STD |
|---|---------|---------|-----------|------------|-----------|------|-------|
| There is ease in credit access for Small and Medium Enterprises | 1(0.6%) | 8(4.5%) | 58(32.8%) | 92(52.0%) | 18(10.2%) | 3.67 | 0.744 |
| Business evaluation for loan done by Micro-Financial Institution has been made flexible for Small and Medium Enterprises. | 0(0.0%) | 6(3.4%) | 54(30.5%) | 91(51.4%) | 26(14.7%) | 3.77 | 0.735 |
| Group loans have encouraged financial growth for Small and Medium Enterprises. | 0(0.0%) | 5(2.8%) | 18(10.2%) | 114(64.4%) | 40(22.6%) | 4.07 | 0.662 |
| There is asset funding for Small and Medium Enterprises that wants to grow their business. | 0(0.0%) | 4(2.3%) | 34(19.2%) | 95(53.7%) | 44(24.9%) | 4.01 | 0.731 |
| Small and Medium Enterprises has improved the net profit due access to credit facilities. | 0(0.0%) | 5(2.8%) | 13(7.3%) | 112(63.3%) | 47(26.6%) | 4.14 | 0.660 |

Source: Research Data (2022)

According to the result, there was an ease in credit access for Small and Medium Enterprises as revealed by majority of 92(52.0%) respondents agreed. Those respondents who were neutral were 58(32.8%) while 18(10.2%) strongly agreed, 8(4.5%) disagreed and 1(0.6%) strongly disagreed. It implied that majority were of the opinion that there was ease in credit access by SMEs in Kericho County (M=3.67, STD=0.744).

As per the results there were 91(51.4%) respondents agreed that business evaluation for loan done by Micro-Financial Institution was flexible for Small and Medium Enterprises. Even though 54 (30.5%) and 6(3.4%) respondents were neutral and disagreed respectively, there were 26(14.7%) respondents who strongly agreed. This indicated that majority were of the opinion that MFI was flexible while evaluating loans for SMEs ($M=3.77$, $STD=0.735$).

Majority of 114(64.4%) respondents agree that group loans encouraged financial growth for Small and Medium Enterprises. This was followed by respondents who strongly agreed were 40(22.6%), neutral were 18(10.2%) and disagreed were 5(2.8%). Group loans were much favourable for SMEs as means of accessing loan as revealed ($M=4.07$, $STD=0.662$).

The results indicated that 95(53.7%) agreed and 44(24.9%) of responsible strongly agreed that there was asset funding for Small and Medium Enterprises which assisted in the growth of business. Despite, 4(2.3%) strongly disagreed and 34(19.2%) disagreed majority indicated SMEs benefited from asset funding ($M=4.01$, $STD=0.731$). This implies that asset funding has enabled assisted the growth of SMEs.

Small and Medium Enterprises had improved the net profit due access to credit facilities as revealed by 112(63.3%) agreed and 47(26.6%) strongly agreed. On the contrary 5(2.8%) strongly disagreed and 13(7.3%) disagreed that it. Therefore, the access of credit facilities has enhanced net profit of SMEs ($M=4.14$, $STD=0.660$).

Waithanji (2014) concurs with current study that SMEs had grown due to access of credit from MFI. However, SMEs focused on the affordable interest rates, flexible amount and ease loan repayment.

4.3.2. Descriptive statistics for savings

The descriptive statistics for savings as practices by SMEs. The savings culture was examined and presented in table 4.5.

Table 4.5: Descriptive Statistics of Savings

| Savings | SD=1 | D=2 | N=3 | A=4 | SA=5 | Mean | STD |
|---|---------|---------|-----------|------------|-----------|------|-------|
| The Small and Medium Enterprises has learnt how to save through opening savings account. | 0(0.0%) | 5(2.8%) | 23(13.0%) | 116(65.5%) | 33(18.6%) | 4.00 | 0.657 |
| Most of the Small and Medium Enterprises use their savings to increase their operation. | 0(0.0%) | 7(4.0%) | 21(11.9%) | 109(61.6%) | 40(22.6%) | 4.03 | 0.711 |
| Mobile savings application has assisted entrepreneurs to save money and improve performance | 0(0.0%) | 7(4.0%) | 21(11.9%) | 109(61.6%) | 40(22.6%) | 3.82 | 0.767 |
| Saving account that are available enable Small and Medium Enterprises to access funds at any time. | 0(0.0%) | 4(2.3%) | 43(24.3%) | 97(54.8%) | 33(18.6%) | 3.90 | 0.716 |
| Small and Medium Enterprises use their saving account to secure money from theft. | 0(0.0%) | 2(1.1%) | 41(23.2%) | 106(59.9%) | 28(15.8%) | 3.90 | 0.654 |
| Saving practices has enabled Small and Medium Enterprises to protect, access and utilize their funds appropriately. | 0(0.0%) | 4(2.3%) | 25(14.1%) | 120(67.8%) | 28(15.8%) | 3.97 | 0.625 |

Source: Research Data (2022)

The findings revealed 116(65.5%) respondents agreed and 33(18.6%) respondents strongly agreed that Small and Medium Enterprises save their money savings account.

Nevertheless, 5(2.8%) respondents strongly disagreed and 23(13.0%) respondents had not saved their monies in saving account. This indicated that SMEs use saving account to save their money ($M=4.00$, $STD=0.657$).

Most of the Small and Medium Enterprises used their savings to increase their operation as agreed by 109(61.6%) respondents and strongly agreed by 40(22.6%) respondents. However, disagreed 7(4.0%) and neutral 21(11.9%) respondents that savings increased operation. This revealed that savings improve operation of SMEs ($M=4.03$, $STD=0.711$).

Findings revealed that 109(61.6%) agreed and 40(22.6%) strongly agreed that SMEs were able to utilize mobile savings application which has assisted entrepreneurs to save money and improve performance. On the contrary 7(4.0%) strongly disagreed and 21(11.9%) disagreed. Mobile savings assisted the SMEs to save and enhance performance ($M=3.82$, $STD=0.767$).

The response indicated 97(54.8%) respondents agreed and 33(18.6%) respondents strongly agreed that saving account that are available enabled Small and Medium Enterprises to access funds at any time. Despite 4(2.3%) respondents who disagreed and 43(24.3%) respondents who were neutral, majority pointed that saving account assist the SME access their money ($M=3.90$, $STD=0.716$).

In regards to the results majority of Small and Medium Enterprises with 106(59.9%) agreed and 28(15.8%) strongly agreed to have used their saving account to secure money from theft. There were few who disagreed with 2(1.1%) respondents and 41(23.2%) respondents were neutral. The implied that SMEs used savings account assist in securing money from theft ($M=3.90$, $STD=0.654$).

The results further revealed that saving practices had enabled Small and Medium Enterprises to protect, access and utilize their funds appropriately as agreed by 120(67.6%). This was followed by those who strongly agreed with 28(15.8%), neutral 25(14.1%) and disagreed 4(2.3%). This implied that the SMEs practiced savings to protect, access and use their finance appropriately (M=3.97, STD=0.625). Amenya (2016), concurs with current study savings had significant effect on SMEs financial performance.

4.3.3. Descriptive statistics for training

Mean and standard deviation were used to present, interpret and discuss on the training of SMEs. The summary results were presented in table 4.6.

Table 4.6: Descriptive Statistics of Training

| Training | SD=1 | D=2 | N=3 | A=4 | SA=5 | Mean | STD |
|--|---------|---------|-----------|------------|-----------|------|-------|
| Trainings are available to Small and Medium Enterprises | 0(0.0%) | 5(2.8%) | 40(22.6%) | 119(67.2%) | 13(7.3%) | 3.79 | 0.609 |
| Micro-Financial Institutions has provided capacity building through direct contact with Small and Medium Enterprises. | 0(0.0%) | 3(1.7%) | 43(24.3%) | 115(65.0%) | 16(9.0%) | 3.81 | 0.607 |
| Financial management remain crucial aspect of Micro-Financial Institutions which provide regular training to Small and Medium Enterprises. | 0(0.0%) | 3(1.7%) | 62(35.0%) | 92(35.0%) | 20(11.3%) | 3.73 | 0.678 |
| The Micro-Financial Institution often go to the field to monitor progress of Small and Medium Enterprises. | 0(0.0%) | 5(2.8%) | 75(42.4%) | 76(42.9%) | 21(11.9%) | 3.64 | 0.726 |

| | | | | | | | |
|---|---------|---------|-----------|------------|-----------|------|-------|
| Small and Medium Enterprise have grown through training and capacity building from Micro-Finance Institution. | 0(0.0%) | 4(2.3%) | 22(12.4%) | 126(71.2%) | 25(14.1%) | 3.97 | 0.598 |
|---|---------|---------|-----------|------------|-----------|------|-------|

Source: Research Data (2022)

Table 4.6 results indicated that trainings were available to Small and Medium Enterprises as agreed by 119(67.2%) of the respondents. Those who were neutral followed with 40(22.6%) respondents, 13(7.3%) strongly agreed and 5(2.8%) disagreed. This meant that training was availed to SMEs by micro-financial institutions (M=3.79, STD=0.609).

Majority of 115(65.0%) respondents agreed that Micro-Financial Institutions has provided capacity building through direct contact with Small and Medium Enterprises. Although those who were neutral were 43(24.3%) respondent, 16(9.0%) strongly agreed and 3(1.7%) disagreed. This indicated that MFI assisted in enhancing SME through capacity building (M=3.81, STD=0.607).

There were 92(35.0%) and 20(11.3%) respondents who agreed and strongly agreed respectively that financial management remained crucial aspect of Micro-Financial Institutions in training to Small and Medium Enterprises. However, 3(1.7%) respondents disagreed and 62(35.0%) respondents were neutral on this opinion. It implied that MFI provided financial management trainings to SMEs (M=3.73, STD=0.678).

The results indicated a majority of 76(42.9%) who agreed that the Micro-Financial Institution often went to the field to monitor progress of Small and Medium Enterprises. Nevertheless, 75(42.4%) were neutral and 5(2.8%) disagreed, there were

21(11.9%) who strongly agreed with this opinion. This implied that the monitoring progress of SME were done occasionally by MFI (M=3.64, STD=0.726).

Finally, Small and Medium Enterprise had grown through training and capacity building from Micro-Finance Institution as agreed by a majority of 126(71.2%) respondents. Even though, 4(2.3%) respondents disagreed, 22(12.4%) were neutral and 25(14.1%) strongly agreed, there training and capacity building remained crucial for growth of SMEs (M=3.97, STD=0.598).

4.3.4. Descriptive statistics of insurance

The response on insurance services provided by MFI were examined using descriptive statistics. The mean and standard deviation were presented in summary in table 4.7.

Table 4.7: Descriptive Statistics of Insurances

| Insurance | SD=1 | D=2 | N=3 | A=4 | SA=5 | Mean | STD |
|---|---------|---------|-----------|------------|-----------|------|-------|
| There are several insurance products that assist Small and Medium Enterprises to grow and secure their business. | 0(0.0%) | 5(2.8%) | 23(13.0%) | 119(67.2%) | 30(16.9%) | 4.15 | 0.716 |
| Saving plans for higher return to Small and Medium Enterprises are among insurance policies given by Micro-Financial Institution. | 0(0.0%) | 5(2.8%) | 23(13.0%) | 119(67.2%) | 30(16.9%) | 3.98 | 0.644 |
| The insurance given by Micro-Financial Institution assist in managing risk in Small and Medium Enterprises | 0(0.0%) | 2(1.1%) | 35(19.8%) | 111(62.7%) | 29(16.4%) | 3.94 | 0.637 |
| The premium paid are flexible and achievable to Small and Medium Enterprises. | 1(0.6%) | 5(2.8%) | 59(33.3%) | 101(57.1%) | 11(6.2%) | 3.66 | 0.666 |

| | | | | | | | |
|---|---------|---------|-----------|------------|-----------|------|-------|
| Small and Medium Enterprises uses the existing insurance policies to ensure security of investment. | 0(0.0%) | 5(2.8%) | 44(24.9%) | 100(56.5%) | 28(15.8%) | 3.85 | 0.708 |
|---|---------|---------|-----------|------------|-----------|------|-------|

Source: Research Data (2022)

The finding in table 4.7 showed that of respondents 5(2.8%) disagreed, 23(13.0%) neutral, 119(67.2%) agreed and 30(16.9%) strongly agreed that there was existence of several insurance products. This insurance products assisted Small and Medium Enterprises to grow as well as secure their business (M=4.15, STD=0.716).

Findings showed that majority of the respondents with 119(67.2%) agreed, followed by strongly agreed, neutral and disagreed with 30(16.9%), 23(13.0%) and 5(2.8%) respectively on saving plans for higher return to Small and Medium Enterprises. This indicated that saving plans insurance policies given by Micro-Financial Institution assisted the SMEs to gain higher returns (M=3.98, STD=0.644).

The results respondents 2(1.1%) disagreed, 35(19.8%) neutral, 111(62.7%) agreed and 29(16.4%) strongly agreed that the insurance given by Micro-Financial Institution assist in managing risk in Small and Medium Enterprises. This implied that MFI assisted SMEs to reduced and manage business risk (M=3.94, STD=0.637).

In response to whether the premium paid were flexible and achievable to Small and Medium Enterprises was strongly disagreed by 1(0.6%), 5(2.8%) disagreed, 59(33.3%) neutral, 101(57.1%) agreed and 11(6.2%) strongly agreed. Small and Medium Enterprises benefited from flexible and achievable premium paid for insurance investments (M=3.66, STD=0.666).

Finally, Small and Medium Enterprises used the existing insurance policies to ensure security of investment as revealed by 5(2.8%) who disagreed, 44(24.9%) neutral,

100(56.5%) agreed and 28(15.8%) strongly agreed. The insurance policies ensured that the SMEs had secured investment (M=3.85, STD=0.708).

4.3.5. Descriptive statistics of Performance of SMEs

Descriptive statistics was analyzed for the performance of Small and Medium Enterprises. This was summarized in the following table 4.8.

Table 4.8: Performance of Small and Medium Enterprises

| Performance of SMEs | SD=1 | D=2 | N=3 | A=4 | SA=5 | Mean | STD |
|--|---------|---------|-----------|------------|-----------|------|-------|
| There is an improve revenue to enterprise through access to loans and credit facilities. | 0(0.0%) | 4(2.3%) | 33(18.6%) | 129(72.9%) | 11(6.2%) | 3.83 | 0.559 |
| Small and Medium Enterprises enabling growth through savings | 0(0.0%) | 2(1.1%) | 31(17.5%) | 107(60.5%) | 37(20.9%) | 4.01 | 0.657 |
| Investment plans have improved as result of training increasing profitability Small and Medium Enterprise. | 0(0.0%) | 4(2.3%) | 33(18.6%) | 114(64.4%) | 26(14.7%) | 3.81 | 0.637 |
| There is low risk in business through Small and Medium Enterprise insurance plans. | 0(0.0%) | 4(2.3%) | 33(18.6%) | 114(64.4%) | 26(14.7%) | 3.92 | 0.647 |
| Financial support services have improved revenue, capital acquisition and investment in enterprises. | 0(0.0%) | 3(1.7%) | 20(11.3%) | 121(68.4%) | 33(18.6%) | 4.04 | 0.606 |

Source: Research Data (2022)

The results revealed a majority of 129(72.9%) respondents agreed that there was an improved revenue to enterprise through access of loans and credit facilities with 4(2.3%) respondents who disagree, 33(18.6%) were neutral, 11(6.2%) were strongly

agreed. The SMEs were able to access loans and credit facilities which improved revenue ($M=3.83$, $STD=0.559$).

Small and Medium Enterprises enabled the growth through savings where 2(1.1%) disagreed, 31(17.5%) neutral, 107(60.5%) agreed and 37(20.9%) strongly agreed. The savings assisted Small and Medium Enterprises to grow ($M=4.01$, $STD=0.657$).

The results indicate 4(2.3%) disagreed, 33(18.6%) neutral, 114(64.4%) agreed and 26(14.7%) strongly agreed that investment plans had improved as result of training increasing profitability Small and Medium Enterprise. This implied that investment plans were improved through training SMEs leading to high profitability ($M=3.81$, $STD=0.637$).

The findings revealed that majority 114(64.4%) agreed which was low risk in business through Small and Medium Enterprise insurance plans whereas 4(2.3%) disagreed, 33(18.6%) were neutral and 26(14.7%) strongly agreed. Small and Medium Enterprise were insurance plans assisted in reduce risk ($M=3.92$, $STD=0.647$).

Financial support services had improved revenue, capital acquisition and investment in enterprises where 3(1.7%) disagreed, 20(11.3%) neutral, 121(68.4%) agreed and 33(18.6%) strongly agreed. The implied that financial support services enhanced revenue, capital acquisition and investment of SMEs ($M=4.04$, $STD=0.606$).

4.4 Inferential Statistics

Correlation analysis and multiple linear regression analysis were adopted as inferential statistics. The results from multiple linear regression analysis were therefore, used in testing of the hypotheses based on 5% significant level. These were presented in the following subsections.

4.4.1. Correlation analysis

The results of correlation analysis assisted to ascertain the interrelationship among credit, savings, training and insurance as financial support services provided by MFI as well as performance of SMEs. This was summarized in table 4.9.

Table 4.9: Correlation Analysis

| | | Credit | Savings | Training | Insurance | Performance of SMEs |
|---------------------|---------------------|--------|---------|----------|-----------|---------------------|
| Credit | Pearson Correlation | 1 | .671** | .555** | .454** | .709** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 |
| | N | 177 | 177 | 177 | 177 | 177 |
| Savings | Pearson Correlation | | 1 | .708** | .712** | .777** |
| | Sig. (2-tailed) | | | .000 | .000 | .000 |
| | N | | 177 | 177 | 177 | 177 |
| Financial Training | Pearson Correlation | | | 1 | .717** | .776** |
| | Sig. (2-tailed) | | | | .000 | .000 |
| | N | | | 177 | 177 | 177 |
| Insurance | Pearson Correlation | | | | 1 | .775** |
| | Sig. (2-tailed) | | | | | .000 |
| | N | | | | 177 | 177 |
| Performance of SMEs | Pearson Correlation | | | | | 1 |
| | Sig. (2-tailed) | | | | | |
| | N | | | | | 177 |

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2022)

The results indicated that credit support services offered by MFI were strongly and positively related with performance of SMEs ($R=0.709$). It was revealed that saving had a strong positive relationship with performance of SMEs ($R=0.777$). Training support services revealed that it had strong positive relationship with performance of SMEs ($R=0.776$). Finally, insurance had strong positive significant relationship with performance of SMEs ($R=0.775$). This implied that credit, savings, training and

insurance support services offered by MFI had strong positive significant influence on the performance of Small and Medium Enterprises.

4.4.2. Diagnostic Test

Diagnostic test for multiple regression were analyzed before adopting the model. According to the results the data were normally distributed since the test results from Kolmogorov-Smirnov test had p value that was greater than 0.05. Their existed linear relationship between the variables since p value for credit, savings, training and insurance on performance of SMEs was 0.000. The study had no autocorrelation since Durbin-Watson value was 2.081 which was within the recommended value of 1.5 to 2.5. The results revealed that there was no multi-collinearity since all variance inflation factors were less than 10. Finally, the study found that there was homogeneity of variance between financial support and performance of SMEs ($P > 0.05$).

4.4.3. Multiple linear regression analysis

Multiple linear regression analysis was adopted after testing normality, linearity, autocorrelation and homoscedasticity where the results as presented in chapter three achieved all assumptions. The results were presented in table 4.10 to 4.11.

Table 4.10: Summary Model

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .886 ^a | .785 | .780 | .20319 |

a. Predictors: (Constant), Insurance, Credit, Savings, Training

Source: Research Data (2022)

The summary model results in table 4.10 indicated that there was strong relationship between financial support services in terms of insurance, credit, savings and training

with performance of SMEs (R=0.886). Financial support services contributed to 78.5% of the performance SMEs where other factors attributed to the remaining 21.5% (R Square = 0.785).

Table 4.11: ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1 | Regression | 25.872 | 4 | 6.468 | 156.665 | .000 ^b |
| | Residual | 7.101 | 172 | .041 | | |
| | Total | 32.973 | 176 | | | |

a. Dependent Variable: Performance of SMEs

b. Predictors: (Constant), Insurance, Credit, Savings, Training

Source: Research Data (2022)

ANOVA results in table 4.11 revealed that insurance, credit, savings and training support services provide by MFI had significant relationship with performance of SMEs (F=156.665, P=0.000<0.05).

Table 4.12: Coefficient

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t-Statistics | Significant value (P) |
|-------|------------|-----------------------------|------------|---------------------------|--------------|-----------------------|
| | | β | Std. Error | Beta | | |
| 1 | (Constant) | .511 | .139 | | 3.676 | .000 |
| | Credit | .253 | .037 | .332 | 6.752 | .000 |
| | Savings | .242 | .049 | .277 | 4.939 | .000 |
| | Financial | .171 | .064 | .177 | 2.671 | .008 |
| | Training | | | | | |
| | Insurance | .209 | .058 | .254 | 3.603 | .000 |

a. Dependent Variable: Performance of SMEs

Source: Research Data (2022)

The results in table 4.12 indicated that the multiple linear regression model was given by;

$$Y = 0.511 + 0.253X_1 + 0.242X_2 + 0.171X_3 + 0.209X_4$$

Where; Y = Performance of SMEs, X_1 = Credit, X_2 = Training, X_3 = Savings and X_4 = Insurance. Which revealed that a unit increase of credit facilities support service render to SMEs there were 25.3% increase in performance ($\beta_1 = 0.253$). A unit increase in training, saving and insurance would result to 24.2%, 17.1% and 20.9% increase in performance of SMEs ($\beta_2 = 0.242$, $\beta_3 = 0.171$ and $\beta_4 = 0.209$ respectively). This implied that all financial support had positive influence with credit support leading, followed by savings support, insurance support and lastly training support service.

4.4.4. Test of Hypotheses

The results from multiple regression analysis were adopted in testing of the four null hypotheses. These were as follows;

H₀₁: There is no significant impact of credit on Small and Medium Enterprises' performance in Kericho County.

The null hypothesis was rejected and alternative adopted since the study findings revealed the that there was a positive significant influence of credit on SMEs performance ($\beta_1 = 0.253$, $P = 0.000 < 0.05$). The results from the study concurs with Nduta (2013) who found that credit management had positive influence on financial performance. However, the study used collection policy, credit risk and client appraisal to measure financial performance. The results indicate that credit has assisted firms to raise funds for capital and growth of businesses.

H₀₂: There is no significant effect of savings on the Small and Medium Enterprises' performance in Kericho County.

The second hypothesis as stated was reject ($\beta_2 = 0.242$, $P = 0.000 < 0.05$). This implied that there was significant effect of saving on the performance of SMEs. According to

Amenya (2016) the microfinance support that is savings had positive significant influence on SMEs performance. This was based on longitudinal research survey. The current results have similar findings. Therefore, SMEs had improved performance due to savings done and access to there savings in major financial institution.

H₀₃: There is no significant impact of training on the Small and Medium Enterprises' performance in Kericho County.

The third hypothesis as stated was reject and alternative adopted ($\beta_1 = 0.171$, $P = 0.008 < 0.05$). This indicated that there was significant impact of training on the Small and Medium Enterprises' performance in Kericho County. The results were also found by Ameyia (2016) who found that training among other microfinance product affected significantly financial performance of SMEs in Nairobi County. Despite, training been resource dependent their contribution to SMEs improves there knowledge and skills leading to higher performance.

H₀₄: There is no significant influence of insurance on the of Small and Medium Enterprises performance in Kericho County.

Finally, the alternative of stated hypothesis was accepted ($\beta_4 = 0.209$, $P = 0.000 < 0.05$). This implied that there existed a positive significant influence of insurance on performance of SMEs in Kericho County. Similar results were obtained by Atieno (2014) where the study found that micro-insurance had positive significant relationship with the financial performance of firms in Kenya. However, the current study focused on SMEs that were found in Kericho County, Kenya. This indicates that insurance product tends to benefit the SMEs performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Introduction

The chapter outlines the summary of the results which were adopted in developing conclusions as well as recommendations. This is crucial for the study in achieving the objective of the study.

5.2. Summary

The study examines the role of financial support services that is credit, savings, insurance and financial training on the performance of small and medium enterprise. The demographic information among the SMEs owners indicated that in any five business, male was dominant with three and female with two. Most of the owners had obtained secondary level of qualification and above. Majority of the SMEs have run there business less than `10 years this might be attributed with 2010 constitution which have improve business environment. However, most start-ups capital come from personal savings followed by Microfinance with a few from selling property and gift/donation. Kericho County most had retail business followed by hotels and few jua kali, cloth and food business in that order. The study also focused to provide summary results as per the objective of the research.

5.2.1. Summary of credit and performance of SMEs

The first object was to assess the outcome of credit on Kericho County' Small and Medium Enterprises' performance. The findings indicated that there was ease in accessing credit by SMEs. This required the MFIs to evaluate the business performance to access loans. The evaluation was made flexible to different type of SMEs. The MFI encouraged group loans as method of growing SMEs. Similarly,

asset financing was also used to ensure SMEs obtain assets that would enable them to grow. This has enhanced net profit of the SMEs.

The credit access was therefore found to have positive significant influence on performance of SMEs in Kericho County. Hence the null hypothesis was rejected and alternative accepted. This implies that the financial support through credit support to businesses by MFI had positive significant impact on the performance of Small and Medium Enterprises.

5.2.2. Summary of savings and performance of SMEs

The second object was to establish the impact of savings on Kericho County' Small and Medium Enterprises' performance. The findings revealed that SMEs were able to save through opening saving accounts. The saving was important in improving operation of the business enterprise. The disruptive technology of mobile savings has enabled some of the enterprise to use this technology to improve saving and improve performance. The saving product available has ease the access to fund by the SMEs as well as secured money from theft. This savings support service offered by MFIs have enable protection, access and prudent utilization of finance.

Therefore, savings as financial support services were found to positively influence the performance of SMEs in Kericho. This found after the findings reject the null hypothesis and adopted alternative. This implied that savings had positive significant influence on performance of SMEs

5.2.3. Summary of training and performance of SMEs

Third objective was to investigate the impact of training on Kericho County' Small and Medium Enterprises' performance. Trainings were made available to SMEs according to the results. MFI has direct contact with some SMEs through which they

are able to capacity build their customers. The training programmes in financial management has occasionally been done to SMEs are revealed by the results. Similarly, monitoring progress of SMEs is occasionally done by the MFI. Therefore, capacity building has enabled SMEs to grow.

The results further indicated that training had positive significant influence on performance of SMEs. This was achieved when null hypothesis was rejected and alternative accepted. It implied that training had positive and significant effect on performance of SMEs in Kericho County.

5.2.4. Summary of insurance and performance of SMEs

The fifth objective was to analyze the outcome of insurance on Kericho County' Small and Medium Enterprises' performance. The study found that there were several insurance products that were suitable for growth and security of small business. This included saving plans to improve returns of the SMEs against eventualities and risk. This have assisted the MFI to reduce and manage risk that affect SMEs in Kericho. These premiums are somehow flexible and achievable though there is low uptake of this insurance policies. The insurance support service is essential in improving security of SMEs' investment.

The inferential results rejected the null hypothesis and accepted the alternative. The study found that insurance had positive significant influence on the performance of SMEs in Kericho County. This implies that an increase in insurance uptake will improve growth of Small and Medium Enterprises.

5.3. Conclusion

The study concluded in the first objective, that credit access support service had positive significant influence on the performance of SMEs. This was attributed by

ability of MFI to offer loan facilities that are flexible in evaluation and ease of access by SMEs. The loan products that were available for access by SMEs were group loans and asset fundings. This improved accessibility of funds mainly for growth of the SMEs.

In the second objective, the study concluded that saving had positive significant impact on the performance of SMEs. The SMEs were able to open saving accounts to improve savings in their enterprise which assisted in improving operations, access and protect their money. The saving culture have been disruptive improved by the adoption of mobile technology which has enhance saving. The saving has therefore, enhance performance through improvement of capital base for most of SMEs in Kericho.

The study concluded in the third objective that financial training had positive significant influence on performance of SMEs in Kericho County. This was attributed to availability of training, capacity building programmes through direct contact with SMEs, financial management trainings and progress monitoring. These have assisted SMEs to grow through training as well as capacity building programmes done by MFI.

In the final objective, the study concluded that insurance support service had positive significant influence on the performance of SMEs in Kericho. MFI has ensured that there are sufficient insurance products that would assist the performance of SMEs in growth as well as secure their businesses. These policies are tailored to ensure high return for SMEs. However, there is low uptake of this insurance policies and investment plans which are associated with moderate flexibility and achievability by most SMEs. The policies have improved security of investment of SMEs.

5.4. Recommendations

The study recommended that financial should also consider start-ups loan since majority of business start-ups are from personal savings. The loan that are provided require either group financing or asset financing which fits business that have growth with tangible evaluable assets and profitability. There is room for improving access to business that are starting-up by developing products that are based on business proposal that are well planned to enable those who lack capital to start-up. This will be a game changer for the women and youth who are disadvantaged from lack of capital and employments. This will solve the problem of unemployment for youth graduate who lack job but have ideas that are implementable.

The study recommends that business should be encourage to adopt mobile technology as well as existing innovation to improve savings. Savings was the leading source of start-ups which can also be the leading source of growth of SMEs. The mobile technology has enabled SMEs to have pay bill accounts, till numbers, agent withdrawals and mobile transaction linking banks, MPesa, Airtel agents and virtual accounts. This product will enable business to improve on saving making SMEs depend more on their saving rather than credit.

The study recommended that financial institution should improve training and capacity building to SMEs. The existing structure of training and capacity building require direct access to business premises of SMEs as well as monitoring them which remain expensive adding overhead cost. This is why training and capacity building is scoring the lowest, yet significant financial support service. The study recommends improve of training and capacity building to digital training programmes that is online conferences, capacity building and training as well as mobile technology training tips

which improve interaction of customers with the financial institutions. There are new avenues that are cheaper and informative to improve performance of SMEs.

The study suggests that insurance uptake can be improved through developing products that fit different business models. The investment can be tailored made for individuals by increasing flexibility and achievability by SMEs. This is by reducing premiums for low-income earners as well as flexible payment arrangement. Insurance policies should also fit individuals, SMEs and companies based on flexibility and cost of premiums.

5.4.1. Suggestion for Further Research

The study suggested further study to be done on mobile financial support service and performance of SMEs. This is due to improvement of technology and new technology that have changed the method of banking. Mobile banking has introduced saving plans, mobile insurance, mobile credit and mobile access to funds in real time either through SMS, internet or mobile application.

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APPENDICES

Appendix I: Letter of Transmittal

Michael Kipkorir Kirui

Kenyatta University,

School of Business

P.O. Box 43844,

Kericho Campus.

E-mail: k332michaeli@gmail.com

Dear Respondent,

RE: RESEARCH PROJECT

I am Michael Kipkorir Kirui, a student at Kenyatta University pursuing Masters of Business Administration Finance option. I am undertaking a study on selected finance services and performance of small and medium enterprises in Kericho County. Please provided the best of your answers since all information will be kept confidential.

Thank you.

Yours sincerely,

Michael Kipkorir Kirui

Appendix II: Questionnaires

SECTION A: DEMOGRAPHIC DATA

Please kindly tick appropriate answer

1. Gender of the Owner of the business?

Male ()

Female ()

2. The highest level of education of the person running the business?

Primary ()

Secondary ()

College ()

University ()

3. For how long have the business operating your business?

Less than 1 years ()

1 -4years ()

5-10 years ()

Above 10 years ()

4. How was the startup capital raised?

From microfinance ()

Personal saving ()

Gifts/Donations ()

Selling your properties ()

5. Type of the business?

Hotel industry () Retail industry () Jua Kali industry () Food industry ()

Cloth industry ()

SECTION B: CREDIT AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

Please answer appropriately where 1(Strongly Disagree); 2(Disagree); 3(Neutral), 4 (Agree) and 5(Strongly Agree).

A. Credit

| Questions | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| 1. There is ease in credit access for Small and Medium Enterprises | | | | | |
| 2. Business evaluation for loan done by Micro-Financial Institution has been made flexible for Small and Medium Enterprises. | | | | | |
| 3. Group loans have encouraged financial growth for Small and Medium Enterprises. | | | | | |
| 4. There is asset funding for Small and Medium Enterprises that wants to grow their business. | | | | | |
| 5. Small and Medium Enterprises has improved the net profit due access to credit facilities. | | | | | |

6. What should the government do to enable most SMEs increase production through access to finance?

PART C: SAVINGS AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

Please answer appropriately where 1(Strongly Disagree); 2(Disagree); 3(Neutral), 4 (Agree) and 5(Strongly Agree).

| Savings | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| 1. The Small and Medium Enterprises has learnt how to save through opening savings account. | | | | | |
| 2. Most of the Small and Medium Enterprises use their savings to increase their operation. | | | | | |
| 3. Mobile savings application have assisted entrepreneurs to save money and improve performance | | | | | |
| 4. Saving account that are available enable Small and Medium Enterprises to access funds at any time. | | | | | |
| 5. Small and Medium Enterprises use their saving account to secure money from theft. | | | | | |
| 6. Saving practices has enabled Small and Medium Enterprises to protect, access and utilize their funds appropriately. | | | | | |

7. What are other benefits of saving on performance of enterprises?

PART D: TRAINING AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

Please answer appropriately where 1(Strongly Disagree); 2(Disagree); 3(Neutral), 4 (Agree) and 5(Strongly Agree).

| Training | 1 | 2 | 3 | 4 | 5 |
|---|----------|----------|----------|----------|----------|
| 1. Training are available to Small and Medium Enterprises | | | | | |
| 2. Micro-Financial Institutions has provided capacity building through direct contact with Small and Medium Enterprises. | | | | | |
| 3. Financial management remain crucial aspect of Micro-Financial Institutions which the provide regular training to Small and Medium Enterprises. | | | | | |
| 4. The Micro-Financial Institution often go to the field to monitor progress of Small and Medium Enterprises. | | | | | |
| 5. Small and Medium Enterprise have grown through training and capacity building from Micro-Finance Institution. | | | | | |

6. What other ways micro-financial institution assisted in training and capacity building?

PART E: INSURANCE AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

Please answer appropriately where 1(Strongly Disagree); 2(Disagree); 3(Neutral), 4 (Agree) and 5(Strongly Agree).

| Insurance | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|
| 1. There are several insurance products that assist Small and Medium Enterprises to grow and secure their business. | | | | | |
| 2. Saving plans for higher return to Small and Medium Enterprises are among insurance policies given by Micro-Financial Institution. | | | | | |
| 3. The insurance given by Micro-Financial Institution assist in managing risk in Small and Medium Enterprises | | | | | |
| 4. The premium paid are flexible and achievable to Small and Medium Enterprises. | | | | | |
| 5. Small and Medium Enterprises uses the existing insurance policies to ensure security of investment. | | | | | |

6. What other ways has financial support services assisted Small and Medium Enterprises through insurance?

PART F: FINANCIAL SUPPORT SERVICES AND PERFORMANCE OF SMES

Please answer appropriately where 1(Strongly Disagree); 2(Disagree); 3(Neutral), 4 (Agree) and 5(Strongly Agree).

| Performance of Small and Medium Enterprises | 1 | 2 | 3 | 4 | 5 |
|---|----------|----------|----------|----------|----------|
| 1. There is an improve revenue to enterprise through access to loans and credit facilities. | | | | | |
| 2. Small and Medium Enterprises enabling growth through savings | | | | | |
| 3. Investment plans have improved as result of training increasing profitability Small and Medium Enterprise. | | | | | |
| 4. There is low risk in business through Small and Medium Enterprise insurance plans. | | | | | |
| 5. Financial support services has improved revenue, capital acquisition and investment in enterprises. | | | | | |

Appendix III: Approval of Research Project Proposal



KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 26th October, 2022

TO: Kirui Michael Kipkorir
C/o Accounting and Finance Dept.

REF: D53/PT/31530/2015

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL


This is to inform you that Graduate School Board at its meeting of 19th October, 2022 approved your Research Project Proposal for the M.B.A Degree Entitled, **"Financial Support Services and Performance of Small and Medium Enterprises in Kericho County, Kenya"**.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.


ANNBELL MWANIKI
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Prof. Charles Tibbs
C/o Department of Accounting and Finance
Kenyatta University

AM/Inn

Appendix IV: Authorization for Data Collection



KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/PT/31530/2015

DATE: 26th October, 2022

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

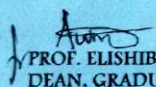
RE: RESEARCH AUTHORIZATION FOR KIRUI MICHAEL KIPKORIR – REG. NO. D53/PT/31530/2015.

I write to introduce Kirui Michael Kipkorir who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the Department of Accounting and Finance.

Kirui intends to conduct research for a M.B.A Project Proposal entitled, **“Financial Support Services and Performance of Small and Medium Enterprises in Kericho County, Kenya”**.






Any assistance given will be highly appreciated.

Yours faithfully,



PROF. ELISHIBA KIMANI
DEAN, GRADUATE SCHOOL

AM/inn

Appendix V: NACOSTI Authorization

| | |
|---|---|
|  REPUBLIC OF KENYA |  NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION |
| RefNo: 861966 | Date of Issue: 06/December/2022 |
| RESEARCH LICENSE | |
|  | |
| <p>This is to Certify that Mr.. KIRUI KIPKORIR MICHAEL of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kericho on the topic: "FINANCIAL SUPPORT SERVICES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KERICHO COUNTY, KENYA" for the period ending : 06/December/2023.</p> | |
| License No: NACOSTI/P/22/22214 | |
| 861966 Applicant Identification Number |  Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION |
| | Verification QR Code  |
| <p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p> | |
| See overleaf for conditions | |

Appendix VI: Ministry of Interior and Nation Administration Authorization


THE PRESIDENCY
MINISTRY OF INTERIOR AND NATIONAL ADMINISTRATION

Telegrams:
Telephone: Kericho 20132
When replying please quote
kerichoco@yahoo.com


COUNTY COMMISSIONER
KERICHO COUNTY
P.O. BOX 19
KERICHO

REF: MISC.19 VOL.VIII (51) 6th December, 2022

KIRUI KIPKORIR MICHAEL
KENYATTA UNIVERSITY


RE: RESEARCH AUTHORIZATION

I am pleased to inform you that you are authorized to undertake research vide letter Ref. No. NASCOTI/P/22/22214 dated 6th December, 2022 on "*FINANCIAL SUPPORT SERVICES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KERICHO COUNTY, Kenya*" for a period ending 6th December, 2023.



MUTHONI J. NKUBIRIA
FOR: COUNTY COMMISSIONER
KERICHO COUNTY

Appendix VII: Ministry of Education Authorization


REPUBLIC OF KENYA
MINISTRY OF EDUCATION
State Department of Early Learning and Basic Education

Email: cdekerichocounty@gmail.com
When Replying Please Quote:

County Education Office
P.O BOX 149
KERICHO

Ref: No. KER/C/ED/RC/VOL.111/24

6th December 2022

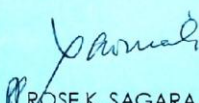
TO WHOM IT MAY CONCERN.

RE: RESEARCH AUTHORIZATION: KIRUI KIPKORIR MICHAEL LICENCE NO.NACOSTI/P/22/22214

I refer to the Director NACOSTI Letter Ref: No.86966 dated 6th December 2022 granting the student above authority to conduct research in Kericho County. His area of study is titled **"FINANCIAL SUPPORT SERVICES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KERICHO COUNTY, KENYA"** for the period ending 06/December, 2023.

This is to request your office to accord him the necessary support during the research period.

Thank you.


ROSE K. SAGARA
COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY.

FOR COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY

07 DEC 2022

P.O. BOX 149 – 20200,
KERICHO.

